

the next evolution

THE ART OF NEW ZEALAND
WINEMAKING AT ITS MOST
ENLIGHTENED, DELICIOUS BEST



NZLIGHTER.WINE



FULL FLAVOURED
SLOW RIPENED
LIGHTER IN ALCOHOL
NEW ZEALAND WINE



Lower-alcohol and non-alcoholic wine: Summary

Lower-alcohol / no-alcohol wine opportunity still hampered by negative quality perceptions, with consumers currently preferring other low and no alcoholic drinks choices over wine

- Key concern surrounding lower-alcohol and non-alcoholic wines remains the **poor quality levels and taste** of many examples currently available in mainstream retail
- In the context of limited consumer appeal, trade view that **lower-alcohol category may deliver some future potential, driven by consumer moderation trend** although with competition from alternatives beyond wine e.g. 'mocktails' and 'adult soft drinks' for lower or no alcohol occasions
- Main current opportunity appears to be in **monopoly markets**, where policy focus on delivering lower-alcohol products & the changing legislation is opening up the opportunity to sell lower-alcohol wine in a broader range of retail locations
- Supporting consumer appeal of more 'natural' products, trade experts predicting stronger potential for wines **naturally lower in alcohol** rather than those reduced via winemaking intervention
- Lower and non-alcoholic wine opportunity:
 - Strongest opportunity for lower-alcohol wine identified in Australia and New Zealand markets
 - For non-alcoholic: Nordic markets of Finland and Sweden, with some opportunity for both in Ireland
 - Less appeal for either category in Japan and the USA
 - Potentially more opportunity for lower alcohol wine in emerging wine markets of China and Brazil compared with more established markets

Lower-alcohol wine

Lower-alcohol wine opportunity currently niche, with trade view of some future potential for the category driven by consumer moderation trend



- Some future opportunity for lower-alcohol wine identified by trade, based on consumer trends for moderated alcohol consumption
- Opportunity particularly identified in monopoly markets:
 - Where monopolies have strong focus on delivering lower-alcohol products
 - Changes in legislation are opening up the opportunity to sell lower alcohol wine in a broader range of retail locations

The bigger opportunity is going to be the lower alcohol space because of the trend of moderation, and this will have a bigger impact on the mass-market than Fairtrade, organic and biodynamic
National Retailer, Australia

I think grocery in Canada have an advantage for low and no alcohol over the LCBO – they're already selling no alcohol wine and beer, so could move into adding low alcohol next
Distributor / Importer, Canada

Most consumers drink wine for special occasions, and for these occasions, the alcohol content of a wine is not a strong influencer
Importer, Germany

As of Jan 1st 2018 you can sell alcohol in standard retail up to 5.5% where before it was 4.7%. In terms of wine business, it is now easier to have better quality wine at 5.5% compared to 4.7%
Importer, Finland

We've launched three South African lower calorie and lower-alcohol wines that got a huge amount of press and a huge amount of sales – more than we expected. After only a month in store, they were among our top selling lines, so there's obviously demand for it
National Retailer, UK

I cannot see any potential for low or lower-alcohol wine in Japan. I don't think many wine drinkers would ask for it. General wine drinkers drink sensibly and are not looking for lower-alcohol options because they can drink wines as it is
Retailer, Japan

Lower-alcohol wine

Stronger potential for wines **naturally** lower in alcohol, as opposed to reduced via mechanical methods predicted

- Trade view that wines that are naturally lower in alcohol will have stronger consumer appeal based on shift towards drinking wine with lighter styles, rather than those with the alcohol reduced or removed



The Doctors' 9.5% Sauvignon Blanc

From Dr John Forrest, a pioneering New Zealand winemaker who has experimented with different pruning and winemaking methods to create a commercially viable 9.5% ABV Sauvignon Blanc from Marlborough

The conscious decision to bring some alcohol levels down naturally, picking a little earlier, is certainly growing in interest. My clientele is curious about the weight of wines, not necessarily down to alcohol, but it's a deciding factor and especially in lunchtime drinking. It's more of a style of wine factor rather than the alcohol level itself
On-trade Operator, Australia

Lower-alcohol style wine such as German Riesling or Canadian aromatic white is an approachable option for newer consumers as they match well to the Japanese palate. Many Japanese have low tolerance to alcohol so it will be a good option for these people
Journalist, Japan

