

CELTIC TIGER TAKES TO WINE

The Irish market is anything but identical to its British counterpart and has shown dynamics that its eastern neighbour has lacked in recent years. Its economic success, long continental the envy of Europe, has also impacted on wine consumption. Monica Murphy takes a closer look at the island's domestic wine market.

Ireland has, by any standard, seen a remarkable transformation over the past decade. It has gone from being a historically down-trodden and economically disadvantaged nation to being one of the success stories of modern Europe, and its example is being followed by the emerging economies of Eastern Europe as they make their way in the Union. Ireland is enjoying almost full employment, and its young, well-educated and well-travelled workforce is being daily augmented by talented newcomers from far and wide. Not only are the Irish creating a dynamo of innovation and opportunity, but they are leading the way in mergers and takeovers of companies worldwide. Ireland is a small country, with a tiny population, that punches above its weight.

In the first years of this century, the Irish wine market grew in tandem with the country's other economic activity. For a few years, growth was in double digits, but it has now slowed to about 5-6% per annum. From 3.7 litres per head 15 to 20 years ago, wine consumption is now at least 18 litres per head - more if one considers the large quantities of wine bought on the Continent for personal use. Still, wine consumption is below that of Great Britain and most Continental countries, which shows there is still room for further growth.

Like many other markets worldwide, Ireland has recently been in a state of flux due to global mergers and takeovers. Agencies have been shuffled around in a mad whirl of rationalisation and centralisation, which has been as unsettling for customers as it has been for the management and sales force of many established companies.

Because the wine market is growing and the economic indicators are still strong, despite some perceived recent wobbles, Ireland has been flattered with much attention from would-be wine suppliers. Probably the biggest mistake made by many producers looking at the Irish market is to assume that it is just an extension of the wine market in the UK. Nothing could be further from the truth, as many British importers or agents

have found to their cost when they enthusiastically assume an agency for Ireland as well as their own market, presuming it can be worked just like any other "region". In fact, the Irish market is a very different animal, a fractured entity. There are several layers and types of channel, and almost all the larger companies are active in most channels.

The market splits approximately 70% off-trade and 30% on-trade. While the large multiples control the lions share of the former, there is a very strong move towards farmer's markets, particularly in urban areas, and the sales in supermarkets of organic goods are climbing. Organic wine, however, is only just beginning to make its mark.

The Irish hospitality sector, currently worth €4.2 billion, is growing rapidly, with 8.8 million visitors and a 6.4% increase in turnover in 2006. The same increase is expected in 2007. Hotel and Restaurant account for 18-20% of the total market, with pubs, clubs, cafes and wine bars at 10-12%.

The main sources of tourist and business conference visitors are Great Britain, the United States, Germany, France, Italy, Scandinavia, Benelux, Spain, Australia and Asia. The number of hotels and restaurants has grown hugely in recent times, with most international operators and chains active on the market as well as a strong indigenous hotel industry.

Restaurants include every type, from Michelin two-star to other white-tablecloth categories and bistros, wine bars, ethnic restaurants, and small operators. So-called "style bars", which serve excellent food and a wide range of wines-by-the glass and cocktails, are becoming very trendy and are considerably pushing up the quality of wine on offer.

Another phenomenon of the Irish on-trade is the prevalence of 18.7cl bottles, which hold approximately 15% of the entire wine market. This began around 15 years ago, when pubs started to serve food. Until then, the wine offering in pubs was abysmal. Today, there is a strong move towards wines-by-the-glass in pubs and restaurants, backed up by wine preservation

1	Benchmark Data	www.ie
Inhabitants:		4.2 million
GDP:	€ 130.8 billion (\$ 177.2 billion)	
Currency:		Euro (€)
Per capita wine consumption:		18 litres
Total wine consumption:	7.5 million nine-litre cases	
Legal drinking age:		18



systems, and so the percentage of small-format sizes may wane a little. The quarter-bottle or glass of wine is now seen as an intrinsic part of the “rounds” system in pubs, along with the more traditional choice of stout, beer and spirits. Bag-in-box and Tetra Pak have not yet made inroads into the market.

