A Survey of VQA Sparkling Wine

Attitudes of the Ontario on- and off-trade:
Key Findings

Brock University FIZZ Club, Dec 11, 2015

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Constellation Brands

Introduction

- Timing: 1015 – 1100 am
- Project background: why?
- Design and methodology
- Research Questions
- Findings
- Conclusions
- Discussion

Project Background: Why?

- **Really interested in VQA** wines: since around 1990
- **I love Sparkling Wine!** (who doesn't?)
- **Buzz: everyone in the industry** here talking about it … but some differing opinions
- **#1 reason: it completes the MW** study program!
  - **Tight enough** topic, relevant, do-able in about 6 months
  - **Hoping that results** could be shared back to the industry

Project Background: Aims

- To **determine the attitudes** of the consumer-facing Ontario Wine Trade (“OWT”) toward Ontario-produced VQA sparkling wine ("VSW")
- To contribute new research that might **significantly assist stakeholders** in growing the Ontario VSW market
- **Four distinct trade groups were consulted**

Methodology

- Initial, semi-structured trade **interviews**
- Followed by a **detailed, quantitative online survey** of the Ontario Wine Trade (OWT)

SurveyMonkey®

  - **Watch out: it isn't easy** to build a survey properly
  - **Doubly so: it's even tougher** getting (enough) responses!
- **Survey development: huge thank you to**
  - Peter Wearing, Small Winemakers/IWEG
  - Jen Bermingham Strategic Navigator
  - Patricia Pinkney, Constellation & Belinda/Tek here at Brock

Design

- **Why a focus on the trade?** Consumers outside of time/resources/scope, but a logical next step
- **OWT segments were:** PCs - Buyers - Somms - Cellar Door
- **Number of respondents** and validity of data: margin of error
- **Surveys: 4 separate but related**, delivered in April 2015
  - Total responses: 413 (of 503)
  - Completed responses: 259, or 51%
  - Margin of Error: 4.25
- **Results: assembled and analyzed**, with findings written and completed by June 30th, 2015

Actual Research Questions

1. **Quality** of VSW
2. **Price/value** of VSW
3. **The degree to which VSW's wine style** matches customer needs
4. **Suitability** of VSW for particular usage occasions
5. **Overall commitment** to VSW (and VQA wine overall)
6. **Differentiating factors** of VSW vs other origins
7. **Advantages and disadvantages** of VSW (facilitating factors and barriers)

Background Facts: the opportunity

- **Global SW sales are growing at 4.5%** yet only account for 11% of total wine sales
- **VSW more than doubled 2004-2014**, yet only accounts for 3.2% of total Canada wine sales (vs 5.4% US or 9% AUST)
- **Domestic SW = only 12 percent value** of all SW sales in Canada, far lower than comparable table wine share
- **Compound annual growth rate ("CAGR") of +7.1%** (value, 2010 - 2014) is notably greater than the CAGR of total wine at 4.7%

Fun with numbers

- **145**
- **80**
- **70**
- **50**
- **33**
- **20**

Fun with numbers: the answers

- **145 registered VQA member wineries in 2015** (VQA Ontario, 2015).
- **80 percent of VSWs** are produced using the “classic” sparkling grape varieties Chardonnay and Pinot Noir
- **70 percent of the VSW wines** listed at the LCBO as of May 2015 are produced by the Traditional Method (“TM”)
- **50 VSW producers** as of May 2015.
- **33% (one in three) Ontario wineries** is currently producing VSW.
- **20 Ontario wineries** have active VSW sales at the LCBO.

Key findings: from the interviews

1. **VSW is recognized as an important emerging style** by the OWT.
2. **Ontario's climate, grape varieties and soil types are all well-suited to the production of SW.** These aspects of "terroir" offer great promise but more study of site selection and refinement of viticulture and winemaking techniques is needed. (Brock/Guelph/You)
3. **Although a broad range of expertise is already present in the OWT,** even more outside consulting and investment is required if VSW producers are to gain momentum and successfully compete in the Ontario market. *A coordinated effort by producers is needed to ensure success.*
4. **Increased regulation of VSW in Ontario is not desired**. Producers want the flexibility to use all SW production methods, a mix of grape varieties and aging regimens.
5. **Little support exists to create an exclusively traditional method ("TM") identity for Ontario VSW:** making it more difficult for ourselves? (Eugene)
6. **The Ontario VSW industry needs to increase production** to move beyond its current niche status. ("Scaling up" – Daniel Speck, others)
7. **Strong future growth is almost universally anticipated for VSW by the OWT,** despite general challenges and specific barriers noted.