For lower-alcohol, reduced alcohol and non-alcoholic wines, mature wine consumers, who have experienced various types of wine, are shifting to lighter, elegant wines from bold high alcoholic wines, so lower-alcohol wines as a style are welcomed
Journalist, Japan

Lower-alcohol wine

Key concern surrounding lower-alcohol and non-alcoholic wine are the poor quality levels and taste of the wines



- Trade report concern over quality levels of reduced alcohol wines
- Potential for lower and non-alcoholic beers seen as stronger than for wines in these categories

There is some demand for lower-alcohol wine but it's difficult for us to get great tasting lower-alcohol wine and it's easier in sparkling wine
Online Retailer, Germany

Naturally lower-alcohol wine, such as Vinho Verde are doing well, but I haven't seen many reduced alcohol wines doing a good job and I don't see it will sell in the future either
Retailer, Japan

The lower-alcohol segments are not a trend yet in Canada, which is different from the lower-alcohol beer segment, which is growing a lot
Distributor / Importer, Canada

There is a good demand for non-alcoholic beer in Japan, which is mainly for socialising purposes, for those who cannot drink alcohol, but this wouldn't apply to wine
Retailer, Japan

Traditionally, there has been a big difference in the quality of lower-alcohol wines, with lower-alcohol wines being very green, harder and more acidic with more sugar to hide these traits. But more recently, these wines seem to be getting better with quite light, riper flavour and better balance
Journalist, New Zealand

We've looked 5% ABV wine, but I think it's more about what's acceptable as a wine because if you get to the point where it no longer tastes like a wine, you can't pretend it's a wine. It has to taste like wine too
National Retailer, UK

Australia

Opportunity for both organic and lower-alcohol wine in Australia, although strong draw to preservative-free and sustainably & environmentally-friendly wine

Australia opportunity index score

| Rank | Type of wine | Base = All sample | | Base = Those aware who are aware of the following types of wine | | | | Opportunity index | | |
|------|-----------------------------------|-------------------|-------------|---|-------------|-------------------------------|-------------|-------------------|-------------|------|
| | | Awareness | | Sought to purchase | | Future purchase consideration | | | Affinity | |
| 1st | Organic wine | 42% | <div></div> | 16% | <div></div> | 53% | <div></div> | 40% | <div></div> | 37.8 |
| 2nd | Lower-alcohol wine | 43% | <div></div> | 17% | <div></div> | 46% | <div></div> | 41% | <div></div> | 37.6 |
| 3rd | Preservative-free wine | 30% | <div></div> | 15% | <div></div> | 58% | <div></div> | 47% | <div></div> | 36.5 |
| =4th | Sustainably-produced wine | 15% | <div></div> | 20% | <div></div> | 61% | <div></div> | 54% | <div></div> | 34.8 |
| =4th | Environmentally-friendly wine | 13% | <div></div> | 22% | <div></div> | 57% | <div></div> | 58% | <div></div> | 34.8 |
| 6th | Wine from a carbon-neutral winery | 9% | <div></div> | 34% | <div></div> | 55% | <div></div> | 50% | <div></div> | 33.3 |
| 7th | Sulphite-free wine | 19% | <div></div> | 13% | <div></div> | 56% | <div></div> | 44% | <div></div> | 31.0 |
| 8th | Fairtrade wine | 13% | <div></div> | 13% | <div></div> | 57% | <div></div> | 48% | <div></div> | 29.9 |
| 9th | Biodynamic wine | 13% | <div></div> | 16% | <div></div> | 55% | <div></div> | 38% | <div></div> | 27.1 |
| 10th | Non-alcoholic wine | 51% | <div></div> | 8% | <div></div> | 21% | <div></div> | 13% | <div></div> | 26.3 |
| 11th | Vegan wine | 10% | <div></div> | 26% | <div></div> | 41% | <div></div> | 24% | <div></div> | 22.0 |
| 12th | Orange / skin contact wine | 6% | <div></div> | 21% | <div></div> | 29% | <div></div> | 28% | <div></div> | 19.0 |

Australia: Awareness of types of wine

Younger consumers in Australia less aware of lower / non-alcoholic wines, but more aware of vegan and orange wine than older drinkers