The strong corporate culture has led to an increase in entertaining, in which wine plays a major part, and wine is considered a very acceptable corporate gift. The new wealth in the country has led to a growing fashion for owning a wine cellar, or at least a temperature-controlled wine cabinet.

Demographics

The population of Ireland is tiny, though growing rapidly due to the return of many emigrants and an influx of immigrants from all over the world, in particular dynamic young people from continental Europe. A natural growth is also occurring due to higher birth rates, and lower death rates. Compared to the UK’s population of nearly 60 million, there are just 4.24 million in the Republic, or 5.7 million if you include Northern Ireland. Ireland has a much younger demographic than most European countries, with a high percentage of under 18s; almost 1.5 million people under 25 (CSO 2006); and 860,000 under 14.

One-third of the population live in the greater Dublin area and surrounding commuter counties, but Cork has a historical link with wine and several companies have their headquarters there. Belfast and the surrounding area carry the bulk of the population of Northern Ireland. However, because the south-west, west and north-west are major tourist areas, the spread of sales, although it is a seasonal business, is very satisfactory in these areas.

The consumption of wine per head in Ireland in 2006 was just over 18 litres compared to 27 litres in the UK, which translates into just over 7.5 million nine-litre cases. Individual figures for Northern Ireland are difficult to come by, as they tend to be

COMMENT

»» There are exciting times ahead for the wine industry. ««

Anthony Alken

After the recent upheaval in the Irish wine industry we should see a sense of order returning to the market before year-end. Once the market settles down a little, there are exciting times ahead for the wine industry as it becomes more stratified. The demographics are good. If even a small proportion of the many new wine consumers start getting interested in higher quality wines, there are golden opportunities ahead. It is up to us to offer them that choice.



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included in overall British figures, but it can be assumed to be fairly similar to the Republic. However, a sizeable proportion of the adult population of Northern Ireland are teetotal.

Twenty years ago, consumption in Ireland was 3.7 litres per head. Growth, from double digits until 2005, slowed to 6% in 2006. The brakes began to be applied when the smoking ban in public places, including pubs and restaurants, became law in 2004. A further brake to alcohol consumption happened in 2006, when random breath-testing for drivers was introduced. This has had the effect of falling pub consumption and more at-home drinking, benefiting the off-trade and wine in particular.

Because of the problems among very young age groups in Ireland, including binge drinking, there is an urgent need to

2 Countries of origin by market share					
Country	Share in 05	2005 ¹	2000 ¹	1995 ¹	1990 ¹
Australia	24,5%	1,769	750	242	42
Chile	21,0%	1,516	669	109	14
France	14,5%	1,047	1,033	933	807
USA	11,0%	794	632	112	28
South Africa	10,2%	736	332	64	-
Italy	5,7%	412	386	277	249
Spain	5,4%	390	257	144	81
Germany	2,8%	202	118	156	189
Argentina	2,2%	159	96	-	-
New Zealand	1,3%	94	41	12	2
Portugal	0,5%	36	75	30	29
others	0,8%	65	85	54	36

Table 2: ¹cases in '000

3 Top 10 brands				
	Wine	Country	Importer	Retail price in €
1	Jacob's Creek	Australia	IDL	7.95-9.99
2	Wolf Blass	Australia	Edward Dillon	9.99-12.99-15.99
3	Blossom Hill	USA	Diageo	6.99-8.49-8.99
4	Gallo Family Vineyards	USA	IDL	7.75
5	Rosemount	Australia	Edward Dillon	7.50-9.99-12.99
6	Santa Rita	Chile	Diageo	9.55-12.70
7	Hardys	Australia	Constellation Allied	9.49-9.99
8	Long Mountain	South Africa	IDL	7.99
9	Concha y Toro	Chile	Findlater Grant's	8.99-11.99
10	Carmen	Chile	Edward Dillon	8.99

