

Wine
Australia
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insights for
Australian
Wine

**Australian wine market
insights report**

January 2024

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Key takeaways

- ❑ The Australian wine market is one of the world's top 10 wine-consuming markets in a context of declining global wine consumption.
- ❑ Australia has increased in global market attractiveness relative to other markets since 2022.
- ❑ The domestic market is flat in volume terms with only small value growth and increasing competition from imported wines.
- ❑ E-commerce is likely to grow its share of the off-trade in the next five years at the expense of off-trade retail stores.
- ❑ The direct-to-consumer sales channel is a relatively high value channel for most small wineries although associated costs may also be higher than other channels. Increases in tourism over the next five years should help this channel.
- ❑ The on-premise is likely to recover over the next five years after declines during Covid-19 lockdowns. Wine's share of the on-premise is under pressure as overall wine consumption declines, and especially as cost-of-living pressures reduce visit frequency and spend.
- ❑ The main drivers leading to reduced consumption are health and wellness, economic pressures reducing discretionary spending and competition from other alcohol categories, particularly RTDs.
- ❑ Different consumer demographic groups are looking for different attributes in an 'ideal' wine.
- ❑ Sustainability is a concern, but not a significant driver of wine purchase.
- ❑ No- and low-alcohol wine consumption is expected to grow over the next five years, driven by younger consumers, but accounts for a very small share of the wine market.

Global analysis



Key points

Australia is the 12th-largest wine-consuming country¹ in the world, with just under 2 per cent of global consumption in 2022.

Australia was ranked the 8th most attractive market for still wine in 2022 according to the Wine Intelligence 2023 *Global Compass*, despite declining consumption.

Wine consumption in Australia declined by 9 per cent from 2020 to 2022, equating to a reduction of around 50 million litres.

The decline in consumption is consistent with trends globally and in most of the top 20 wine markets.

Local wine has an estimated 82 per cent share of the Australian domestic market – an even higher share than in the US and France, which both have strong domestic wine sectors.

This gives Australian wine producers a strong competitive advantage on the Australian wine market. An estimated 42 per cent of all Australian wine is sold in Australia, making it our largest single market.

¹ Refers to still, sparkling and fortified grape wine only



As in many mature wine markets, wine consumption in Australia is declining

Australia is the 12th largest wine-consuming country¹ in the world, with just under 2 per cent of global consumption in 2022, according to IWSR.

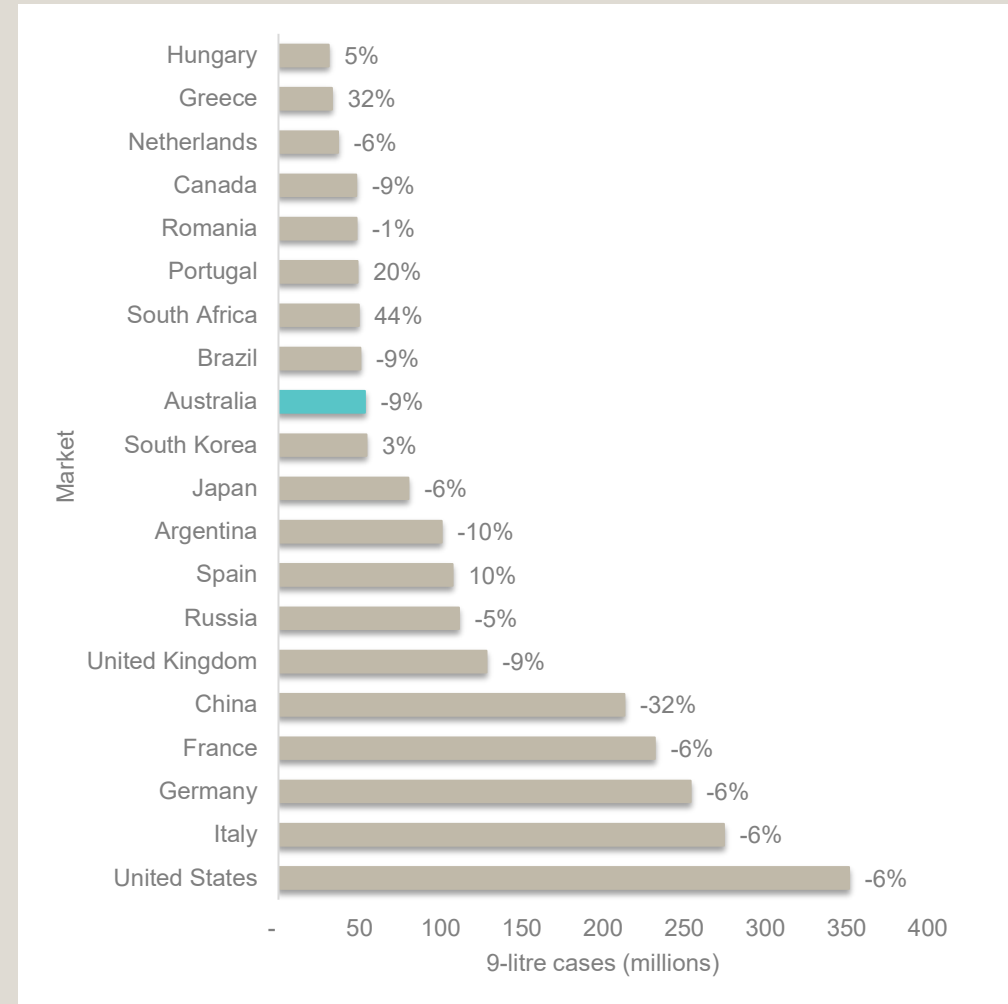
It has fallen by one place since 2020, overtaken by South Korea.

Wine consumption in Australia declined by 9 per cent over the two years from 2020 to 2022, equating to a reduction of 50 million litres.

The decline in consumption is consistent with trends globally and in most of the top 20 wine markets.

Despite population growth, global wine consumption has declined by 6 per cent over the past two years, and by 7.3 per cent in the top 20 markets, most of which are mature markets for wine. All but 6 of the top 20 markets, and all but one of the top 10 declined in 2022 compared with 2020. These markets accounted for 82 per cent of all wine consumption in 2022.

Total grape wine consumption by country in 2022 and change over past two years: top 20 markets



Source: IWSR

¹ Refers to still, sparkling and fortified grape wine only

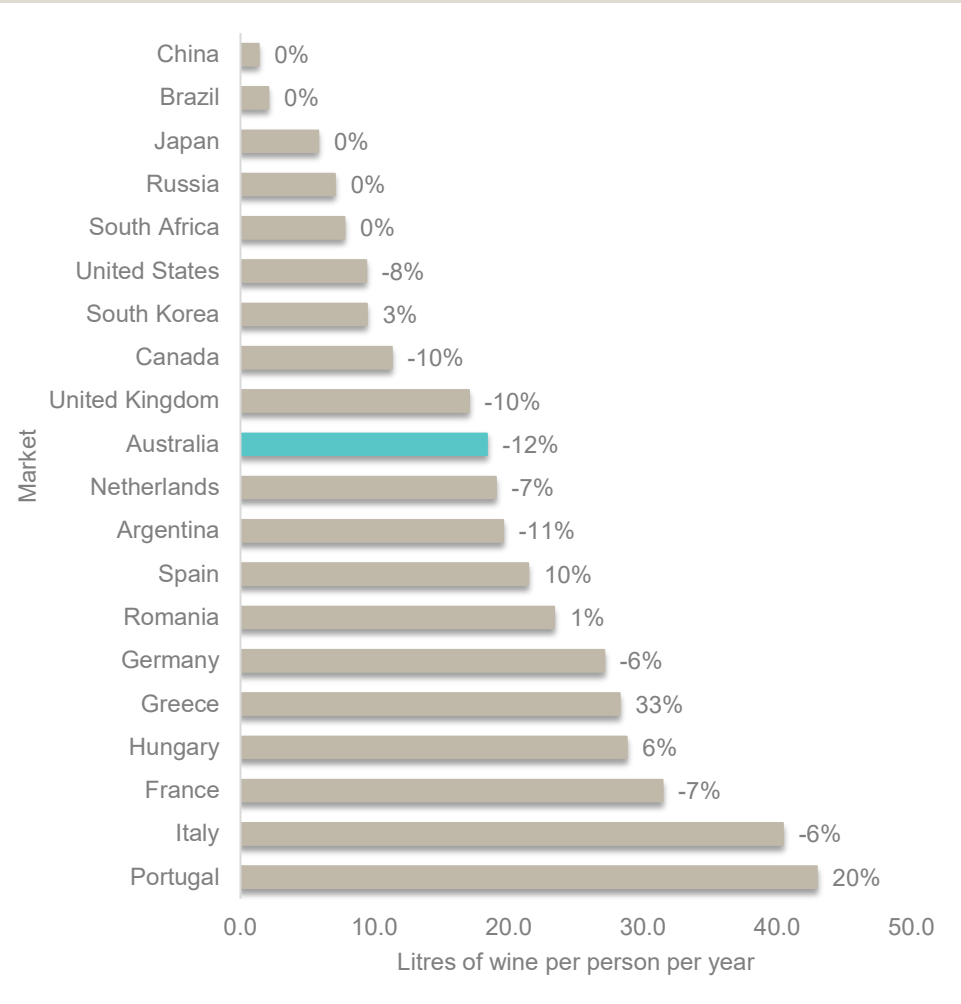
Declining consumption is driven by reductions in the amount of wine consumed per person on average

Australia's per capita wine consumption declined from 20.8 litres per person per year in 2020 to 18.3 litres in 2022 – a decrease of 12 per cent.

However, Australia still has the second-highest per person wine consumption outside of Europe and is the highest-ranked English-speaking country in the world on this measure. Per capita wine consumption is approximately double that of the United States (US) and slightly ahead of the United Kingdom (UK).

Per capita wine consumption is declining in many markets, particularly those that have historically had high levels of consumption. A recent study¹ into French wine consumption found that only 11 per cent of French people considered themselves to be regular wine drinkers in 2022, compared with 16 per cent in 2015, 30 per cent in 1990 and over 50 per cent in 1980, indicating a significant change in the place of wine in French culture.

Per person wine consumption by market in 2022 and change since 2020: top 20 markets by total consumption



Source: IWSR

¹ Ipsos Observer report of FranceAgrimer study 2023

Wine's share of alcohol consumption is declining

Total alcohol consumption globally increased by 5 per cent between 2020 and 2022 according to IWSR. This was primarily due to population growth and increases in consumer spending power in some countries such as India, rather than increases in per capita consumption.

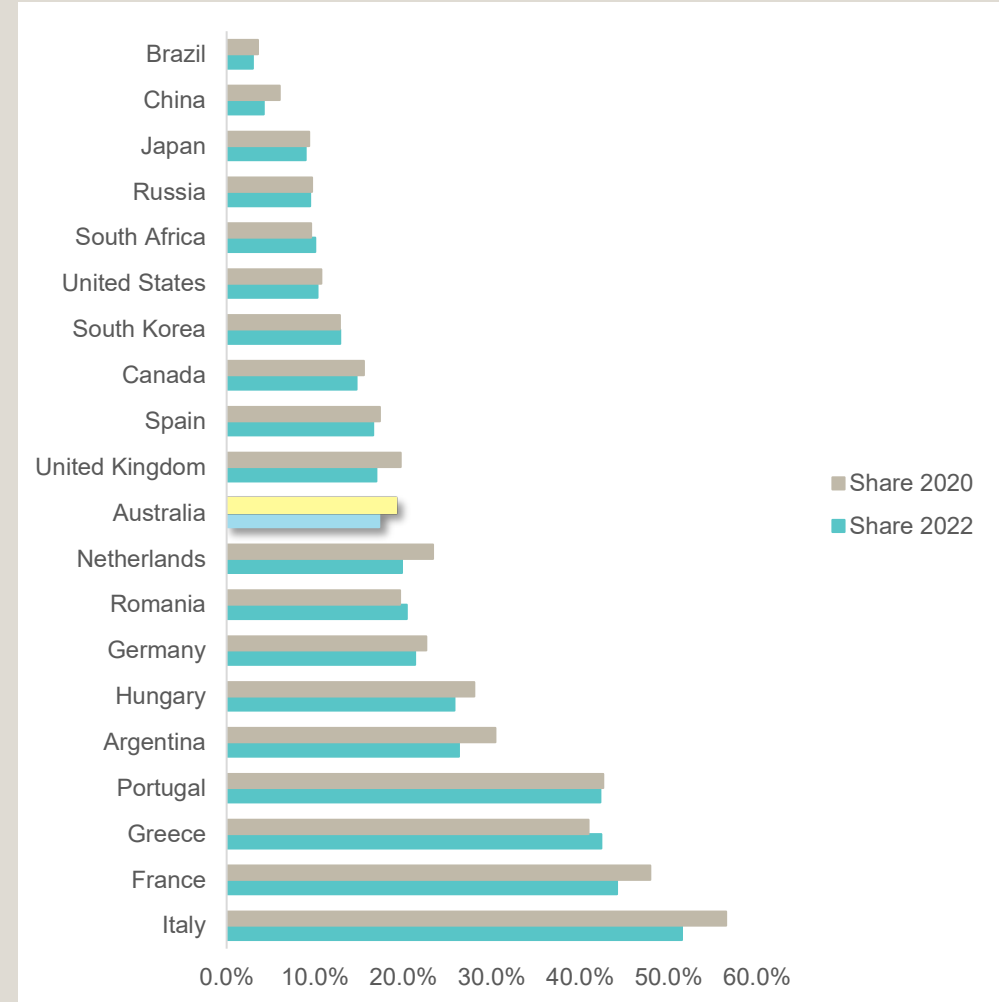
Wine's share of alcohol consumption (known as 'share of throat') has decreased globally from 12 per cent in 2020 to 10 per cent in 2022. In all the top 20 wine markets by volume with the exception of Greece, wine's share of throat has either declined or remained static over the two-year period.