Key findings from survey: wine quality

- **The OWT believes high-quality VQA wines and VSWs are being produced** in Ontario

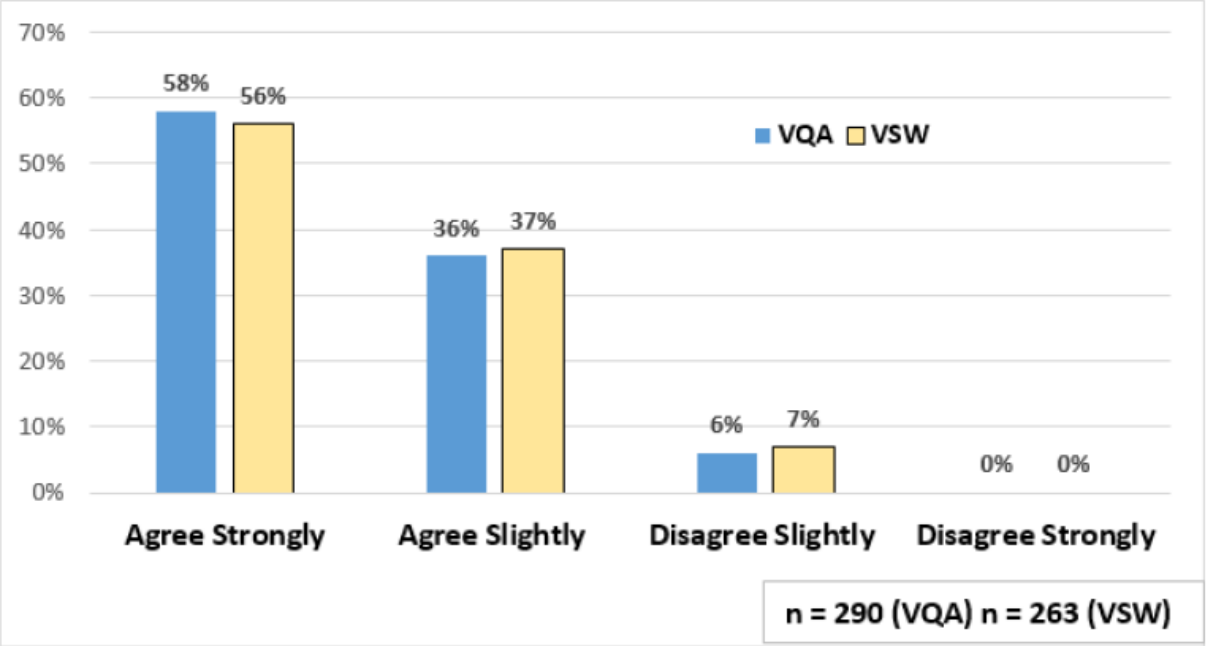

Figure 6.1 – Ontario wineries are making top quality VQA / VSW wines

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Key findings: price/value

Price:

- **Overall best-selling Price Bands are aligned**
  - Retail $15 - 20 and On Trade $45 – 60
- **Retail:** upward price migration
  - LCBO $15-20 bracket is growing strongly vs current leader $12-15 bracket

Key findings: price/value

Value

- **A qualified positive: the OWT believes VSW to be of better value than total VQA**
  - but are divided as to whether VSW is “too expensive”