Table 3: The New World reigns supreme in Ireland

IMPORTERS & MULTIPLES

4	The multinational spirits companies with wine divisions	
1	EDWARD DILLON AND COMPANY	14%*
<p>Main wine brands: Wolf Blass, Rosemount, Carmen, Lindemans, Nederberg, Penfolds, Fetzer, Moët & Chandon, Veuve Clicquot</p> <p>Almost one million cases. Owned by LVMH, Bacardi Brown-Forman and Pernod Ricard. Strong in multiples, pubs and hotels. Along with Hennessy and Grey Goose spirits, it has recently been handed all LVMH brands and Foster's Group brands to add to its already largely branded portfolio.</p>		
2	IRISH DISTILLERS	12%*
<p>Main wine brands: Jacob's Creek, Gallo, Long Mountain, Montana, Perrier Jouët, Mumm, Concha y Toro (in Northern Ireland only)</p> <p>Irish Distillers, owned by Pernod Ricard, also incorporating Fitzgerald's and other companies. Along with international Pernod Ricard brands such as Tia Maria, Kahlua, Malibu and others, it makes Irish whiskey brands Jameson, Paddy, John Power and Middleton, along with Cork Dry Gin. Focus: Multiples and pubs.</p>		
3	DIAGEO	10%*
<p>Main wine brands: Blossom Hill, Santa Rita, Faustino, Piat d'Or, Louis Latour, Yellow Tail</p> <p>Diageo incorporates the former Gilbey's and United Beverages wine companies as well as the indigenous brands Guinness, Baileys Irish Cream and Bushmills Whiskey. Strong in multiples and with wholesalers; some on-trade channels.</p>		
4	C & C – FINDLATER-GRANTS	9%*
<p>Main agencies: Concha y Toro, Sutter Home, Cono Sur, Wakefield, Arniston Bay, Bend in the River, Marques de Riscal, Keenan's Bridge, Marques de Caceres, Masi</p> <p>The two companies merged in the early 2000s. They are now forging ahead spectacularly with their Magners brand of cider in the UK (Bulmers in Ireland). Their wine portfolios were cruelly decimated in 2005-2006 by the global decisions made at LVMH and Foster's and Pernod Ricard to centralise all of their brands into their own single-distribution networks. This has currently changed the emphasis on wine in this company. Traditionally strong in HORECA, multiples and independents.</p>		
5	BARRY FITZWILLIAM MAXXIUM	7%*
<p>Main wine brands: Brown Brothers, MontGras, Michel Lynch, Guigal, Gonzalez Byass, Harveys</p> <p>Joint venture. This is an independent company incorporating Maxxium distribution. It distributes spirits brands such as Rémy Martin, Cointreau and Corona beer, as well as wine brands</p>		
6	ALLIED DRINK DISTRIBUTORS/CONSTELLATION	5,5%*
<p>Main wine brands: Hardys, Errazuriz, Robert Mondavi, Woodbridge, Villa Maria</p> <p>Constellation, at the time it took over Hardys in 2003, bought the medium-sized Irish importer Allied Drinks Distributors, which was based in Cork and Dublin. Strong in multiples; growing in on-trade.</p>		
7	WOODFORD BOURNE	2-4%*
<p>Brands include: Torres, Bollinger, Boisset</p> <p>Owned by venture capital company DCC, WWoodford Bourne incorporates Robert Roberts Coffee and other food and beverage brands. In the past couple of years it took over the import side of Direct Wine Shipments in Belfast and Bottle Green in the UK.</p>		