The largest decreases in share have been in the major wine-producing countries of Italy, France and Argentina, as well as the Netherlands, which all decreased by 4 or more percentage points.

In Australia, wine's share of throat decreased from 19.1 per cent in 2020 to 17.3 per cent in 2022 – a reduction of 2 percentage points.

This reduction indicates that wine is losing share to other alcoholic drinks, particularly beer and spirits.

Wine share of total alcohol volume in 2022 and change since 2020: top 20 markets by total wine consumption



Source: IWSR

Australia is still one of the top 10 most attractive wine markets in the world

Despite declining consumption, Australia is ranked the 8th most attractive market for still wine in 2022 according to the Wine Intelligence 2023 *Global Compass*.

Its rank as a still wine market improved from #18 in 2021, due primarily to improvements in socio-economic metrics such as population growth, Gross Domestic Product (GDP) per capita and Gross National Income (GNI) per capita.

As a sparkling wine market, Australia is ranked #6, down one place from 2022.

Still wine market attractiveness ranking in 2022: top 15 markets

	Market	Score (1 to 10)
1	United States	6.57
2	South Korea	6.11
3	Switzerland	6.01
4	Ireland	5.99
5	Japan	5.97
6	Canada	5.89
7	Singapore	5.84
8	Australia	5.77
9	United Kingdom	5.75
10	China	5.73
11	Germany	5.68
11	Denmark	5.68
13	Norway	5.67
14	Mexico	5.59
15	Malaysia	5.58

Source: Wine Intelligence

Australian wine has a competitive advantage on the domestic market

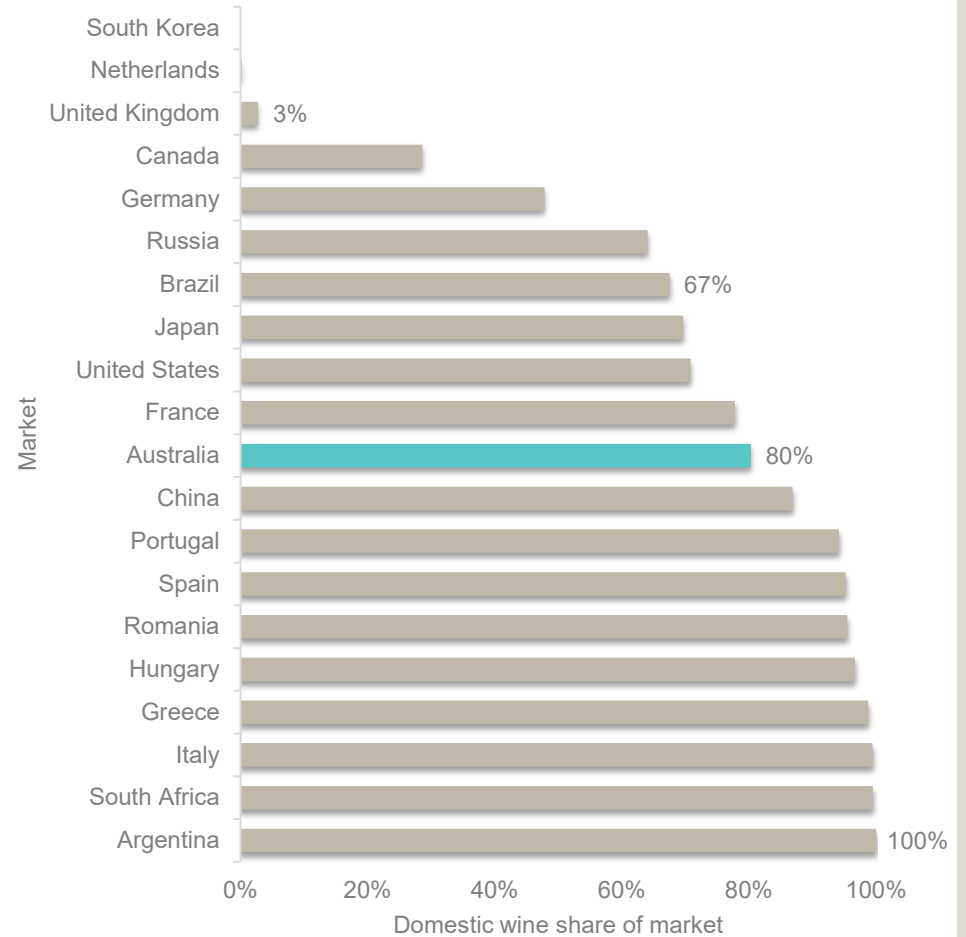
Australian wine consumers favour Australian wine. Local wine has an estimated 82 per cent share of the Australian domestic market by volume – an even higher share than in the US and France, which both have strong domestic wine sectors.

Of the top 20 wine-consuming countries, South Korea, the UK and the Netherlands rely most heavily on imported wine, having very small or negligible local wine production. Conversely, in the major wine-producing countries of Argentina, South Africa, Italy and Spain, almost all wine consumed is locally made.

There is no other market where Australian wine has such a large market share. The next highest is New Zealand, where Australian wine has a 69 per cent market share by volume, followed by India (46 per cent), Malaysia (41 per cent), Indonesia (35 per cent) and Singapore (29 per cent).

This gives Australian wine producers a strong competitive advantage on the Australian wine market.

Local wine share of consumption by market in 2022: top 20 markets



Source: IWSR

Domestic market analysis



Key points

The Australian market is dominated by Australian wine, reflecting the strong position of the local wine sector, which is the world's fifth largest wine producer.

Imported wine's share of the market has recently fallen after a decade of growth.

The total size of the market is declining, with commercial wine expected to decline by more than premium wine in the next five years.

Most wine is sold through the off-trade, with two large retailers dominating the market. E-commerce accounts for an estimated 10 per cent of off-trade sales and is expected to grow in the next 5 years.

Direct-to-consumer sales account for a high proportion of sales value for smaller wineries but are under pressure after a volatile period for wine tourism and in light of cost increases and pressure on consumer spending.

The on-premise (restaurants, bars and hotels) accounts for around 20 per cent of wine consumption by volume. The on-premise has struggled since Covid-19, and wine is facing new challenges in this channel maintaining its share of consumption compared with other alcoholic drinks, especially as cost-of-living pressures reduce visit frequency and spend.



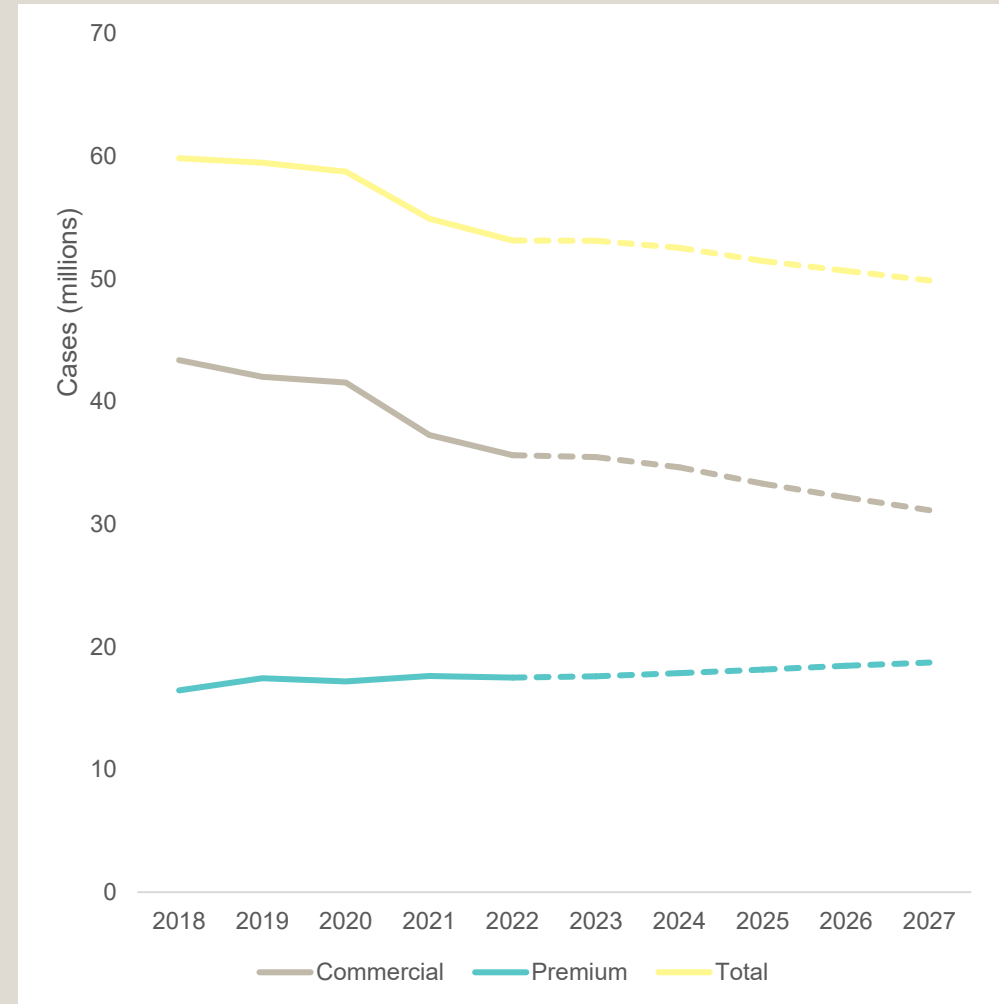
Wine consumption overall is declining but premium wine is expected to grow

Between 2018 and 2022, wine consumption in Australia declined by a compound annual average rate (CAGR) of 3 per cent per year. It is forecast to decline by a further average 2 per cent per year between 2023 and 2027.

The decline is concentrated in the 'commercial' price points – ie wine selling for less than \$15 per bottle retail. Commercial wine is expected to decline by an annual average of 3 per cent between 2023 and 2027, after declining by an average of 5 per cent since 2018. On the other hand, 'premium' wine (selling at \$15 per bottle retail and above) is expected to grow by an average of 2 per cent per year over that timeframe.

The overall decline is a result of commercial wine having a larger share of consumption. However, this share is expected to reduce from 72 per cent in 2018 to 62 per cent in 2027 as a result of the premiumisation trend.

Commercial vs. premium wine consumption in Australia past and forecast: 2018 – 2027



Source: IWSR

Imports' share of the market has recently fallen after long-term growth

Despite the dominance of Australian wine on the domestic market (slide 10), the volume of wine imported into Australia has been steadily increasing over the past 10 years, with growth particularly strong in 2021.