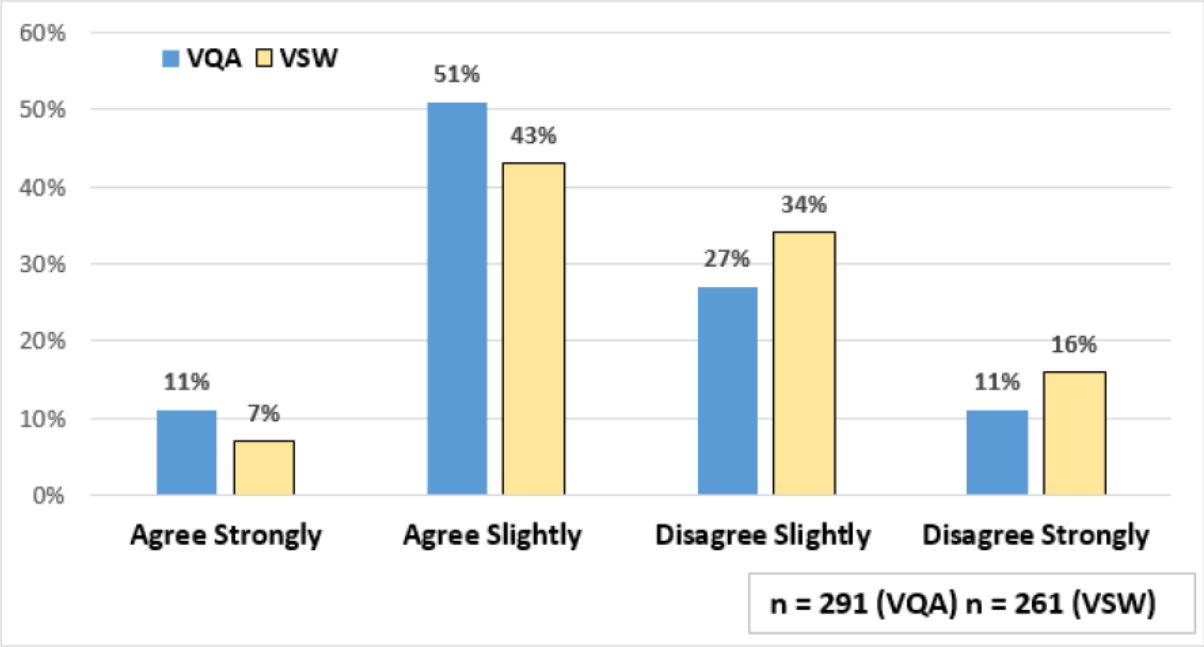

Figure 6.3 – Ontario VQA / VSW wines are too expensive

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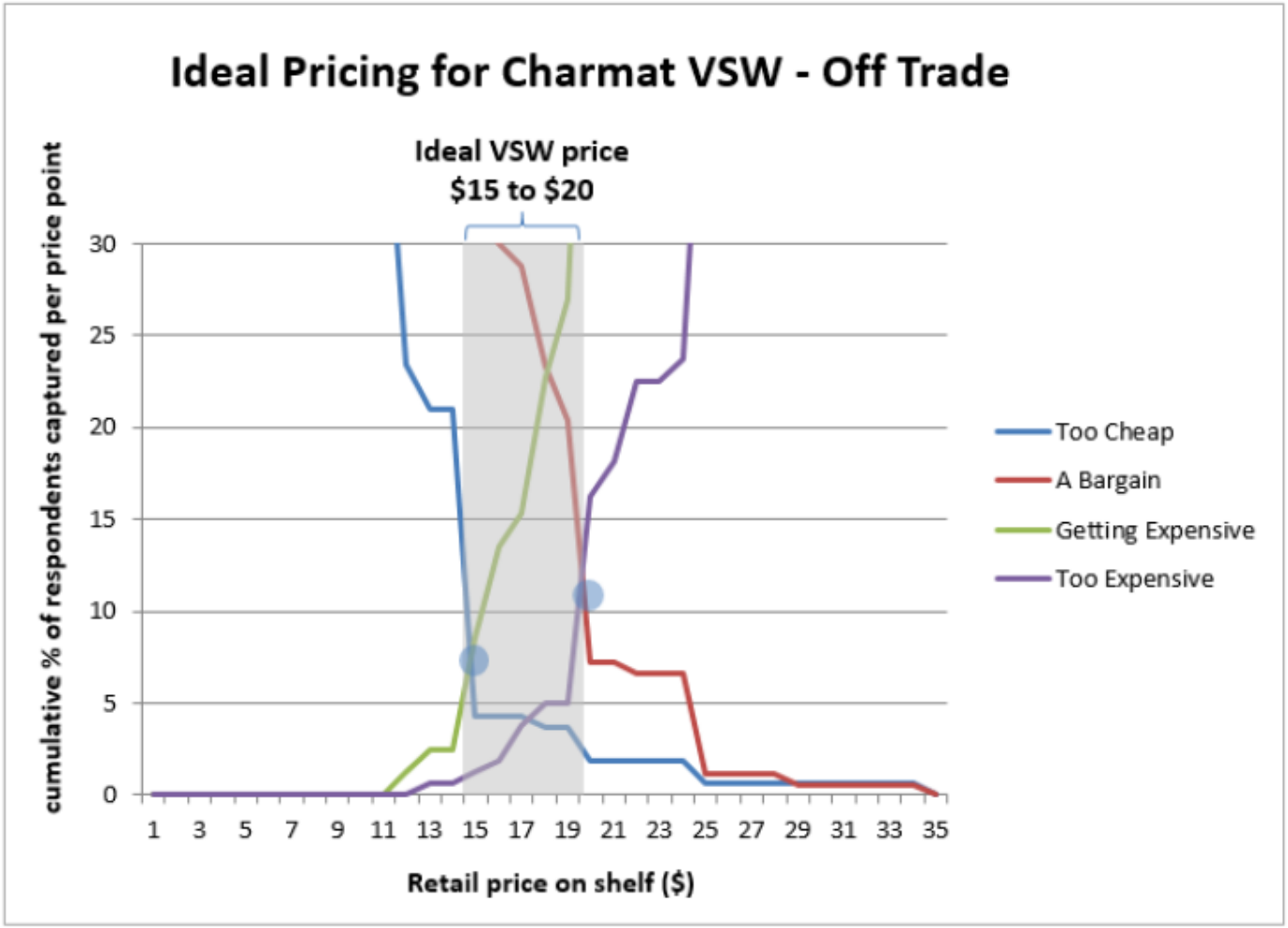
Key findings: optimum VSW price

