

ACROSS THE DITCH WITH MISHA WILKINSON

We've all heard the reports that New Zealand Sauvignon Blanc has been spreading across London like a plague with price points dropping in every corner of the city; the GFC has also taken its toll plunging the UK into recession last year and causing major cuts in spending with people tightening belts and taking refuge at home; and the exchange rate between the NZ dollar and the British pound sterling has been doing very poorly indeed with a weak pound dropping a massive 25 percent against the Kiwi since its peak in 2009, plunging to unhealthy levels for exporters with unsustainable margins. The outlook for the UK has been bleak indeed.

So what's the current prognosis for the UK market, and will the coming summer months add a little shine to the market?

David Cox, New Zealand Winegrowers' director for Europe, is optimistic and believes the UK is still a very good market for New Zealand wine. When considering the three big impacts in the market—the recession, the retail discounting of Sauvignon Blanc and the exchange rate issues, he thinks the only factor that presents an issue is the drop in exchange rates—but he has a solution for that. Coping with such a massive exchange rate drop in a market that's extremely price sensitive has made things tough, so he says exporters need to think about pricing in British pounds and taking a long-term view of the market. He says that some of the bigger players from New Zealand already do this—but most don't. "UK distributors buy in euros and in US dollars but mostly they buy in British pounds and prefer to do so," he says.

Cox doesn't think the recession has hit London as hard as people say. Asked if he felt consumers were trading down, he says "absolutely not" and cites Nielsen data. "Higher priced wines are increasing," he says. "People are staying in, and staying in is the new going out. Instead of spending say £20+ on a bottle in a restaurant, they are going to an off-trade outlet (often an independent retailer) and seem happy to spend up to and over £10 for this wine, thus fuelling the trading up we are starting to

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see.” Cox also argues that people are spending more on wine—especially NZ wine—which he believes is well placed in the market. “NZ has built a reputation that their wines do cost a bit more than other New World countries like Australia, Chile and South Africa,” he says. “Although there has been a bit of discounting here as well as some BOGOF (buy-one-get-one-free), there hasn’t been too much to have caused any negative impact.”

In the UK, according to the latest Nielsen data (to 20 March 2010), there has been an increase of nearly 4% in off-trade wine sales volume over last year and nearly 7% in value. That has equated to a 3% increase in the average bottle of wine to £4.35. Australia still retains the biggest share of the off-trade market with 20.4% of volume (and 21.1% by value) but its volume has decreased by nearly 4% over the last year whereas Italy, South Africa, Chile, Spain and NZ have all increased their share with NZ the clear leader with a 50% increase in sales volume, with the next biggest increase being Chile at 22%.

NZ now has 3.3% of all UK off-trade sales by volume and 4.6% by value and retains its rather enviable position of holding the highest average price per bottle (£6.05). It’s down from last year’s £6.59 but still nearly £2 more than the average. (Australia’s average price sits at £4.51). A clear indicator of NZ’s premium niche positioning is in red wine sales where it holds just 0.3% of the volume but with an average price of £7.66—72% more than the average bottle of red wine and a staggering £2.66 more than the nearest rival, France!

In the on-trade, the annual sales volume to January was just up on the previous year but value increased 4%. Wine volume through pubs decreased slightly but increased in hotels and restaurants. Once again the figures show NZ’s premium niche position with just under 2% of on-trade sales volume but the highest on-trade bottle price at £18.49, up nearly 7% on the previous year and more than £4 ahead of the average bottle sale price of £14.13 (with Australia sitting at £13.41).

It seems Cox is right, NZ certainly is commanding a price premium for its wines, but does this mean we should be optimistic about the future? Will the UK market continue to be healthy for NZ and do people believe NZ has more cures in its medicine chest than Sauvignon Blanc?