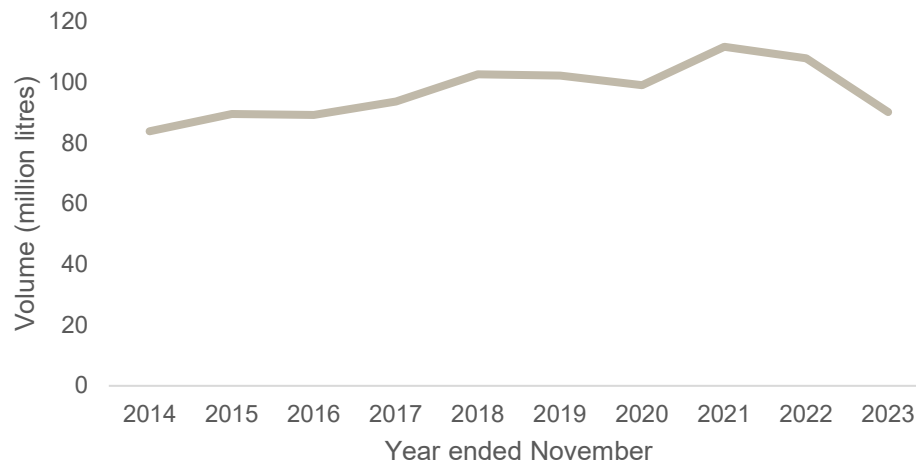
However, import volume declined by 16 per cent in the year ended November 2023, to the lowest level since 2017. This may reflect a temporary result of transportation issues and/or reduced spending due to increased costs of living, or it may indicate a more persistent declining trend as consumer preferences change.

IWSR forecasts that the share of imported wine in Australia will remain static at 20 per cent until 2025 and increase to 23 per cent by 2027. As total consumption is expected to decline, any increase in imports will mean a reduction in sales of Australian wine.

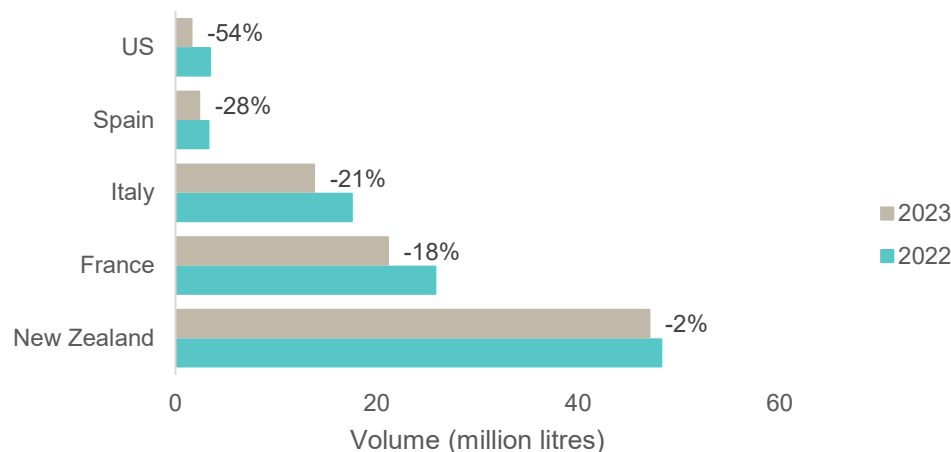
The top 5 importing countries by volume are New Zealand, France, Italy, Spain and the US, with NZ accounting for more than half the volume.

Some wine is imported in bulk and is either packaged in Australia for domestic sale or re-exported to other markets as part of an Australian wine shipment.

Volume of wine imported to Australia over time



Top 5 source countries by volume and YoY change



Source: ABS (Customs data)

Most wine is sold through the off-trade

The off-trade is estimated to account for 81 per cent of wine sales in Australia by volume in 2023, with retail shops having the largest share.

The off-trade (or off-premise) refers to wine sold for consumption elsewhere (i.e. 'off' the premise doing the selling).

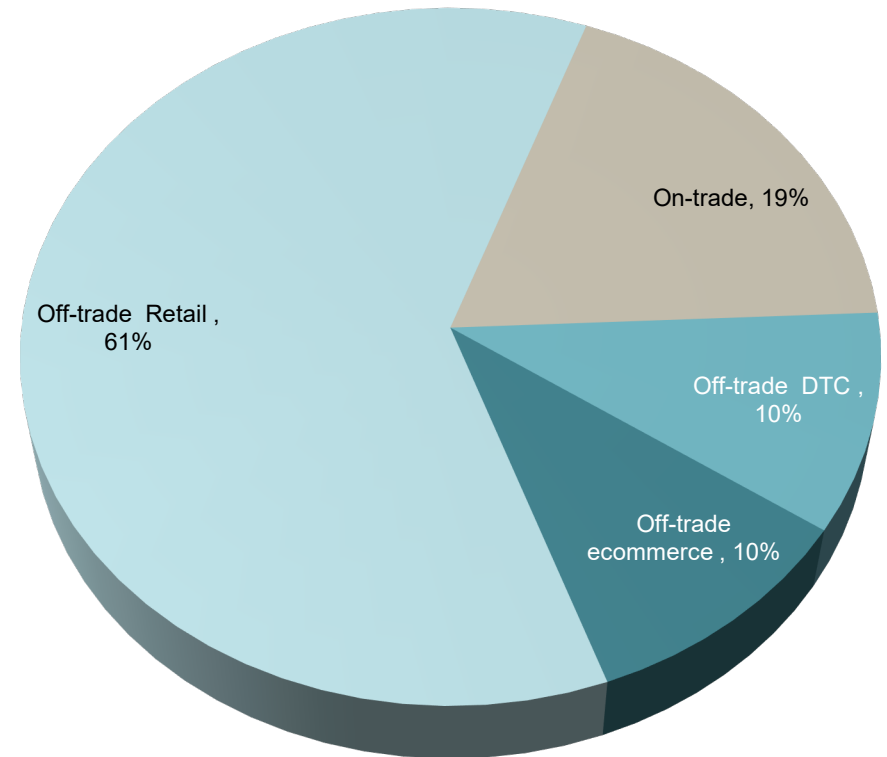
Off-trade wine sales channels include:

- Retail outlets ('bricks-and-mortar')
- Websites (e-commerce)
- Direct-to-consumer (DTC) - eg cellar door, wine club

Off-trade retail and e-commerce are difficult to separate, as the large 'big-box' retailers also have significant online delivery and 'click-and-collect' sales. However, e-commerce may also include stand-alone online retailers such as Naked Wines and wine clubs not associated with a winery. Sales direct from winery-owned websites are counted as off-trade DTC.

The volume of on-premise sales is very difficult to estimate, as there are so many small venues, many distributors supply both channels, some venues have a mix of on- and off-premise sales, and some smaller venues may buy from the off-trade for re-selling, rather than from a distributor or producer.

Wine sales share by channel in Australia 2023



Source: Wine Australia modelling from various sources

Off-trade retail

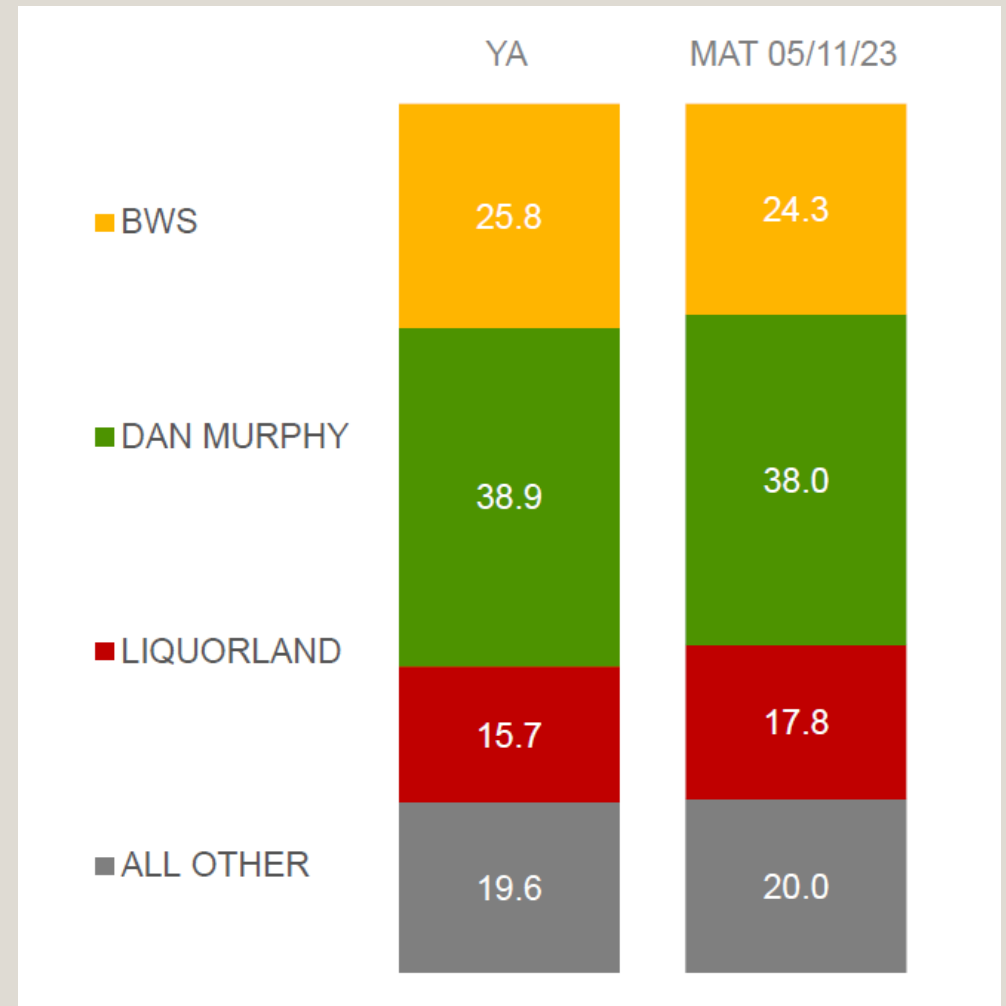
Off-trade retail is dominated by two players

Wine retail in Australia is made up of 'big-box' stand-alone alcohol shops, supermarkets with alcohol sections attached (not in all states), bottle-shops attached to pubs and hotels, and specialist wine retailers.

Endeavour Group (Dan Murphy's, BWS) and Coles Group (Coles, Liquorland, First Choice and Vintage Cellars) dominate the market, with a combined share of around 80 per cent of sales value. All others – including Aldi and Costco, numerous smaller chains such as Liquor Barons, Thirsty Camel, Sip N Save, and independent stand-alone shops (sometimes attached to a hotel or pub) make up the remaining 20 per cent.

Analysis conducted for Wine Australia based on Omnishopper purchase data in 2023 indicates that BWS and Dan Murphy together made up 62.3 per cent of wine purchases by value, but lost 2 percentage points of share to Liquorland in the 12 months to 5 November 2023.

Retail off-trade sales value by retailer in 2023



Source: NIQ Omnishopper by NielsenIQ

Still wine dominates but sparkling and rosé are the only categories in growth

Still wine accounted for 78 per cent of sales by volume in the retail off-trade channel in the year ended September 2023, with white wine having the largest share at 46 per cent, followed by still red at 32 per cent. The average value of still red was higher than still white: \$15.65 per litre compared with \$12.09 per litre for still white. The value shares were more even, with still white accounting for 37 per cent of value and still red accounting for 34 per cent.

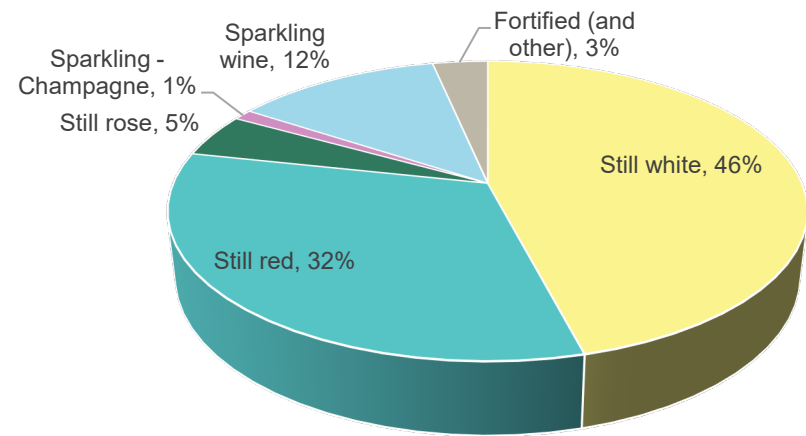
Sparkling wine accounted for 12 per cent by volume and 15 per cent by value, and had a higher average value of \$18.17 per litre.

Overall, the retail off-trade declined by 1 per cent in volume and 0.3 per cent in value in the year ended September 2023. Red still wine declined by more than white, particularly in value.