- **Sommeliers expect lower** (better) pricing than retailers
- **Existing VSW pricing fits** OWT's value expectations (but Trad Method VSW pushes upper limits)
- **Charmat VSW** best price < $20
- **Traditional Method** VSW best price < $30
- **Median actual pricing** of VSW fits:
  - Charmat $14.95
  - Traditional $28.10

Key findings: optimum price chart



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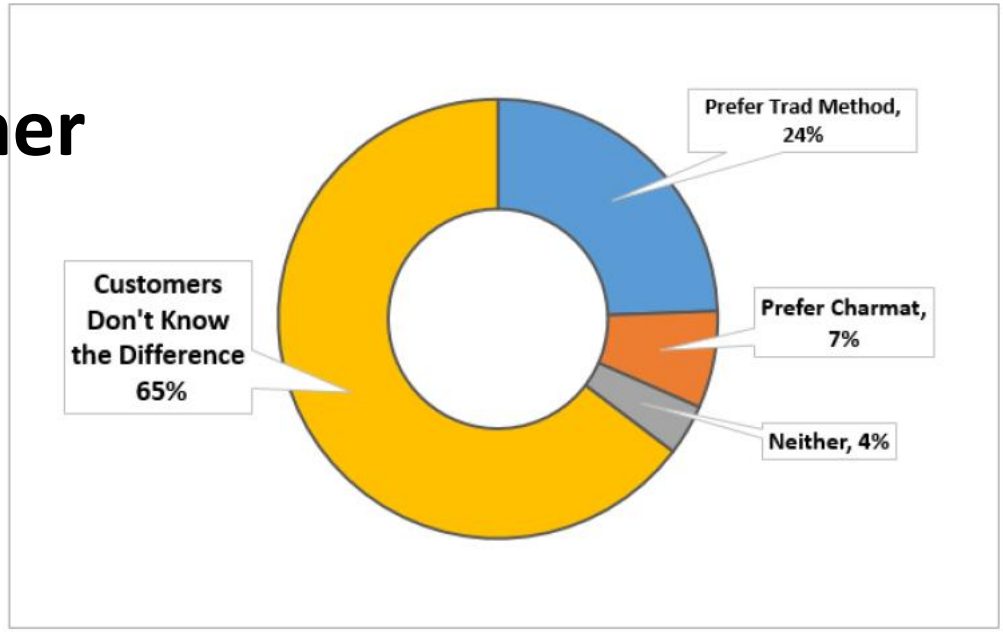
Key findings: style

- The OWT believes **consumers prefer fruitier SW styles** (though "toasty" styles were also highly noted)
- This supports **continuing both CM and TM VSW** production as is the current situation in Ontario
  - It might be an (expert's) error to assume Traditional Method is the only way
  - It might be my *own* bias: shame on me!
  - Sidenote: Buyers and Somms preferred 'toasty' styles
  - Other options? use fruitier clones or varieties, or alter production techniques (shorten time on lees, etc.)

Key findings: production methods

- **Most consumers do not know the difference** between SW production methods
- **So: match to consumer desires** and/or
- **Continue consumer education**



Key findings: usage

- **VSW is suited to more than just "celebrations"**
- **Consuming VSW "With A Meal"** ranked fairly highly as well
- This provides a **potential advantage** for future growth of VSW vs VQA table wines alone (and certainly compared to Icewine, our current star)

Key findings: importance of VSW

- **OWT thinks it is important to have VSW** available for their customers, but less so than for VQA wine overall
- **Consumers are interested in buying VSW,** but again at a rate less than VQA wine overall
- **Suggestion: further success of VSW needs dedicated producers** and increased presence

Key findings: top wine & SW origins

- **Top Overall Wine Origins**: USA, Italy and France
  - Top Single Category: California Cabernet Sauvignon
- **Most commonly listed SW** origins: Champagne & Prosecco
  - VSW, Cremant & Cava follow after
- **Best-selling SW** origins: Prosecco & Champagne
- **Cremant** shows stronger than expected
  - Possible preference by the OWT due to style/price
- **On Trade & Retail segments differed**
  - Cremant called out more strongly by LCBO PCs