* estimated market share

5	Independently owned wine importers	
	FEVRE AND COMPANY LTD	6-7%*
<p>Main wine brands: Drostdy-Hof, Two Oceans, Fleur du Cap, Caliterra, Paulita, Taittinger, Deutz, Delas Frères, De Martino & Santa Ines, Casa Silva, De Bortoli, Lawson's Dry Hills</p> <p>Owned by the Alken family since 1963, Febvre specialises in the HORECA sector, airlines and also in own-brand supply to multiples. Febvre also distributes in Northern Ireland through Febvre Belfast. Febvre is the major shareholder in the French company Paul Sapin, which specialises in small-format bottling and own-label.</p>		
	CASSIDY WINES	6-7%*
<p>Main wine brands: Vina San Pedro, Yalumba, Oxford Landing, Oyster Bay, Bellingham</p> <p>Owned by the Cassidy family. Cassidy wines is strong on Italian and New World agencies. It is very active in both on- and off-trade sectors, including multiples.</p>		
OTHERS		
SEARSONS WINE MERCHANTS		
<p>This company is run by the Searson family and specialises in the on-trade and fine wine. Mainly domaines and chateaux worldwide, but especially Europe.</p>		
JAMES NICHOLSON WINES		
<p>Although a Northern Ireland company, James Nicholson also sells in the Republic and handles a wide range of domaines and chateaux worldwide. It also retails in Northern Ireland.</p>		
<p>Other sizeable, long-established importing companies include: James Adam, Kelly and Company, TDL, Tassera, Bacchus Wines, Comans Wholesale, and Mackenway Distributors. On-line company: Wine On line.</p>		
<p>In Northern Ireland, the main players are: Dillon Bass, Hollywood and Donnelly, James E. McCabes, DWS Wholesale James Nicholson and Febvre.</p>		
6	Multiples	
Tesco:		
<p>Tesco took over Quinnsworth in 1997 and has expanded considerably. It is mainly serviced through the UK, except for local big brands. Whilst Tesco is in fact the largest player, it doesn't seem to be as all-grabbing as it does in the UK.</p>		
Dunnes Stores:		
<p>An indigenous company with stores in both Ireland and Northern Ireland, as well as in Spain and the UK, much of its buying is done directly from producers, though the major brands are bought via agency holders in Ireland.</p>		
SuperValu and Centra Stores:		
<p>The 278 SuperValu and 470 Centra stores are under the umbrella of Musgrave SuperValu Centra. Musgrave also owns Ireland's major cash-and-carry stores and Budgens and Londis in the UK. In general they buy from the main distribution channels.</p>		
Superquinn:		
<p>A small but high-quality indigenous supermarket group, operating mainly in Dublin and in the east of the country. It is owned by Select Retail Holdings, a property development group and is now forging ahead with new branches opening, some outside the eastern corridor. Superquinn operates some direct imports, but mainly buys from Irish mainstream importers.</p>		
Aldi and Lidl:		
<p>The German discounters have been making inroads mainly in secondary locations in smaller towns around Ireland and in some parts of the capital. They import directly from the Continent.</p>		
Marks and Spencer:		
<p>This UK company has a number of very successful outlets in Ireland. They use own-label wines imported directly.</p>		

find a solution before certain prohibitionist tendencies become more assertive. The wine industry should be at the forefront of the search for a solution by being pro-active in trying to shift drinking culture towards more food-based occasions and café-society-style rather than heavy-drinking sessions.

High excise duties and taxes

Irish tax on wine is one of the highest in the world, with excise duty of €2.05 per bottle and a whopping €4.09 for even the cheapest sparkling wine and Champagne. On top of that, VAT is 21%. Northern Ireland Excise is the same as the UK, at £1.33 per bottle and £1.71 for sparkling wine and Champagne, and VAT is 17.5%. In recent years, the margin of difference has narrowed as Excise and VAT have remained static in Ireland, whereas Excise has climbed steadily in the UK. This has all but stamped out cross-border smuggling as shopping trips to Northern Ireland for wine bargains are barely worth the journey these days. All the above factors lead to an Irish wine consumer tending to pay a little more pro-rata for a decent bottle of wine than would be the case in the UK. After handing so much money to the Exchequer, they look for a little more bang for their buck.

Price points

Price points are very important, but do not seem to be quite so inviolable as in the UK. However, it was noticeable that prior to the introduction of the euro in 2002, many were prepared to spend up to £10 on a bottle, while afterwards the magic figure became €10, almost one-third less, a position from which the market is just now beginning to recover. It has been estimated in the trade that about 6% of wine purchases are over €10.

Ireland has by no means been spared the dreaded BOGOF syndrome, with the majority of wine sales in supermarkets being bought “on promotion”. However, in recent months there seems to be a healthier move to slightly more up-market product. Most discounting currently is “half price”, usually on bought-in lines, and “Buy two, save €2” for more obvious brands. Tesco is currently running a 25% discount on selected wines, and a further 5% discount for purchases of six bottles.