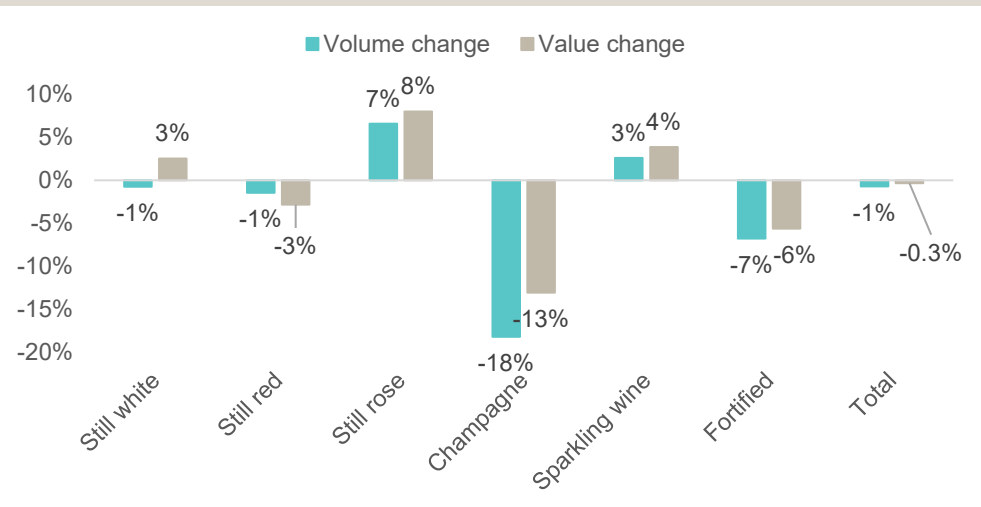
The only categories in growth were still rosé wine (from a small base) and sparkling wine excluding Champagne. Much of the growth in sparkling was driven by Prosecco, which increased by 20 per cent in volume and 17 per cent in value in the year ended September 2023.

By contrast, Champagne declined by 18 per cent in volume and 13 per cent in value, reversing the strong growth seen in 2020 and 2021 during Covid-19 lockdowns.

Retail off-trade sales volume by wine style in 2023



Value and volume growth by wine style in 2023



Source: Circana

Imported wines have fared worse than local wines

Imported wine is estimated to account for 15 per cent of the retail off-trade by volume, with most sales in the \$15 - \$19.99 price category. While the average value for imported wine is higher than for Australian wine (\$18.99 per 750 ml compared with \$10.00 per 750 ml for Australian wine) it has additional costs associated with shipping into market.

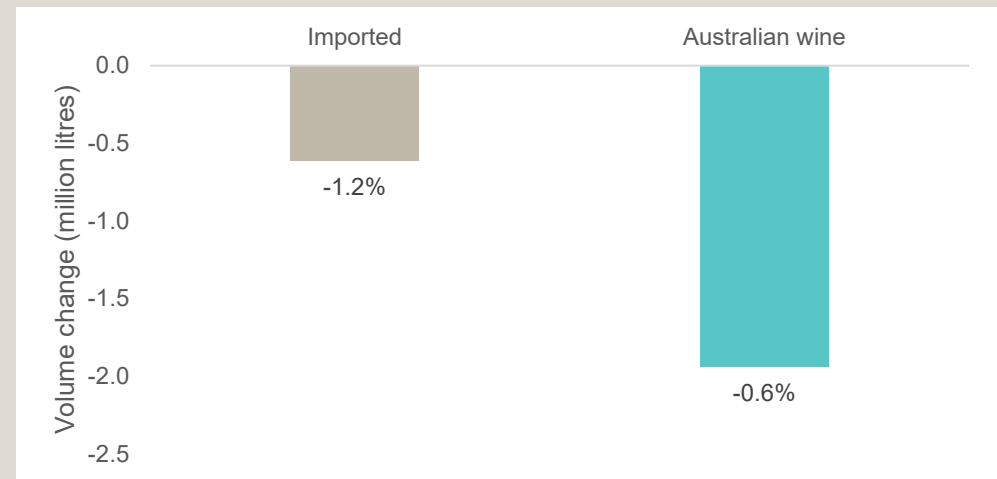
Imported wine generally fared worse than Australian wine in percentage terms in the year ended September 2023, decreasing by 1.2 per cent in volume compared with a decline of 0.6 per cent for Australian wine. This is consistent with the finding from import (customs) data that the volume of imported wine has decreased in 2023 (slide 14).

The average off-trade retail value of imported wine declined by 0.9 per cent compared with an increase of the same percentage for Australian wine in the year ended September 2023.

Volume of wine by origin and price segment – YE September 2023



Change and percentage change in off-trade volume by origin – YE September 2023



Source: Circana

White varieties dominate the top 20 in terms of volume and growth

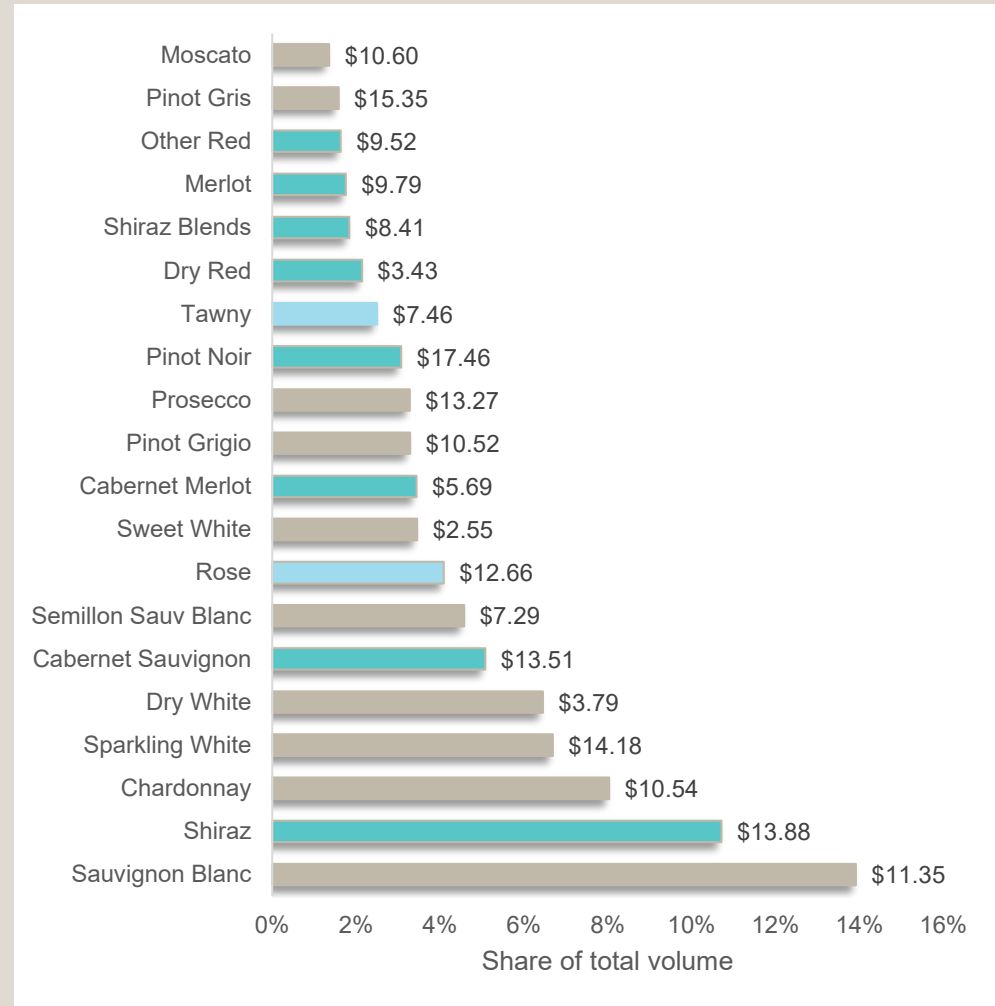
Sauvignon Blanc maintained its top position in terms of sales in the retail off-trade in 2023, with a 14 per cent share by volume. It was flat in terms of year-on-year growth, while the strongest-growing varieties in the top 20 were Prosecco (up 20 per cent), Pinot Grigio (up 11 per cent), Rosé (up 8 per cent) and Pinot Gris (up 5 per cent). Chardonnay increased by 1 per cent, while Shiraz (down 1 per cent) and Cabernet Sauvignon (down 5 per cent) both declined. These changes reflect the trend towards white varieties and away from reds.

Pinot Noir had the highest average value (\$17.46 per 750 ml) followed by Pinot Gris (\$15.35 per 750 ml).

The overall average value across all varieties and styles was \$11.31 per 750 ml. This was 5 per cent higher than in 2021 – a much smaller rate of growth than inflation (see next slide).

Note that average value is based on all packaging formats including casks and cans. Some changes in average value may reflect changes in the mix. However, a decline in cask wine (see slide 21) should cause the overall average to increase.

Top 20 varieties by volume in 2023: share and average value per 750 ml



Source: Circana

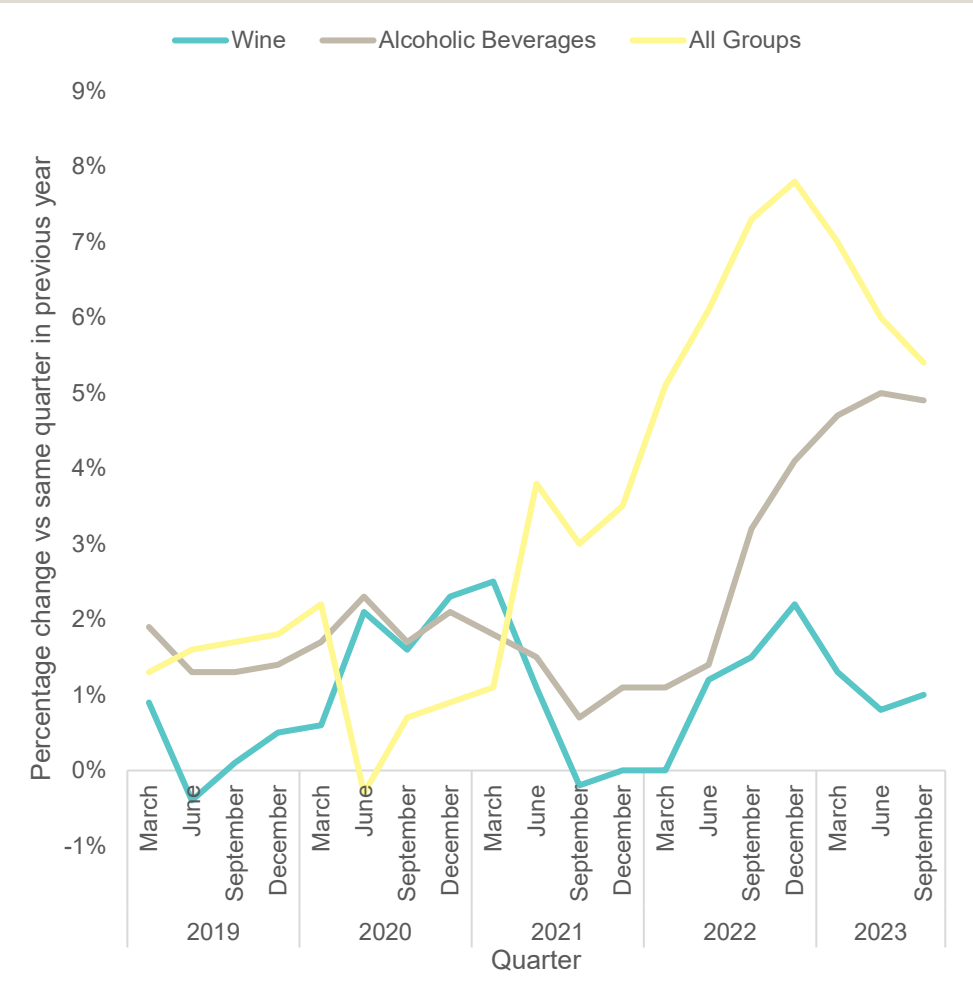
Wine prices have not increased with inflation

Since late 2020, inflation across all goods has risen steeply in Australia, reaching 7.8 per cent in March 2023 before starting to fall.

The cost of alcoholic beverages has reflected this overall increasing trend, although starting later and not rising as high.