Key findings: top SW origins – On trade

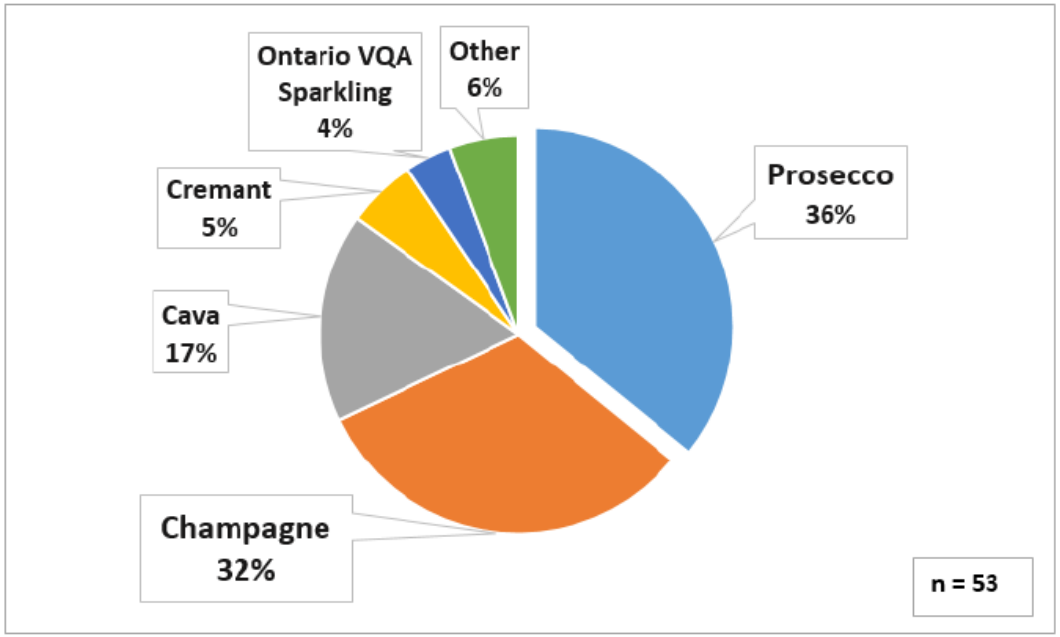


Figure 6.15 – Single best-selling SW wine region: as reported by the On Trade

Key findings: top SW origins - LCBO

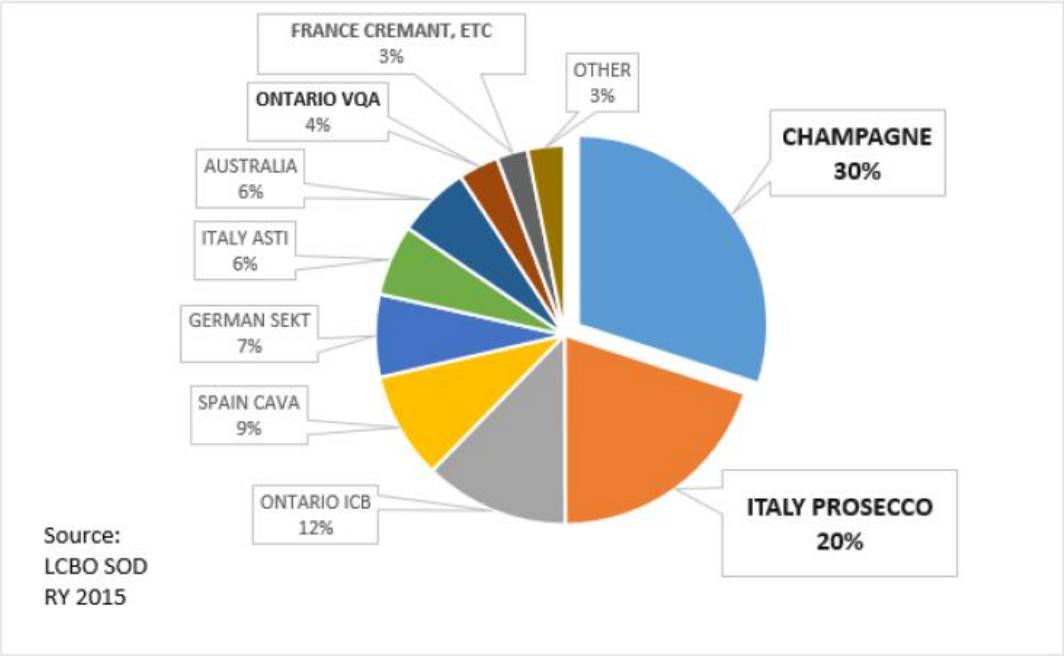
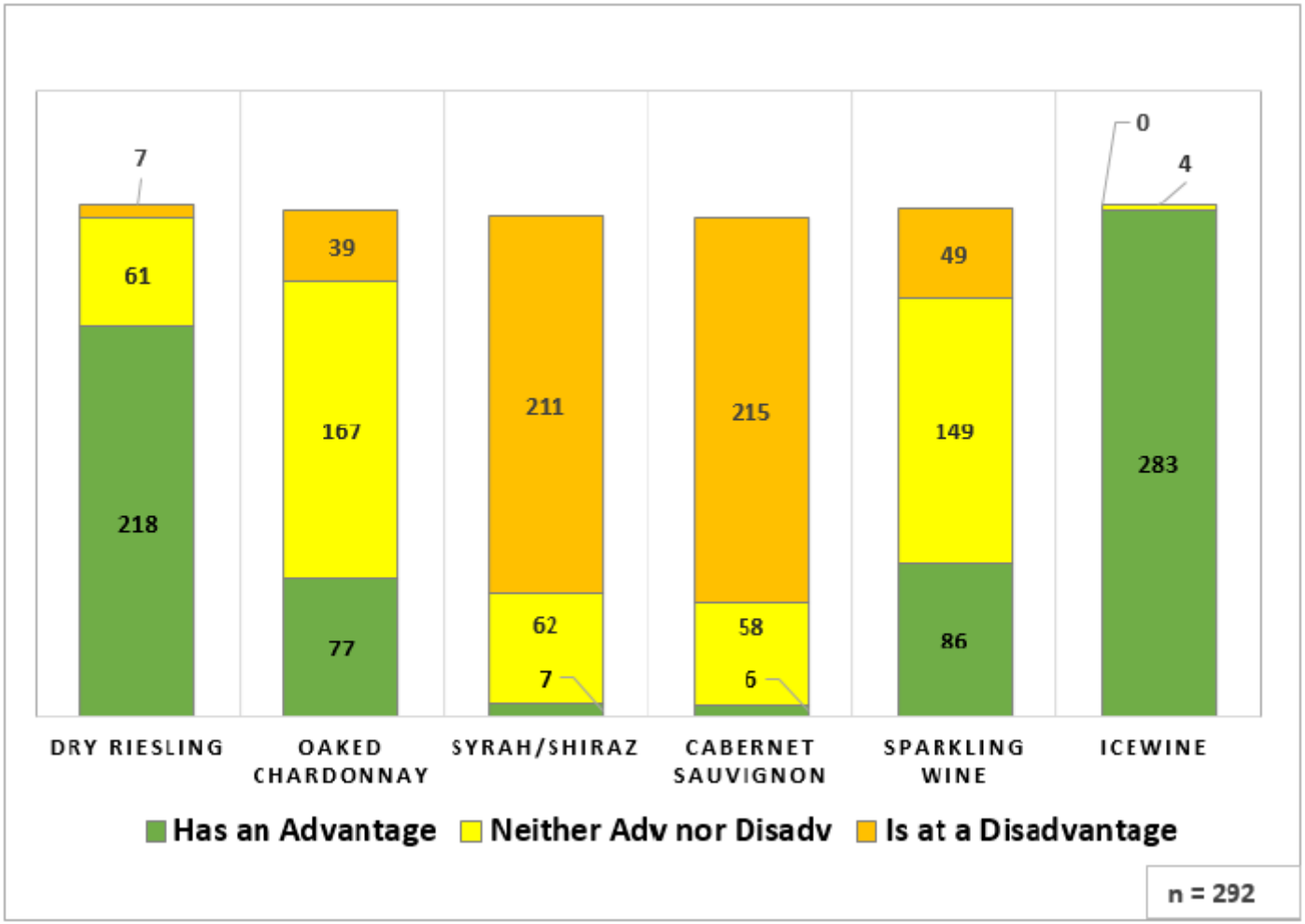


Figure 6.16 – LCBO retail actual SW sales by orgin (value Rolling Year ending May 2015)

Key findings: top VQA varieties / types

- **VSW holds a slight advantage** versus other origins: positive for such a young category
- **Icewine holds the greatest advantage** of all
- **Riesling comes next, but Chardonnay and VSW are in a virtual tie** for third place
- **Advantage:** can VSW be more unique than "everywhere" Chardonnay?

