ST GEORGE VERSUS ST PATRICK

While most importers head for England, it might be time to spare a thought for its tiny neighbour, suggests Robert Joseph. The Republic of Ireland has developed a fine wine culture where people aren't afraid to pay for what they like.

The relationship between the United Kingdom and the Republic of Ireland is not always an easy one for outsiders to understand. During the 1980s and early 1990s, there were many otherwise sophisticated people who apparently imagined that Dublin and Belfast were in the same country, a complete island for which the Irish Republican Army was fighting for independence. Even those better informed souls who are aware that, since 1922, the large, southern, segment of Ireland has led its own separate existence, often underestimate the differences between the British and Irish wine markets. Until the most recent UK budget in April, the most obvious distinction between the two countries lay in the higher duty rates that were levied on wine by the Dublin government. These naturally helped to contribute to the Irish paying more money per bottle than almost anyone in Europe, but the taxes were only partly responsible for those high prices.

James Nicholson, an award-winning independent wine merchant who operates in both (British) Northern and Southern Ireland, points out that thanks to duty in the Republic having been effectively frozen over the last five years, the tax on wine in both countries is now almost identical at £1.47 per bottle, though British VAT at 17% is lower than the Irish figure of 23%. But in the UK, the average price is still around £4.10, well under €6, while in Ireland it is over €9 - a far bigger difference than can be explained by the difference in tax. Nicholson's sales reflect this. Out of every ten bottles he sells, six head south, but they bring in 70% of the income.

Healthy margins

Reasonably healthy margins definitely apply at every level of the business, and discounting, apart from Lidl and Aldi, though now more apparent than in the past, is far less of an issue among the bigger retailers than in the UK. Indeed, in 2004, Tesco, Ireland's biggest food retailer was heavily criticised in the Irish media for the high prices it

» The southern Irish market is surprisingly sophisticated. I sell six of ten bottles there, but they generate 70% of my turnover. «

James Nicholson, independent wine merchant

charged for its groceries, compared to those asked in the UK. Tesco defended itself by referring to the additional expense of transporting goods from the mainland and of higher energy costs. Wine, in particular, suffers by being sold in six-bottle, rather than 12-bottle packs.

These explanations were, however, undermined in 2007 when consumer watchdog Value Ireland compared the cost of a shopping basket at Dunne's Superquinn and Tesco with prices at Lidl and Aldi. The differences were striking. Across 45 branded products, the bill at the two German discounters was just under €89, while their competitors charged between €111-121. Already in 2004, the *Irish Sunday Mirror* had revealed that even at their low prices Lidl manages higher margins in Ireland than elsewhere. Among the items in a basket that cost twice as much in Ireland as it did from the same chain in France was a £4.99 Bordeaux which, it was reckoned, cost 45% more than it did in France, even after taking into account the difference in duty and VAT.

My own comparison also revealed some very interesting discrepancies between prices for the same wines in the UK and in Ireland. Some of these may be attributed to category management among the major retailers. Anyone proposing a wine to be sold in any volume should be able to describe where it will sit on the shelf (what might it complement or replace?); the type of customer it is most likely to attract; expected sales volumes; retail price, and the margin this will allow the retailer; the potential for exclusivity; and possible promotional activity. It would seem as though the category managers have concluded that price perceptions differ between Ireland and other parts of the British Isles.

Brett Fleming, global export director of the Australian Rathbone group agrees. "You have to understand where you fit in the market. The UK is in danger of pricing itself out of the Australian market, but there's genuine potential for it among Irish independents." Fleming, who ships between three and four containers of wines such as Yering Station to Ireland, to sell at retail prices of €15-20 stresses, however, that it is essential to support your agent. Fleming or a colleague visit every six to eight weeks, and devote a great deal of effort to spending time with on-trade customers. "Some people may not be able to do this much hard work, but you can't simply dump a load of stock on an agent and expect it to move… I can think of one good Australian winery that has done that and is paying the price in the form of unsold wine".

The mix of wines in Ireland resembles that of the UK in some respects, but is far from identical. The Chilean brand leader in Ireland is Santa Rita, which plays a similar role there to the one held by Concha y Toro in the UK. Ampersand, Rathbone's dynamic Irish agent is also having success with its recent introduction of Golden Kaan from South Africa, a brand that has been slow to take off in the UK. While the New World is strong, Bordeaux commands a level of loyalty and affection in Ireland that many erroneously imagine it to maintain in the UK. So, while 2007 saw a small recovery in UK Bordeaux imports, rising by 9% in volume and 4% in value, in Ireland, the increase was 28% and 29% respectively.