However, the average cost of wine showed only a very small increase in the second half of 2022, after decreasing in 2021 when general inflation started to rise. The early decrease is likely to reflect increased competition in the domestic market after the large 2021 vintage and the imposition of tariffs on imported Australian wine into China. The average cost of the same basket of wines in September 2023 is less than 1 per cent higher than it was in March 2019, meaning that none of the increases in cost of production have been passed on to consumers.

Australian Consumer Price Index for wine, alcoholic beverages and all groups



Source: ABS

Premiumisation trend may have stalled

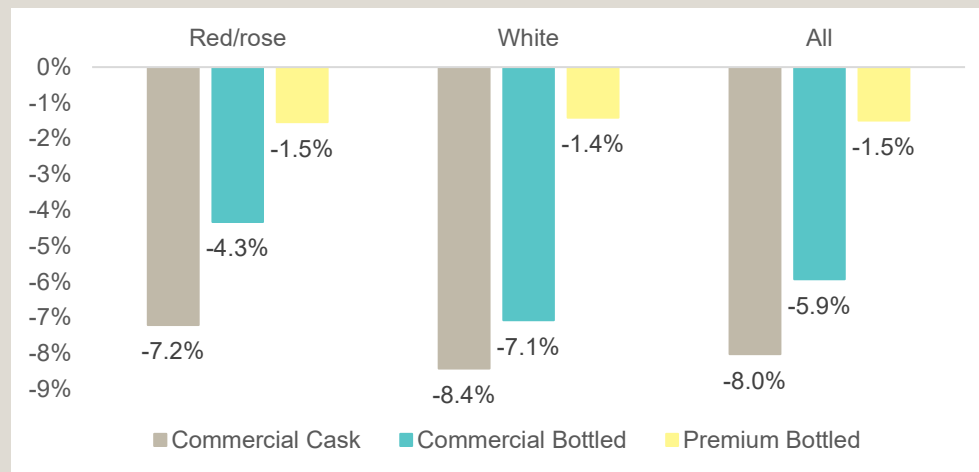
While the cost of the same standard basket of wine used to measure inflation has not increased, it is possible for the overall average price paid to change, through consumers trading up or down to a different brand at a different price point.

The past few years have seen some indication of premiumisation, with the volume of wine sold in higher price points increasing, while the volume sold in lower price points decreased. This trend is forecast to continue for the next five years (see slide 13).

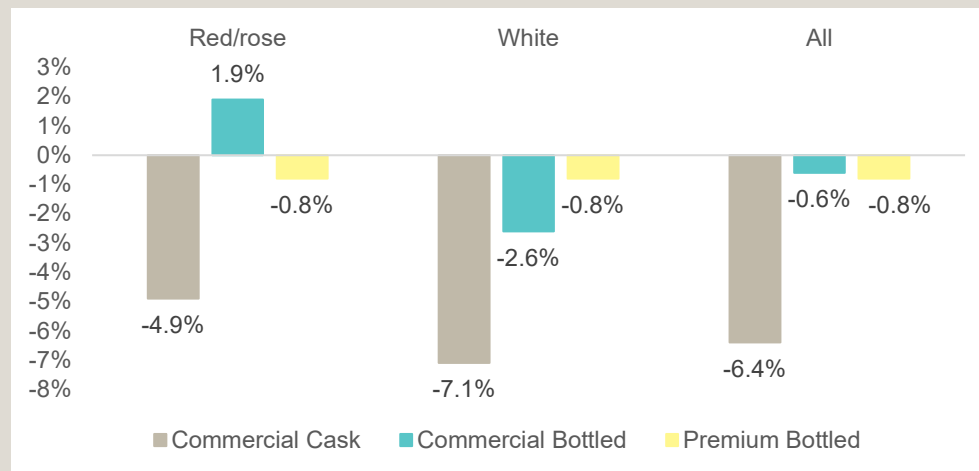
Whereas commercial cask and commercial bottled wine declined by much more than premium bottled wine in the year ended December 2022, in the 12 months to June 2023 commercial bottled wine performed better than premium bottled wine, driven by growth in commercial red bottled wine.

This trend is consistent with the finding by IWSR that the 'long-running premiumisation trend in beverage alcohol' weakened significantly in the first half of 2023. This is likely due to short-term economic pressures on consumer spending rather than a reversal in preference.

Change in volume for commercial vs premium wine by colour in year ended December 2022



Change in volume for commercial vs premium wine by colour in year ended June 2023



Source: Circana

Mid-priced wine is the sweet spot for growth

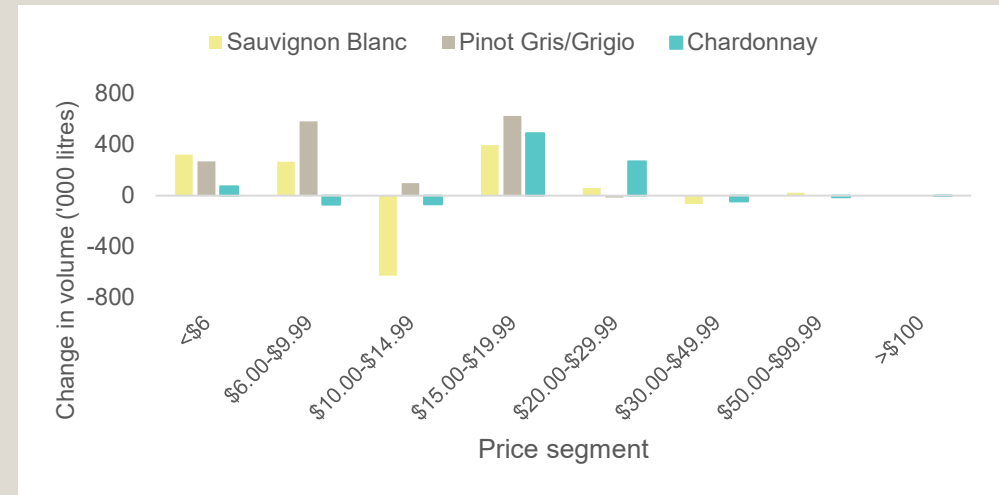
The lack of growth in premium price points is also evident for the major varieties.

Sales in the middle price segments – from \$15 – \$19.99 per 750 ml showed the strongest growth for white wines, followed by the \$6 – \$9.99 per 750 ml segment. This growth may be a result of consumers trading up to higher price points from lower categories (declines were greatest in the \$10 – \$14.99 segment) or trading down from higher price segments due to cost concerns.

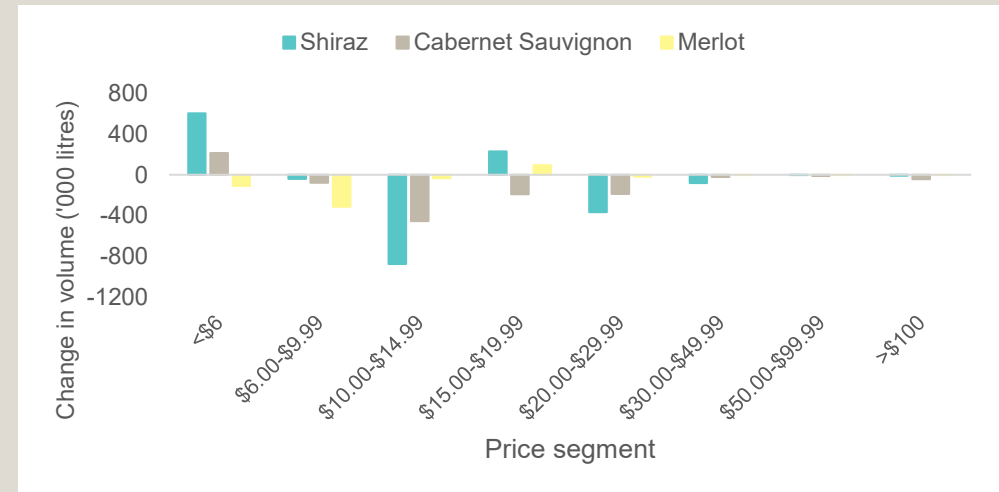
In the case of the major red varieties, almost all price segments declined except the <\$6 per 750 ml segment, reflecting the same result for commercial reds as shown on the previous slide. There was limited growth in the \$15 – \$19.99 per 750 ml category for Shiraz and Merlot.

Note: this analysis refers to wines classified based on their labels as single varieties and does not include blends or wines classified as ‘dry red’ or ‘dry white’.

Change in off-trade volume by variety and price segment (whites) – YE September 2023



Change in off-trade volume by variety and price segment (reds) – YE September 2023



Source: Circana

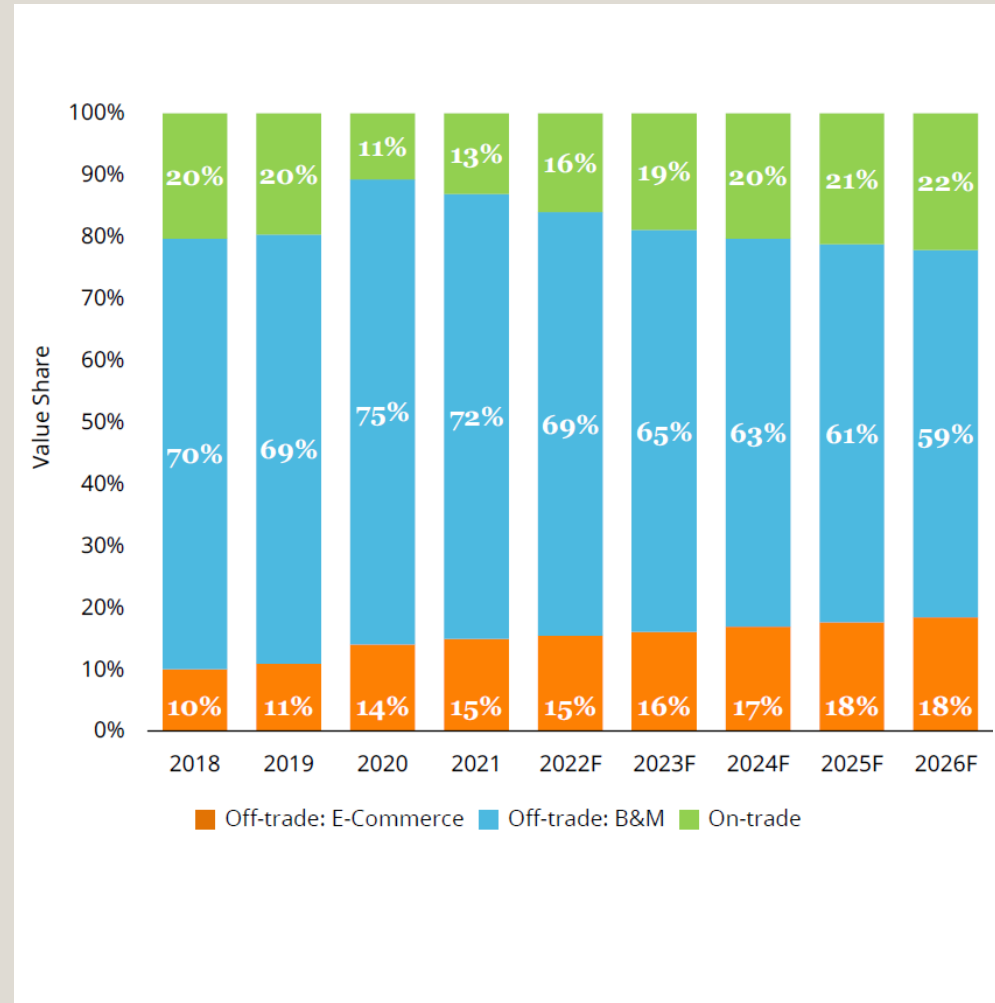
Wine dominates online alcohol sales and volume is expected to grow

Shopping for drinks online became an established behaviour during Covid-19 and is expected to continue in future. IWSR estimates that e-commerce sales of alcohol in Australia totalled just over \$2 billion in 2021 (out of a total market value of \$42.2 billion) and that it will grow to over \$3 billion by 2026.

Wine dominates online alcohol purchases, with an estimated 57 per cent value share of online alcohol sales, compared with having a 19 per cent share of total alcohol trade in Australia.

IWSR forecasts that wine e-commerce will continue to grow over the next five years; however, this is likely to be at the expense of sales in off-trade retail, because overall wine consumption is declining, and the on-trade is expected to increase as it rebounds from the Covid-19 years. The share of wine sales purchased online is expected to grow from 15 per cent in 2022 to 18 per cent in 2026.