UK journalist Anthony Rose, who writes



Steve Lewis, chief executive, Majestic Wines (Photo: Majestic Wines).

for *The Independent*, says, “I am very positive about New Zealand wine—it’s a fantastic addition to the panoply of wines and it does have something unique to express and say.” Rose, who attended the New Zealand Summer New Release Tasting in June, doubts the oversupply of Sauvignon Blanc and the period of discounting had any serious effect because the major NZ brand names preserved their price points. “New Zealand stands at the top of the price/quality ratio from a UK point of view,” he says, adding that having the highest price point is a significant factor, particularly in a market like Britain. As Rose points out NZ is still very much seen as a Sauvignon Blanc producer and thinks it will take a long time before the message filters through that NZ is diversifying in terms of varietal mix but Pinot Noir is certainly on the horizon.

Rose, summing up the Summer New Release Tasting, felt the highlights included the distinct improvement in Pinot Gris with some excellent examples exhibited; he enjoyed the Pinot Noirs, particularly from Central Otago, and felt the Syrahs were promising and showed opulence and balance. “Things can only get better for New Zealand. There are no negatives—or very few negatives associated with New Zealand,” he said. His prescription for New Zealand wine producers was, “Maintain your quality and integrity—and don’t overprice your wines.”

Rosemary George MW also feels the oversupply and subsequent discounting of Sauvignon Blanc was “a blip” on the radar a not a negative impact for NZ wine. Also attending the NZ Summer New Release Tasting, she said that “the Pinot Gris stuck me—producers are starting to find their way”. George believes NZ is making

inroads with aromatic white varieties and is particularly hopeful of the Rieslings.

UK wine consultant and sommelier Robert Giorgione (twitter.com/robertgiorgione), who represents NZ wines in the on-trade, says, “I have always regarded NZ as being a country with the potential to produce excellent quality premium wines, which not only perform well in the retail sector but also the on-trade. Their brand image for quality, consistency and value for money is exceptional.” Giorgione feels NZ is just starting to discover its own terroir and regionality and believes the focus on sustainable and organic practices is very positive and should be emphasised more.

In terms of varietal mix Giorgione says, “I sincerely feel that New Zealand has great potential to produce world-class Pinot Noirs.” He also feels aromatic whites have big potential, along with Syrah in a more Rhône style. “But we’re not talking big blockbuster Aussie Shiraz wines here. The NZ Syrahs tend to be more aromatic and peppery.” Overall Giorgione’s key message was that New Zealand should not do anything to compromise on quality or brand image.

MW Nick Adams, who has been in the London wine trade for nearly 30 years, now consults to on-trade and private clients as well as helping new entrants into the market. Commenting on the recent price discounting, Adams’ view was that there is always an offer of Marlborough Sauvignon Blanc somewhere in the UK, perhaps not at the three for £10 when NZ hit rock bottom, but at £4.99 or £5.99. “The saving grace is that they’re not dreadful at that price!” he says. Adams says there is a good feeling towards NZ and in conversations in the UK after a few drinks,

the question invariably comes up about, “Would you emigrate there?” He says NZ is wrapped around people’s dreams and that’s a positive backdrop for the wines.

Adams believes the risk for NZ wines in the UK is downwards pressure on the price points—an issue given that 83% of wine purchases are made in the off-trade where pricing is sensitive. However, he sees the on-trade as the place NZ should focus on. “In London there are at least 5,000 restaurant outlets and NZ is one of the few New World wines that work with food. Australia has big blousy barbecue wines—they’re getting better but they’re generally more hedonistic in style whereas wines from NZ are more refined and food friendly—and more restrained,” he says.

Restrained wines might be an advantage in the bottle but not in the marketing! Cox believes a restrained approach is what’s holding NZ back from even greater market success. “New Zealanders need to push a bit harder,” says Cox. “When the Aussies were in their heyday, the likes of Wolf Blass, Geoff Merrill etc., would talk things up and they made an impact. New Zealand needs to step up and be willing to tell their story—a little more loudly. I’m looking for a bit more charisma from producers. By the way I’ve banned the terms ‘Savalanche’, ‘Savvy’ and ‘Sav Blanc’—you wouldn’t have a Burgundy producer refer to his Chablis as “shabby”, would you?”