Australia: Awareness of types of wine by gender and age

% who are aware of the following types of wine

Base = All Australian regular wine drinkers (n=1,000)

| | All Australian regular wine drinkers | Male | Female | LDA-34 | 35-54 | 55 and over |
|-----------------------------------|--------------------------------------|------------|------------|------------|------------|-------------|
| <i>Sample size n=</i> | <i>1,000</i> | <i>502</i> | <i>498</i> | <i>319</i> | <i>316</i> | <i>365</i> |
| Non-alcoholic wine | 51% | 46% | 55% | 36% | 46% | 67% |
| Lower-alcohol wine | 43% | 37% | 49% | 36% | 39% | 52% |
| Organic wine | 42% | 41% | 43% | 34% | 44% | 46% |
| Preservative-free wine | 30% | 29% | 31% | 25% | 30% | 35% |
| Sulphite-free wine | 19% | 21% | 17% | 14% | 21% | 22% |
| Sustainably-produced wine | 15% | 17% | 14% | 15% | 16% | 16% |
| Environmentally-friendly wine | 13% | 13% | 12% | 15% | 14% | 10% |
| Fairtrade wine | 13% | 11% | 14% | 13% | 16% | 10% |
| Biodynamic wine | 13% | 14% | 11% | 12% | 14% | 12% |
| Vegan wine | 10% | 9% | 10% | 15% | 9% | 5% |
| Wine from a carbon-neutral winery | 9% | 11% | 7% | 13% | 8% | 6% |
| Orange / skin contact wine | 6% | 7% | 4% | 9% | 5% | 3% |

Red / Blue Statistically significantly higher / lower than all Australian regular wine drinkers at a 95% confidence level

Source: Wine Intelligence, Vinitrac® Australia, October 2017 (n=1,000), Australian regular wine drinkers

Australia: Purchase intent of types of wine

Younger Australian regular wine drinkers are more intent on purchasing wines with both sustainable & organic credentials compared with older drinkers

Australia: Purchase intent of types of wine by gender and age

% who have sought to purchase the following types of wine in the past 6 months

Base = All Australian regular wine drinkers (n=1,000)

| | All Australian regular wine drinkers | Male | Female | LDA-34 | 35-54 | 55 and over |
|-----------------------------------|--|------------|------------|------------|------------|-------------|
| <i>Sample size n=</i> | <i>1,000</i> | <i>502</i> | <i>498</i> | <i>319</i> | <i>316</i> | <i>365</i> |
| Lower-alcohol wine | 7% | 7% | 8% | 8% | 7% | 7% |
| Organic wine | 7% | 8% | 6% | 12% | 6% | 3% |
| Preservative-free wine | 5% | 6% | 3% | 6% | 4% | 3% |
| Non-alcoholic wine | 4% | 3% | 5% | 7% | 4% | 1% |
| Wine from a carbon-neutral winery | 3% | 4% | 2% | 7% | 2% | 0% |
| Sustainably-produced wine | 3% | 4% | 2% | 4% | 3% | 2% |
| Environmentally-friendly wine | 3% | 3% | 3% | 4% | 4% | 1% |
| Sulphite-free wine | 3% | 3% | 2% | 3% | 2% | 3% |
| Vegan wine | 2% | 3% | 2% | 6% | 2% | 0% |
| Biodynamic wine | 2% | 3% | 1% | 4% | 1% | 1% |
| Fairtrade wine | 2% | 1% | 2% | 4% | 1% | 0% |
| Orange/skin contact wine | 1% | 2% | 1% | 3% | 1% | 0% |

Red / Blue Statistically significantly higher / lower than all Australian regular wine drinkers at a 95% confidence level

Source: Wine Intelligence, Vinitrac® Australia, October 2017 (n=1,000), Australian regular wine drinkers

New Zealand

Lower-alcohol wine has the highest awareness rate compared with all other types of wine in NZ, leading to a high opportunity index score