Share and forecast share of wine purchase value by channel (2018–2026)



Source: IWSR

Regular wine drinkers spend more and look for a better range and offers when shopping online

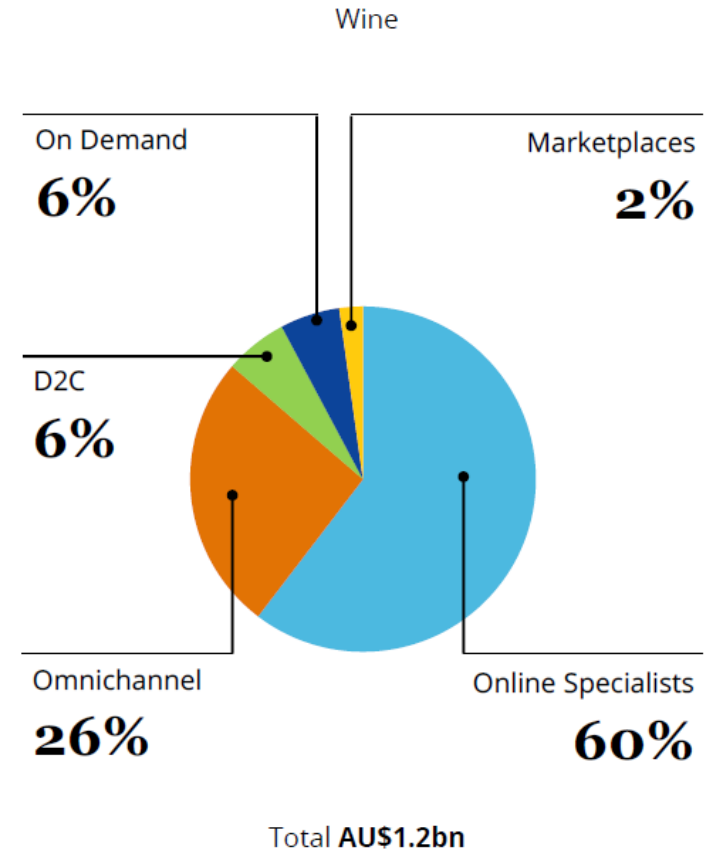
Alcohol e-commerce sales are largely dominated by the same players that dominate the retail 'bricks-and-mortar' sales channel – known as 'omni-channels'.

However, when it comes to wine, online specialists have a larger share than the omni-channels – accounting for 60 per cent of online sales value compared with 26 per cent for the omni-channels. Combined with DTC sales (wineries' own websites) this channel is less dominated by the large retailers.

Approximately one in three regular wine drinkers purchase wine online, with the major drivers being good special offers and promotions, a wider range of 'products that I like' and fast delivery (Wine Intelligence 2023). Nearly half (40 per cent) of regular wine drinkers spend more per bottle online than when making a purchase in a retail outlet.

Most online wine shoppers are willing to spend a bit more for delivery; however, the oldest demographic (55+) is unwilling to pay more, while Gen Zs are most willing to pay more, although there is no significant premium for delivery within half an hour vs the same day (Wine Intelligence 2023).

Value split of online sales by category and channel 2023



Source: Wine Intelligence

Direct-to-consumer

Direct-to-consumer sales are the major source of revenue for most Australian wineries

The direct-to-consumer sales channel includes: cellar door, wine clubs, online sales (winery's own website), events, direct sales by phone or email (database sales) and other retail sales directly from the winery to the consumer.

It is a relatively high value channel although associated costs may also be higher than other channels. For Australia's 1500 or so wineries producing fewer than 50,000 cases, DTC accounts for at least half their annual sales revenue.

Reliable representative data is difficult to obtain for this channel as wineries are generally reluctant to provide the detailed financial information required. According to Wine Business Solutions' *Taking the Direct Route 2023*, based on a participation of 36 Australian wineries, DTC sales value accounted for an average of 38 per cent of total revenue, and increased by 8 per cent in 2023, whereas total sales value across all channels was flat. The growth was driven by increases in cellar door sales, whereas all other DTC channels declined.

DTC share of total sales by winery size and country 2023

Aus	38%
1000-4,999	100%
5000-19,999	40%
20,000-49,999	49%
50,000-99,999	26%
100,000-499,999	36%
NZ	20%
<1000	100%
1000-4,999	45%
5000-19,999	54%
50,000-99,999	15%
100,000-499,999	8%
SA	16%
1000-4,999	100%
5000-19,999	85%
20,000-49,999	58%
50,000-99,999	30%
100,000-499,999	3%
>500,000	5%
Grand Total	30%

Source: Wine Business Solutions

Tourism is recovering and expected to continue to grow

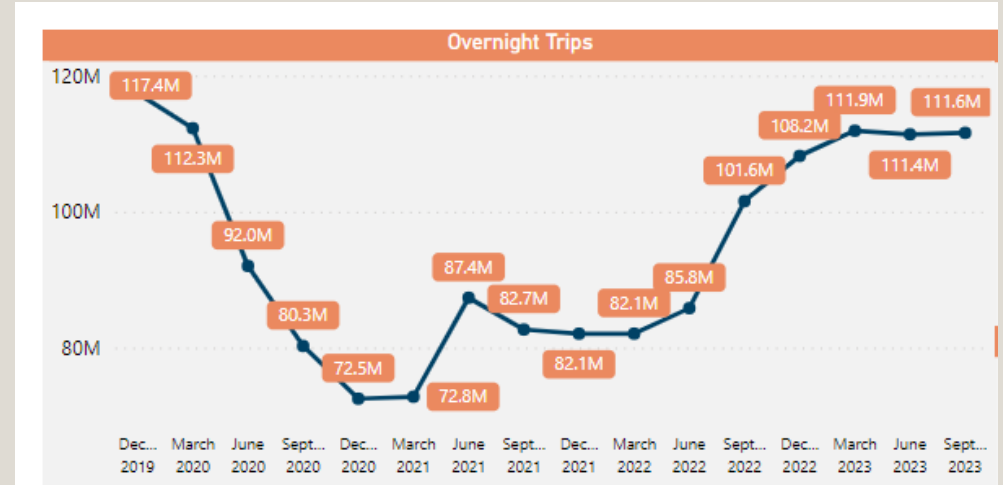
Cellar door sales depend on winery visitation, which in turn depends on tourist numbers.

Both international and domestic visitor numbers have been steadily increasing since the end of 2020, but have not yet returned to 2019 levels after three years of depressed numbers during and after Covid-19.

The number of domestic overnight trips was 111.6 M in the year ended September 2023, down 3.5 per cent on 2019; however, average spend was up 42 per cent to \$974 per visitor night. Victoria and NSW accounted for over 50 per cent of all domestic overnight trips.

There were 6.95 million international visitor arrivals in the year ended November 2023, up 123 per cent compared with the year before, but still down 26 per cent compared with 2019. However, while numbers are down, Tourism Research Australia (TRA) estimates that total visitor expenditure in Australia will be 23 per cent higher in 2023 than in 2019. It forecasts that total visitor expenditure will increase by an average of 6 per cent per year to reach \$223 billion in 2028 (61 per cent above the pre-pandemic level).

Domestic overnight trips in Australia



Historical and forecast tourism spend in Australia



Source: Tourism Australia and Tourism Research Australia

On-premise

The on-premise channel is important especially for younger consumers

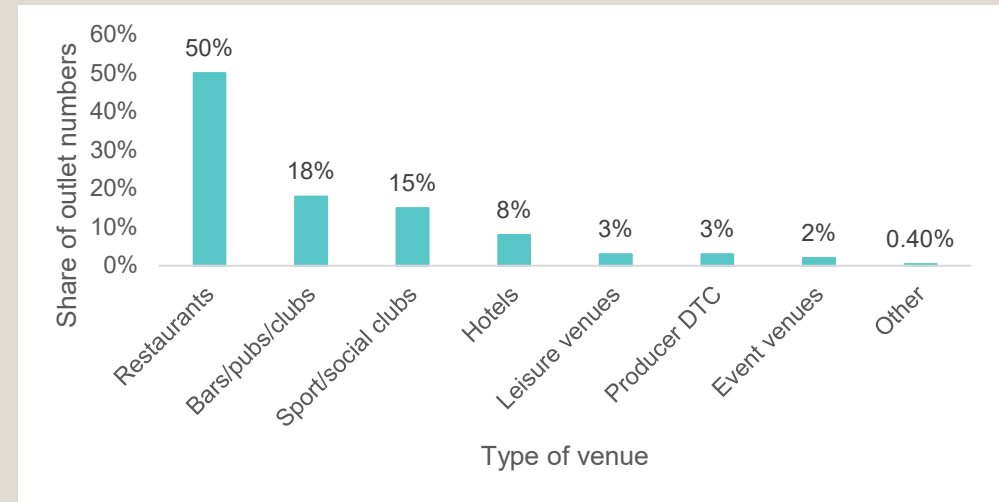
Despite its small share of overall wine sales, the on-premise is considered an important channel for building brand recognition and introducing consumers to new brands, products and varieties. 'By-the-glass' options give consumers the opportunity to trial a new wine with less risk than buying a bottle for home consumption.

The CGA by NIQ 'On Premise User Survey' (OPUS) has found that younger people (18-34) are over-represented among regular on-premise visitors, making this a good channel to connect with Gen Z consumers.

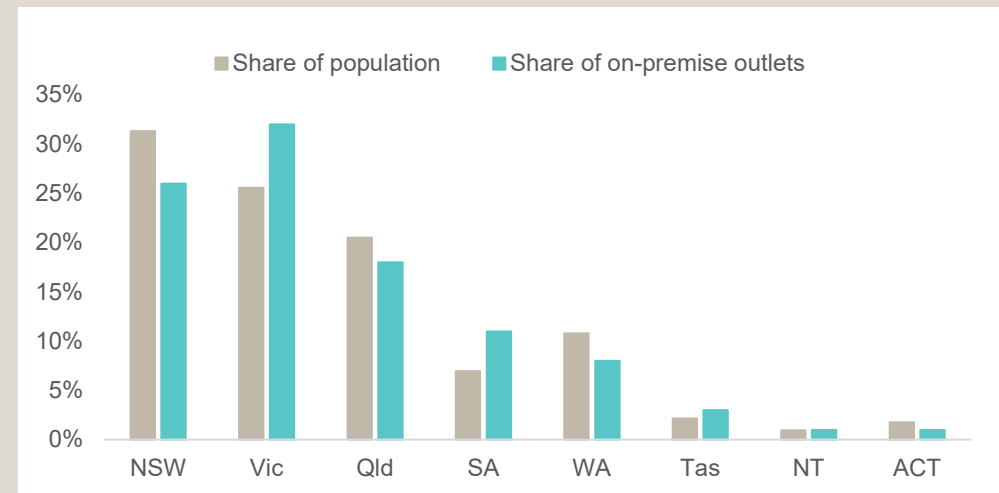
It is very difficult to obtain accurate data on sales in the on-premise, because of the enormous number and variety of on-premise venues. CGA by NIQ estimates that there are over 40,000 on-premise outlets in Australia, with 50 per cent being restaurants. Wineries account for 2 per cent of venues.

Over three-quarters of outlets are within the eastern states, reflecting their combined share of the population. However, Victoria and South Australia over-index in terms of share of venues compared with share of population.

Share of on-premise outlets by type of venue 2023



State share of population vs share of on-premise outlets 2023



Source: CGA by NIQ and ABS

Australian wine is losing share of listings to imported wines, especially in the eastern states

Listings on wine lists in the on-premise do not necessarily correlate with sales volume. However, they provide an indication of the changes in popularity of different wine styles and origins, as well as providing consumers with the opportunity to try new brands and styles.

Australian listings combined accounted for 61 per cent of listings in 2023, compared with 39 per cent for imported wines, according to Wine Business Solutions.

However, the share of Australian wines declined from 66 per cent in 2022, with all Australian wine-producing states losing ground to Europe and the US in 2023. Wines from South-Eastern Australia (generally sold at lower price points) were the only Australian brands to increase their share of listings.

South Australia (SA) in particular has a very strong home state advantage, with 70 per cent of listings in SA being South Australian wine and only 19 per cent being imports. Conversely, in NSW only 12 per cent of listings are NSW wines, whereas imported wine accounts for 46 per cent and other Australian wine 42 per cent of listings.