Key findings: top VQA varieties / types



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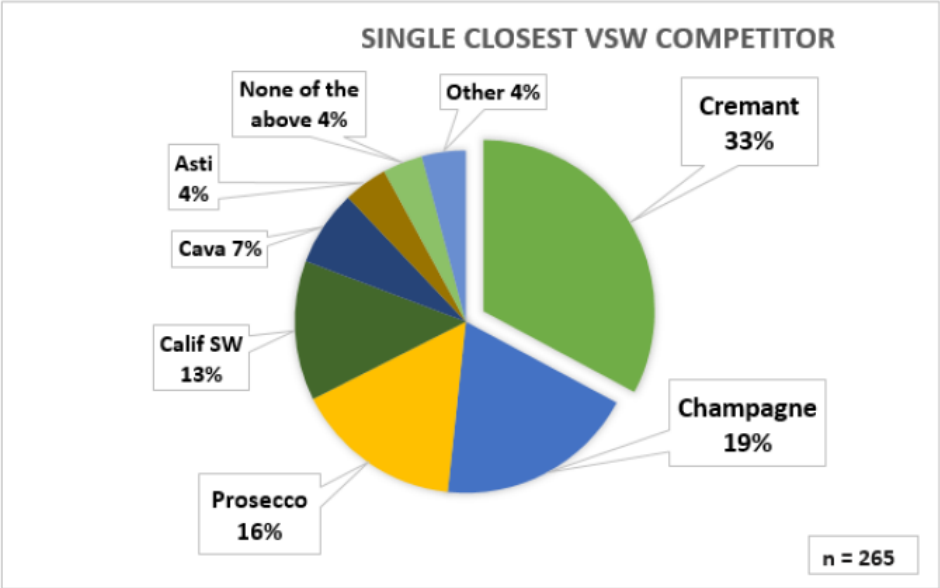
Key findings: VSW competitors

- **VSW's "Single Greatest" Competitors:**
  - Crémant, Champagne and Prosecco
  - California SW comes next
- **"Other" Competing Origins:**
  - Cava finally makes a strong appearance
- **Buyers and Cellar Door associate VSW more with Champagne** than do Somms and PCs

Key findings: VSW competitors



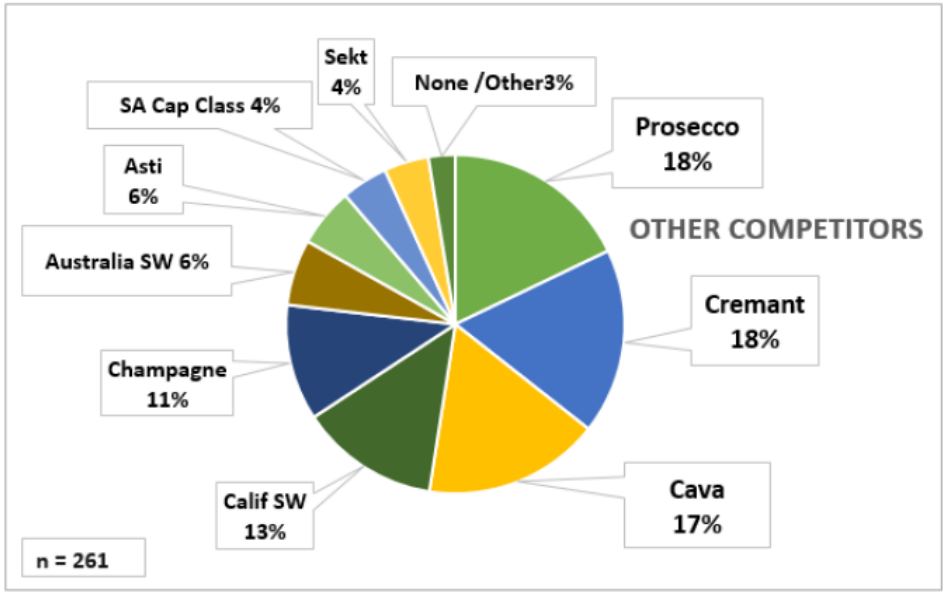


Figure 6.17 – Single closest competitor to VSW & All other competitors to VSW

Key findings: best-selling VSWs

- The single most common answer among Sommeliers was that there was **"*no* best-selling" VSW**
- Best-selling VSWs come from **dedicated producers**
- Supports the initial views that **scale and notoriety need to be in place** to move the needle

Key findings: advantages & disadvantages

Challenges

- **Limited consumer knowledge** poses a significant hurdle for VQA and VSW growth which needs to be overcome
- As a likely consequence, consumers have a **mixed quality perception of VSW** (though more positive for VSW than for total VQA)

Advantages

- The OWT **believes that VQA and VSW sales will increase**, and even more so for VQA than VSW
- VQA and VSW benefit the environment and economy, providing a **local factor advantage**

Demographic & other correlations

- Age, Experience and Location were tested using regression analysis
  - vs “expected future growth” of VQA & VSW
- Conclusions:
  - **Age** was not a significant variable
  - **Industry experience** was significant only for VQA wine
  - **Location** was not a significant variable
  - **<u>Success of VQA and VSW is fundamentally linked</u>**

Multivariate Factor analysis

- **Again**: the success of VQA wine and that of VSW is tied together
  - **VQA success seems to be a critical prerequisite** to the success of VSW for the OWT
- **Further**: Consumer knowledge of VQA wine needs to be increased in order to drive VSW sales success in turn
  - **Consumer knowledge** of VQA (and VSW in particular) will assist Sommeliers and PCs in selling to their customers, and minimize the need to hand sell