A change in legislation this year removed the ban on “below cost” selling and this is leading to some distortion in the market. The main supermarket price points are:

€5.99	a very limited offering; usually only two or three secondary-brand SKUs unless on promotion.
€6.99	rather more choice, usually of New World entry-level blends.
€7.49	plenty of choice; the starting point for most varietal wines.
€7.99 to €8.49	Lower tier of the important brands
€8.99 to €9.99	The most important brands
€11.99 to €12.99	Reserve qualities of the important brands
€15.99 to €21.99	Prestige wines
above €21.99	Luxury wines

Logistics are expensive, with two seas to cross from continental Europe. Most long-haul shipments are also routed via Continental ports, thereby adding to freight costs. Outside of Dublin, Belfast, Cork and two or three other small cities, distribution is very scattered and costly. Supplying to small towns and villages and the tourist peninsulas is a heavy overhead.

There are a growing number of independent fine wine-only shops along with many off-licenses specialising in fine wines. McCabes, On the Grapevine, Eno Wines, Mitchells, Searsons, Thomas's, Donnybrook Fair, Jus de Vine, Number 64, Claudio's and the Corkscrew are Dublin specialists; Lynch's, Bradleys and Karwig Wines in Cork as well as The Vineyard in Galway and the Wine Centre in Kilkenny would be among some of the most well-known in the provinces.

Even though there has been a Guild of Sommeliers for many years, and its professionalism has increased in recently, the number of fully dedicated sommeliers is small. A number of these sommeliers are Irish and there is a growing number of young French and other European entrants to the calling.

Formal wine training is carried out by the Irish branch of the WSET under the auspices of the Wine and Spirit Association. WSET exams can also be taken at the Wine Academy Ireland under Mary Gaynor, MBA. Many companies carry out wine training in-house and for customers.

Australia, Chile and California have been very active on the market, with big promotional budgets for both above- and below-the-line publicity, generic wine fairs, and in-store promotion and discounting. Australia is now concentrating on regionality; Chile has a very strong presence in the market, and several of the major Chilean companies have their European base in Ireland, as does Kendall-Jackson from California. New Zealand has succeeded in grabbing market share by keeping up a high-quality image. Portugal has made great efforts, which are beginning to bear fruit. Italy, until very recently, was conspicuous by its absence from the circuit, but a recent

wine fair was well-attended. France has suffered from the drop of Government support for Sopexa, which used to be so dynamic under the recently retired Dominique Geary. It has been left to regional generic bodies to fund any promotions, but the latest monthly figures show a healthy upswing.

The future

The "hot" topics in 2007 are: Pinot Grigio, Sauvignon Blanc, Prosecco, Rosé, Spain, New Zealand, medium- to lower-alcohol wines, unoaked wines, IGTs, off-dry wines, interesting blends, Grüner Veltliner, organic and biodynamic wines, and Australian Sangiovese. Perhaps Portugal is the sleeping giant? Losing a little steam: Chardonnay, Chile, very high alcohol wines, oaky wines, Port. The Sleeping Beauties, waiting for the magic re-awakening: Sherry, France, Germany, Italy, Riesling, Muscadet and Loire Chenin Blanc.

There is still some way to go before the Irish market is saturated. There is a young, dynamic, well-travelled population who are learning to explore wine, and 53% of the adult population now drink wine on a regular basis. The restaurant scene is dynamic and generally healthy, wine bars are becoming the "new pubs", and so much money has been poured into property in recent years that many young people are entertaining at home, not only to save money, and because of the various laws mentioned above, but in order to show off and enjoy their massive investment! There is a definite lift in quality wines, and a little more adventure becoming apparent than in the past few years, when deep-discounting was endemic and it was almost trendy to boast about getting a bargain. Things are now looking hopeful for European wines for the first time in years.

One can assume that the current trends will continue: multi-national producers centralising with global distributors; medium-sized independent companies twinning with independent distributors; small, quality estates searching out niche routes to market with specialist agents or directly to top-end retailers. ■

7 Wine value at various retail price levels



8 Alcohol consumption in Ireland