Percentage share of wine listings by Australian state or other country and year-on-year change

Source	2023	2022	Change
SA	27.5%	28.2%	-2%
France	13.2%	11.4%	16%
Italy	13.1%	13.0%	1%
VIC	12.7%	13.4%	-6%
WA	8.8%	9.1%	-3%
New Zealand	6.5%	6.6%	-2%
NSW	5.2%	6.3%	-17%
Tasmania	4.3%	4.4%	-2%
Spain	2.4%	2.4%	-1%
South-Eastern Aus	2.1%	1.6%	33%
Argentina	1.0%	1.3%	-20%
USA	0.7%	0.3%	155%
Germany	0.5%	0.3%	43%
Greece	0.5%	0.4%	26%
Portugal	0.5%	0.5%	-2%
Austria	0.4%	0.3%	27%
QLD	0.1%	0.1%	-14%

Source: Wine Business Solutions

While on-premise visitation remains high, visit frequency and spend have declined in 2023

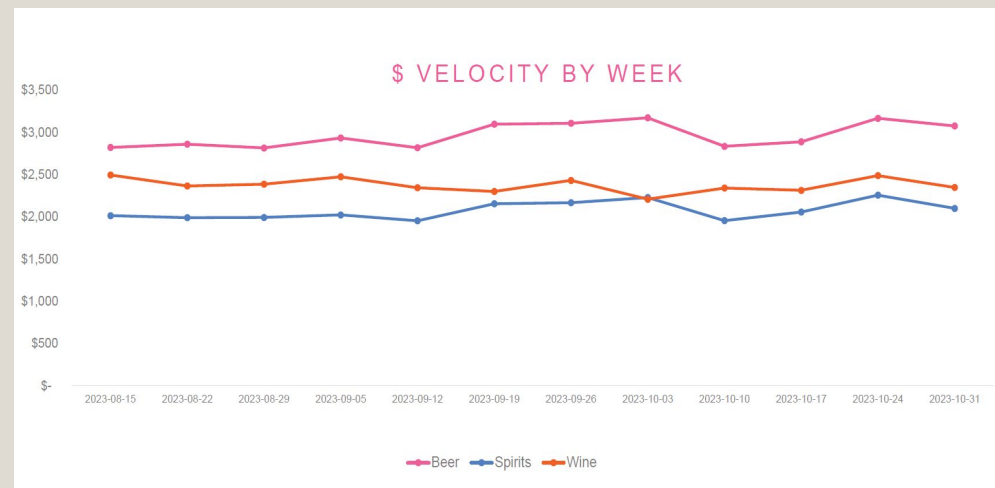
A survey conducted of on-premise visitation by CGA by NIQ every month has consistently shown that over 90 per cent of consumers visit the on-premise every month, with around 85 per cent visiting for a 'food-led' occasion, and just under 50 per cent for a 'drink-led' visit.

However, in late 2023, frequency of visits declined compared with the same time the previous year, while the value of sales of alcohol in the on-premise across the 12-week period to end October 2023 declined by 23 per cent compared with the equivalent period in 2022. All alcohol categories declined in both total value and number of sales; however, for wine, the decline in total sales revenue was the largest at 32 per cent, compared with 19 per cent for beer and 22 per cent for spirits – although wine did better than spirits in eating venues. The consistently lower sales value is likely to be attributable to cost-of-living pressures experienced in Australia during 2023 as a result of relatively high inflation and higher interest rates, but the disproportionate effect on wine sales indicates additional contributory factors.

Average wine sales revenue per week per venue: 2023 vs 2022



Average sales revenue per week per venue in eating outlets only by alcohol category – past 12 weeks



Source: CGA by NIQ

Wine as a choice of beverage dominates in food-led occasions but these are declining

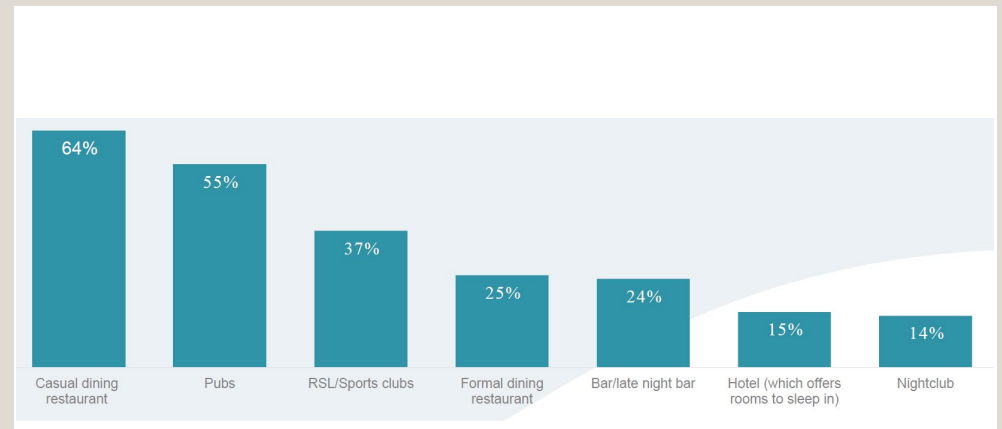
Overall, 36 per cent of visitors to the on-premise report that they 'typically' drink wine (noting that they can select multiple alcohol options). Wine is the leading choice during visits to casual dining restaurants and formal restaurants, and the second most popular choice for hotels, pubs and RSL/sports clubs (CGA by NIQ – October 2023). These venues in turn are the most frequently visited, with 64 per cent of on-premise visitors 'typically' attending a casual dining venue in a 3-month period, compared with 24 per cent for bars/late night bars and 14 per cent for nightclubs.

The popularity of formal dining restaurants has declined in 2023, with the percentage of on-premise visitors 'typically' visiting this type of venue falling by 16 percentage points from 41 per cent in September 2022 to 25 per cent in September 2023. This decline is likely to have a disproportionately negative effect on wine, which dominates choice of drink in these venue types.

Percentage of on-premise visitors nominating each type of alcohol as a 'typical' drink for each venue type

Casual dining restaurants		Hotel		Pubs		Formal Restaurants		RSL / Sports Clubs	
Still Wine	25%	Cocktails	35%	Domestic Beer	35%	Still Wine	45%	Domestic Beer	33%
Domestic Beer	16%	Still Wine	28%	Still Wine	20%	Cocktails	30%	Still Wine	19%
Cocktails	9%	Vodka	26%	Vodka	13%	Sparkling Wine	23%	Vodka	9%
Sparkling Wine	9%	Sparkling Wine	24%	Craft Beer	13%	Domestic Beer	15%	Cider	9%
Cider	8%	Domestic Beer	22%	Imported Beer	13%	Imported Beer	13%	RTDs	9%

Percentage of on-premise visitors who 'typically' visit each type of venue in a 3-month period



Source: CGA by NIQ

Consumer insights



Key points

Consistent with global trends, the number of people drinking wine, and the frequency of wine drinking in Australia are both decreasing.

The main drivers leading to reduced consumption are health and wellness, economic pressures reducing discretionary spending and competition from other alcohol categories, particularly RTDs.

Regular wine drinkers are choosing a narrower range of wine styles and varieties, possibly as a result of drinking on fewer occasions.

Younger consumers have different taste preferences compared with older consumers regarding attributes of both red and white wines.

Sustainability is becoming more important to consumers but does not drive wine purchases.

While consumption of no- and lower-alcohol wine is currently low, it is expected to grow over the next five years, driven by younger wine drinkers.



Despite population growth, the number of wine drinkers is decreasing

Consistent with global trends, the number of people drinking wine, and the frequency of wine drinking in Australia are both decreasing.

According to IWSR, the share of the adult population that drinks wine regularly (at least once per month) decreased from 50 per cent in 2019 to 43 per cent in 2023. The share of regular wine drinkers that drink at least once per week also decreased from 81 per cent to 80 per cent. The combined effect of these changes has been a reduction of half a million in weekly wine drinkers (-6.8 per cent) since 2019, despite the population increasing by 1.7 million (9.3 per cent) in that time.

The reduction in numbers has led to a reduction in volume of wine consumed, which decreased by an average of 2.3 per cent per year from 2017 to 2022, under-performing against all other alcohol categories except cider. Wine is also expected to decline by more than all other alcohol categories in the next five years.

Change in volume of alcohol sold in Australia by category – past five years and next five-year forecast

	CAGR 17-22	CAGR F 22-27
Total beverage alcohol	0.4%	-0.1%
Beer	0.2%	-0.7%
Wine*	-2.3%	-1.2%
RTDs	5.9%	3.8%
Cider	-2.3%	-0.9%
Spirit**	6.3%	2.4%

Red numbers indicate a negative change; green numbers indicate a positive change

Source: Wine Intelligence

There are three key drivers of reduced wine consumption

The reduction in wine consumption is primarily driven by:

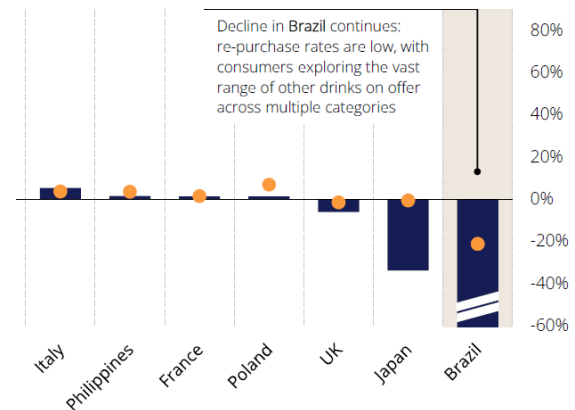
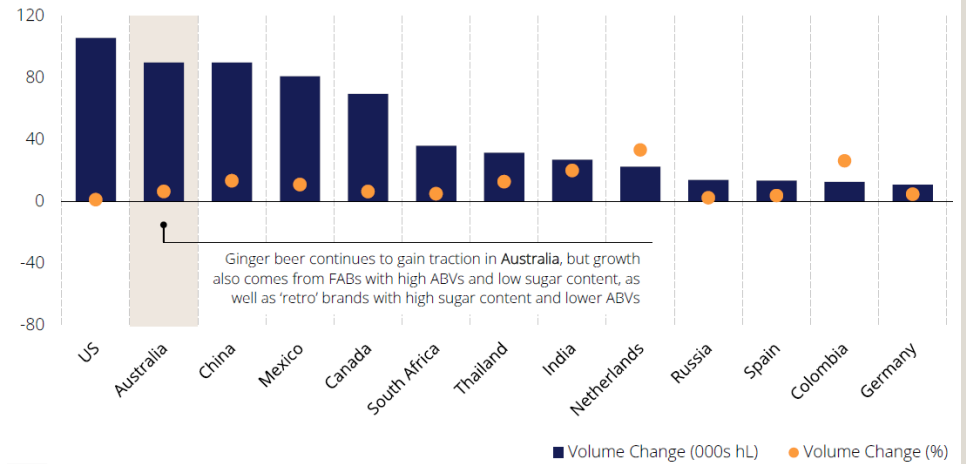
Alcohol moderation as a result of a 'health and wellness' trend prevailing in many consumer markets and across a range of activities. Roy Morgan data from September 2023 indicates that 43 per cent of adults in Australia claim to be moderating their consumption.

Competition from other alcoholic beverages

particularly RTDs, which have grown by an average of 7 per cent per year from 2018-2022 according to IWSR, to take a 13 per cent market share. Australia is the third-largest RTD market in the world, with a wide range of products catering for 'low calorie, high alcohol' preferences through to 'low alcohol, sweet, refreshing' tastes. According to Roy Morgan, the proportion of Australian adults who consumed RTDs doubled from 10.8 per cent in 2020 to 20.8 per cent in 2023, while the growth in RTD volumes in Australia was the second highest of all top 20 markets (IWSR 2023).

Economic moderation as a result of reduced disposable income is a recent additional driver leading to reduced spend on alcohol. Older drinkers in particular reported buying less wine and buying cheaper wine according to IWSR (July 2023).

Performance of RTDs in first half of 2023 – top 20 markets sorted by growth in RTDs



Source: IWSR

Changes in varietal and regional choices indicate a narrowing in the range of wines consumed

The proportion of regular wine drinkers that reported drinking white wine in the past 12 months declined from 80 per cent in 2019 to 75 per cent in 2023. The same was true of red wine, while sparkling wine declined from 46 per cent to 35 per cent – suggesting that wine drinkers are narrowing down the range of wine styles that they choose.

At a variety level, five of the top six white and four of the top six red varieties also decreased in terms of percentage of wine drinkers who had drunk them in the past 12 months, compared with 2019, continuing a trend that emerged in 2022. Only the minor varieties Durif, Zinfandel, Gamay, Albariño and Grüner Veltliner showed an increase in popularity since 2019 (each from a very small base).