Multivariate Factor analysis: example

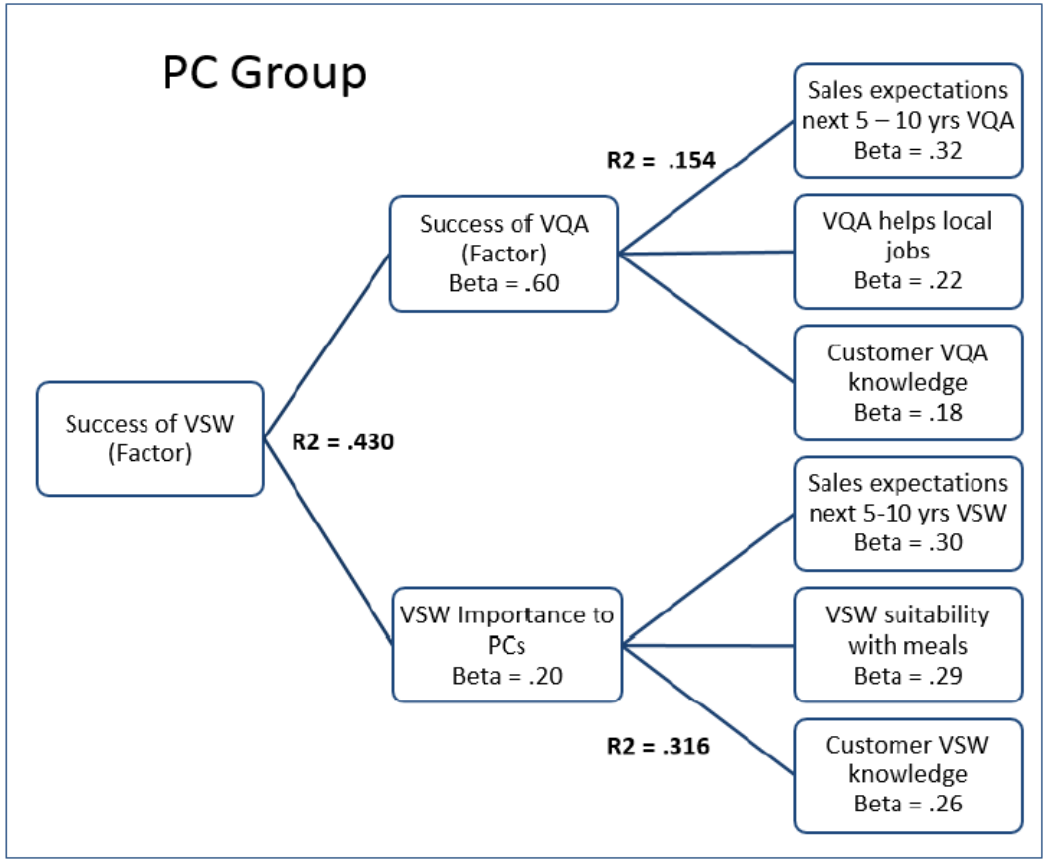


Figure 8.2 – Multivariate analysis visual interpretation: contributors to success of VSW among PCs

Conclusions & Recommendations

- **The OWT believes Ontario makes high quality VSWs** and within ideal price boundaries
  - However, VSW may be seen by some as expensive
  - Consumer confidence needs to be strengthened
  - Low level of knowledge demands a full-on, strategic, industry approach
- **Style & production flexibility is desired**
  - TM styles were noted as VSW's main competitors
  - Trying to copy Prosecco's success isn't advised, but consumers do lean to "fruitier" styles
  - Challenging to create a unified message: TM or Charmat? No single answer, and no unique name for VSW
- **Success with the OWT and consumers needs to occur first with VQA** then with VSW (or at least concurrently)

Further Recommendations

- **VSW needs to be more clearly defined** by marketing its specific attributes, while somehow also encompassing the breadth of SW styles which producers wish to maintain
- **The local market** is best strengthened first, before any major export focus
- **Wineries should establish dedicated VSW programs**, rather than merely adding solo SWs (visibility & education)
- **TM VSWs likely best positioned** between their value priced Crémant and Cava competitors, and Champagne's luxury tier, and at closer to $20 than $40

So you think you know VQA Sparkling?

- **Ideal pricing**: it's a fit, but maybe not always top value
- **Production methods**: not understood & vary widely
- **Styles matter**, but there is no clear one for Ontario
- **VQA and VSW are intimately linked**: and don't you forget it!
- **Our competitors** may not be the ones we assumed: consider Cremant

Discussion & Questions: Thank you

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