With NZ wines holding the highest average on-trade price, restaurants with a NZ biased wine list would also be a good indicator of the market’s well-being. Melanie Ellis, who manages the wine list at the Marylebone restaurant The Providores boasts the biggest NZ wine list in London. Having a restaurant with food designed by NZ chef Peter Gordon probably has a lot to do with it, although Ellis argues she is responding to what her customers want—those customers comprising the local Marylebone set as well as expat Kiwis. After Sauvignon Blanc, she says Riesling is their second biggest selling white wine and in terms of red wines, “Pinot Noir rules”. Doing her bit to encourage experiences with other varietals, Ellis has a unique approach to serving wine, offering a 400ml carafe option which she says is perfect to encourage small tables of diners to share a few different wines over a meal. She said there had perhaps been a bit of



The Tapa Room at The Providores, Marylebone, London.

trading down from the top end of her wine list, but asked if she felt the effects of the global recession—the response was, “not in this room!”

Across town in Clerkenwell at The Modern Pantry, Anna Hansen, head chef/founder, is cooking up a fusion storm and ensuring her wine list perfectly complements her eclectic food with a mix of wines from around the world, but still a heavy emphasis on NZ. Hansen is the recipient of the UK New Zealander of the Year in 2010 for her contribution to enhancing NZ’s profile in the UK over the past year. Her general manager, Candi Giacchetti, confides there isn’t as much wine being drunk during the day due to less lunch-time entertaining, but in the evenings things are different. She said last year there was some trading down in terms of wine prices, but “this year we’ve really seen an upturn”. Giacchetti agrees with Ellis in terms of varietal mix and says NZ Riesling sells well and Pinot Noir is huge.

Doing a health check mid-year is surely the best time to hear optimism in the UK, even against a backdrop of massive government cuts to get the country’s financial health into a more stable condition. But even against this new round of setbacks, positive wine news abounds. The UK’s largest wine warehouse chain, Majestic Wine, has announced it is rolling out fine wine displays in all of its stores over the next two years after a surge in sales which saw its pre-tax profit for the year ending March 2010 at £16m compared to £7.4m in 2009—an increase of 117%.

Majestic also just announced its intention

to expand its 153-store roster to 250 stores and that its average bottle price is now £6.56 against the 2009 average of £6.35. They have seen a 19.7% increase in online sales and retail sales of fine wine (priced at £20 per bottle and above) increasing 22.7% on last year. Steve Lewis, chief executive of Majestic said, “We have seen particularly strong growth in sales of New World wines, especially those from NZ, South Africa, Chile and Argentina.” In fact NZ is the second best selling country for Majestic behind France with sales particularly strong in the £10-20 price bracket.

As Cox says, “If we’re ever going to be able to prise the hands of Colonel Fotherington and his wife Camilla from their Old World wine to something from the New World, it’s more likely going to be from New Zealand than anywhere else!”

Last year the cause of much of NZ’s woes had been the supply imbalance due to the huge 2008 vintage, but the good news is that this has now been largely remedied with the announcement that the 2010 vintage was 266,000 tonnes—a 7% drop from the previous year. It’s a significant decrease given NZ’s producing area was estimated to have been 33,200 hectares—up 2,000 hectares on 2009.

So if you’re planning to take a deep breath and venture into the UK, it’s probably not a bad time to do it. In fact it just regained its crown as NZ’s largest market by volume. The retail trade loves NZ, sommeliers love NZ and even the media loves NZ. The news is all good, but the advice from Cox to exporters is:

- Don’t be seduced by pockets of trade and lower price points;
- Take a long-term view;
- Know where you want to be in the market;
- Push your distributors in the on-trade area—there are opportunities there;
- Come to the UK and talk to people—it really helps!; and
- When you come, talk passionately!

The condition of the market has certainly improved from a year ago. UK drinkers just need to continue following their prescription of regular doses of New Zealand wine either over the counter or administered by the on-trade, and we’ll see rosininess in their cheeks in no time!

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