Keen on claret

Bordeaux sales in Ireland are undeniably boosted by the exploitation of the stories of the 'wild geese', the Irishmen with names such as Barton, Phelan and Lynch who helped to develop the trade in claret in the late 17th and 18th centuries. Today, chateaux like Leoville and Langoa Barton (Anthony Barton is a frequent visitor) and Lynch Bages naturally benefit from this tradition, but so too do branded wines like Michel Lynch and Frank Phelan, which have a far tougher time in the UK. Tesco Ireland, for example, sells Michel Lynch Bordeaux and Barton & Guestier wines, but declines to include any of these in its far larger UK range.

Both New and Old Worlds benefit from a level of interest in, and enthusiasm for, wine that is hard to find in the UK. Richard Moriarty recently moved from the UK to become wine buyer for Superquinn, the giant supermarket chain which, with Dunne's and relative newcomer Tesco, commands 70% of the retail market. "During my first week, I decided to spend some time in the shops to see what the customers were like. I was amazed at the level of their knowledge." James Nicholson agrees. "The [southern] Irish market is surprisingly sophisticated. I sell two pallets of Gruner Veltliner per month in the South, for example, against a couple of cases of the same wine in the North".

One obvious explanation for the Republic's readiness to pay high prices for its wines and other goods lies in the national state of financial health. According to *The Economist*, in 2007, the Irish had one of the highest levels of purchasing power (based on GDP per head) in the world, with $43,380, compared to $35,048 in the UK. Property prices have exploded, investment has flowed in and the population – one of the youngest and fastest growing in Europe – has embraced a continental lifestyle in which wine increasingly competes with beer. Between 1990 and 2005, wine consumption quadrupled and overtook spirits. In 1977, when the Irish were the second keenest beer drinkers in the world, they drank only two litres of wine per head; today the figure is 18, and still growing by 5% per year. Wine now represents 20% of the total alcoholic consumption and, in 2007, despite a hike of 20% in the marketing budget, sales of Guinness remained flat. Indeed, that year Nigeria supplanted Ireland to become the second largest market for that beer.

Last call

Even when money is short, James Nicholson believes that there's another southern Irish characteristic that has a role to play in the success of premium wine. "The Irish tend to live for the day. They're not afraid to borrow heavily if they need to, and they don't mind paying whatever it costs to enjoy themselves." Dublin, Nicholson says, is virtually recession proof. Nearly a third of Ireland's 4.1m population lives in or around the capital, a cosmopolitan city which, in James Nicholson's words, "is as busy on as Tuesday night as Belfast is on a Saturday". Roughly 30% of the wine consumed in Ireland is drunk in bars, pubs, cafes and restaurants, a figure that compares to less than 20% in the UK. Restaurants have, in fact, been far more instrumental in driving the growth in wine consumption than they have in the UK, thanks to some odd pieces of legislation. Until as recently as 1988 restaurants were forbidden by law from selling beer or spirits. In simple terms, even the most stalwart Guinness fan had no option when eating out: if he wanted to wash down his meal with any alcohol, it had to be wine or, as was admittedly often the case, an under-the-table bottle of something stronger.

Looking at the way wine is sold in pubs reveals another Irish oddity: the quarter bottle, which accounts, for example, for one fourth of the volume sold by on-trade specialists Febvre & Co to its 1,000 or so customers. Indeed, in 1999, Febvre invested in a French bottling plant, specifically in order to fill quarter bottles of French and New World wines for the Irish market. According to James Nicholson, quarters were apparently introduced and popularised as a means of ensuring that customers were not underserved in a country where short measures of alcohol are not appreciated and wine glasses come in a variety of shapes and sizes. But quarter bottles now face an uncertain future. Nicholson has given 100 pubs serving devices that store opened bottles under gas and hopes that these and consistently sized glasses will make the quarters redundant. Neil Cassidy, of wholesalers Cassidy Wines reckons that the growth in the popularity of screwcaps will have a similar impact.

The quarter bottle issue, the six-bottle cartons and the affection for Irish pioneers in Bordeaux are typical of the details that anyone wanting to sell wine in Ireland may need to bear in mind. But, as Brett Fleming of Rathbone says, for some smaller producers, Ireland may actually represent a far more attractive prospect than the UK. ■