A similar result was found for country and region of origin, with declines in popularity for the most identified countries and regions compared with 2019.

Red arrows are statistically significant reductions; green numbers are statistically significant increases

Percentage of consumers drinking varieties by year

Ranking '23		2019 (n=1,000)	2022 (n=1,008)	2023 (n=1,008)	Tracking	
					vs. '19	vs. '22
1	Shiraz / Syrah	49%	40%	42%	↓	→
2	Cabernet Sauvignon	50%	40%	40%	↓	→
3	Merlot	48%	40%	37%	↓	→
4	Pinot Noir	39%	33%	35%	→	→
5	Cabernet Sauvignon / Merlot blend	39%	32%	30%	↓	→
6	Red blend	20%	19%	21%	→	→
7=	Grenache	10%	12%	12%	→	→
7=	Malbec	11%	14%	12%	→	→
9	Tempranillo	11%	14%	11%	→	→
10	Sangiovese	10%	12%	10%	→	→
11	Durif	5%	11%	8%	↑	→
12=	Zinfandel	5%	8%	7%	↑	→
12=	Gamay	4%	8%	7%	↑	→
14	Carménère	5%	9%	5%	→	→

Ranking '23		2019 (n=1,000)	2022 (n=1,008)	2023 (n=1,008)	Tracking	
					vs. '19	vs. '22
1	Sauvignon Blanc	57%	46%	48%	↓	→
2	Chardonnay	49%	39%	38%	↓	→
3	Pinot Grigio / Pinot Gris	34%	28%	33%	→	→
4	Moscato	34%	29%	26%	↓	→
5	Riesling	32%	27%	25%	↓	→
6	Sémillon / Sauvignon blend	30%	25%	23%	↓	→
7	Sémillon	18%	17%	16%	→	→
8	Verdelho	11%	11%	11%	→	→
9	Chenin Blanc	10%	11%	10%	→	→
10=	Colombard	6%	7%	6%	→	→
10=	Albariño	4%	7%	6%	↑	→
10=	Gewürztraminer	5%	7%	6%	→	→
10=	Vermentino	6%	8%	6%	→	→
10=	Grüner Veltliner	4%	6%	6%	↑	→

Source: IWSR

Different age groups look for different attributes in an 'ideal' wine

Across all Australian regular wine drinkers, the most popular attribute for white wine is 'easy to drink' (selected by 43 per cent of respondents in IWSR research – July 2023). However, perhaps counter-intuitively, only 30 per cent of LDA to 34-year-olds chose this attribute, compared with 54 per cent of the 55+ age group. Conversely, the youngest age group was statistically more likely than all regular wine drinkers to choose 'sweet', 'delicate', 'soft' and 'simple' attributes (which might be expected to correlate with 'easy-to-drink'), while the oldest age group was statistically less likely to do so.

When it comes to red wine, 'smooth' was the most popular attribute (chosen by 38 per cent of all regular wine drinkers), followed by 'full-bodied' (37 per cent). 'Full-bodied' was a lot less popular with the youngest cohort (28 per cent), and a lot more popular among the oldest cohort (48 per cent). Once again, the youngest cohort was statistically significantly less likely to select 'easy to drink', but more likely to choose 'sweet', 'delicate' and 'light' compared with the oldest cohort.

These results indicate that there are differences in the taste preferences of different age groups, but these may need to be more clearly defined.

Ideal wine attributes (top 15) for white wines among regular wine drinkers (July 2023)

	Australian regular wine drinkers	Age (3 groups)		
		LDA-34	35-54	55 and over
	Sample size n = 1,008	281	365	362
Easy to drink	43%	30%	43%	54%
Fresh	35%	28%	38%	38%
Smooth	34%	31%	35%	37%
Crisp	32%	25%	26%	44%
Fruity	32%	33%	34%	31%
Light	24%	25%	25%	24%
Sweet	23%	30%	25%	16%
Full-bodied	22%	21%	22%	22%
Dry	20%	16%	15%	26%
Delicate	19%	25%	19%	15%
Soft	18%	24%	18%	13%
Elegant	16%	19%	20%	10%
Simple	16%	22%	18%	10%
Zesty	14%	20%	15%	9%
Juicy	14%	23%	13%	6%
Bold	12%	15%	13%	8%
Oaky	11%	15%	11%	7%
Complex	10%	14%	10%	8%
Creamy	10%	16%	10%	4%
Buttery	9%	14%	9%	6%
Herbaceous	7%	12%	6%	4%
Mineral	6%	10%	7%	2%
Other	1%	0%	0%	1%
None of these	5%	2%	4%	9%

Red numbers are statistically significantly lower than the overall average; green numbers are statistically significantly higher

Source: IWSR

Sustainability is becoming more important to consumers but does not drive wine purchases

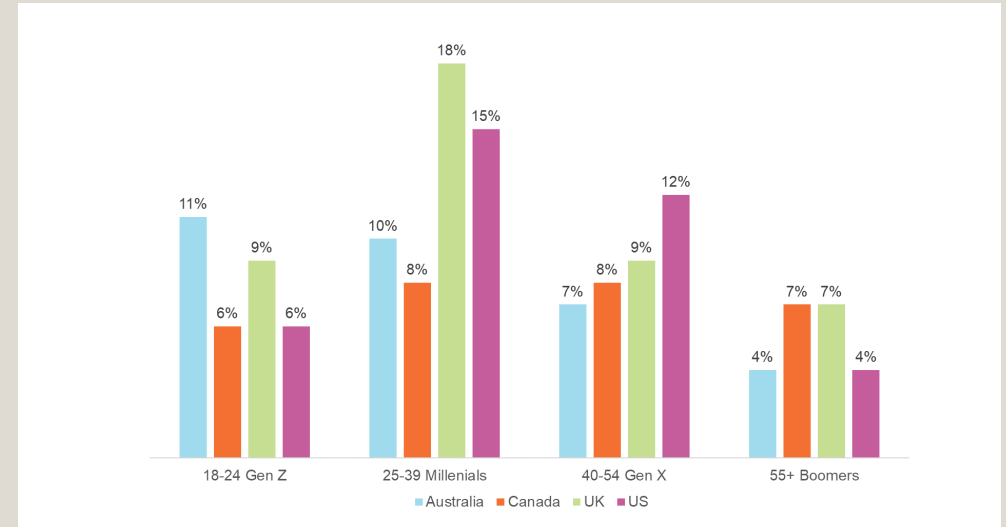
Sustainability as a general concept is increasing in importance for consumers, with 69 per cent of consumers globally stating that sustainability is more important to them than two years ago (Nielsen, 2023)

However, when it comes to wine, sustainability is not the main driver of purchase, with less than one in five consumers seeking to purchase sustainably-produced wines across the US, UK, Canada and Australia (Wine Intelligence, 2022).

Sustainability is generally of more importance to younger wine drinkers, particularly in Australia where the youngest cohort is most likely to seek out sustainable wines, and more likely than the same age group in the other three markets.

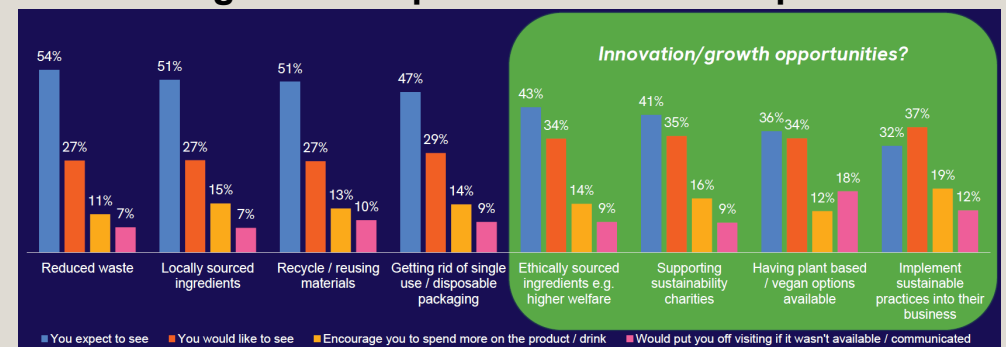
Consumers also do not expect to pay more for sustainable products – seeing it as the responsibility of companies and/or government to ensure standards are met. Among on-premise visitors, most sustainable practices are seen as ‘hygiene factors’ that they expect to see, rather than attributes that would encourage them to spend more on the product.

Percentage of regular wine drinkers who have sought to purchase sustainably-produced wine in the past six months – by market



Source: Wine Intelligence

Consumer attitudes towards sustainable practices relating to drinks purchases in the on-premise



Source: CGA by NIQ

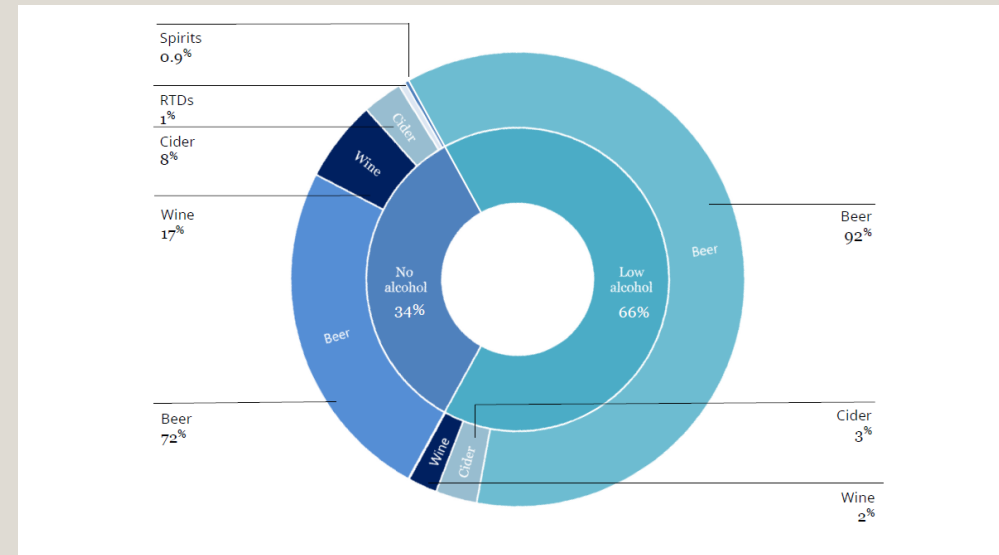
No and low-alcohol wine opportunity is driven by younger consumers

As noted (slide 38), moderation is a widespread trend leading to reduced alcohol consumption in Australia. Up to 20 per cent of regular wine drinkers report reducing alcohol by choosing lower alcohol options (20 per cent) or non-alcoholic drinks (14 per cent) on some occasions (Wine Intelligence 2023).

While beer accounts for 72 per cent of no-alcohol products and 92 per cent of low-alcohol products, IWSR forecasts that low- and no-alcohol wine will grow by an average of 6 per cent from 2023–2027 (compared with a forecast decline of -2 per cent for full-strength wine) – reaching over 1 million cases (2 per cent share of wine) by 2027.

Among regular wine drinkers, the younger generations (Gen Z and Millennials – 18-39 years old combined) are most likely to report actively reducing the amount of alcohol they drink. They are also more likely than older age groups to do this by choosing lower alcohol options. Not surprisingly, then, Gen Z and Millennials make up 52 per cent of buyers of lower-alcohol wines, compared with making up 40 per cent of all regular wine drinkers – ie they are over-represented in the lower-alcohol purchasing category. A similar result is found for no-alcohol purchase demographics.

No- and low-alcohol category volume share in Australia by alcohol type



Lower alcohol awareness and purchase by demographic group

	RWD (n=1008)	Awares (n=564)	Buyers (n=89)
Gen Z (18-24)	8%	8%	17%
Millennials (25-39)	32%	24%	35%
Gen X (40-54)	28%	28%	26%
Boomers (55+)	32%	40%	21%

Red numbers are statistically significantly lower than the overall average; green numbers are statistically significantly higher

Source: Wine Intelligence

Disclaimer and credits

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Wine Australia supports a competitive wine sector by investing in research, development and adoption (RDA), growing domestic and international markets, and protecting the reputation of Australian wine.

Wine Australia is an Australian Commonwealth Government statutory authority, established under the Wine Australia Act 2013, and funded by grape growers and winemakers through levies and user-pays charges and the Australian Government, which provides matching funding for RDA investments.

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