New Zealand opportunity index score

| Rank | Type of wine | Base = All sample | | Base = Those aware who are aware of the following types of wine | | | | Opportunity index | | |
|------|-----------------------------------|-------------------|-------------|---|-------------|-------------------------------|-------------|-------------------|-------------|------|
| | | Awareness | | Sought to purchase | | Future purchase consideration | | | Affinity | |
| 1st | Lower-alcohol wine | 57% | <div></div> | 18% | <div></div> | 49% | <div></div> | 41% | <div></div> | 43.2 |
| 2nd | Sustainably-produced wine | 21% | <div></div> | 18% | <div></div> | 65% | <div></div> | 64% | <div></div> | 39.6 |
| 3rd | Organic wine | 47% | <div></div> | 12% | <div></div> | 49% | <div></div> | 42% | <div></div> | 38.9 |
| 4th | Environmentally-friendly wine | 16% | <div></div> | 15% | <div></div> | 64% | <div></div> | 60% | <div></div> | 36.3 |
| 6th | Fairtrade wine | 15% | <div></div> | 11% | <div></div> | 55% | <div></div> | 50% | <div></div> | 30.7 |
| 7th | Wine from a carbon-neutral winery | 9% | <div></div> | 9% | <div></div> | 57% | <div></div> | 55% | <div></div> | 30.1 |
| 8th | Preservative-free wine | 20% | <div></div> | 9% | <div></div> | 48% | <div></div> | 44% | <div></div> | 29.3 |
| 9th | Sulphite-free wine | 21% | <div></div> | 11% | <div></div> | 49% | <div></div> | 39% | <div></div> | 28.7 |
| 10th | Biodynamic wine | 11% | <div></div> | 16% | <div></div> | 53% | <div></div> | 40% | <div></div> | 27.1 |
| 11th | Vegan wine | 8% | <div></div> | 19% | <div></div> | 40% | <div></div> | 34% | <div></div> | 22.9 |
| 12th | Non-alcoholic wine | 35% | <div></div> | 5% | <div></div> | 15% | <div></div> | 13% | <div></div> | 19.3 |
| 13th | Orange / skin contact wine | 3% | <div></div> | 11% | <div></div> | 35% | <div></div> | 22% | <div></div> | 15.3 |

New Zealand: Awareness of types of wine



In New Zealand, female regular wine drinkers are more likely to be aware of lower-alcohol wine compared to male wine drinkers

New Zealand: Awareness of types of wine by gender and age

% who are aware of the following types of wine

Base = All New Zealand regular wine drinkers (n=1,000)

| | All New Zealand regular wine drinkers | Male | Female | LDA-34 | 35-54 | 55 and over |
|-----------------------------------|---------------------------------------|------------|------------|------------|------------|-------------|
| <i>Sample size n=</i> | <i>1,000</i> | <i>490</i> | <i>510</i> | <i>240</i> | <i>330</i> | <i>430</i> |
| Lower-alcohol wine | 57% | 50% | 64% | 48% | 58% | 61% |
| Organic wine | 47% | 46% | 48% | 40% | 46% | 52% |
| Non-alcoholic wine | 35% | 35% | 34% | 29% | 36% | 36% |
| Sustainably-produced wine | 21% | 21% | 20% | 19% | 20% | 22% |
| Sulphite-free wine | 21% | 20% | 21% | 23% | 20% | 19% |
| Preservative-free wine | 20% | 21% | 19% | 22% | 20% | 18% |
| Environmentally-friendly wine | 16% | 16% | 16% | 18% | 15% | 15% |
| Fairtrade wine | 15% | 15% | 15% | 18% | 18% | 12% |
| Biodynamic wine | 11% | 11% | 11% | 10% | 10% | 13% |
| Wine from a carbon-neutral winery | 9% | 10% | 8% | 11% | 9% | 8% |
| Vegan wine | 8% | 7% | 8% | 16% | 7% | 4% |
| Orange/skin contact wine | 3% | 4% | 3% | 5% | 3% | 3% |

Red / Blue Statistically significantly higher / lower than all New Zealand regular wine drinkers at a 95% confidence level

Source: Wine Intelligence, Vinitrac® New Zealand, October 2017 (n=1,000), New Zealand regular wine drinkers

New Zealand: Purchase intent of types of wine

Younger wine drinkers are more likely to purchase organic wine compared with all older wine drinkers in New Zealand

New Zealand: Purchase intent of types of wine by gender and age

% who have sought to purchase the following types of wine in the past 6 months

Base = All New Zealand regular wine drinkers (n=1,000)

| | All New Zealand regular wine drinkers | Male | Female | LDA-34 | 35-54 | 55 and over |
|-----------------------------------|---------------------------------------|------------|------------|------------|------------|-------------|
| <i>Sample size n=</i> | <i>1,000</i> | <i>490</i> | <i>510</i> | <i>240</i> | <i>330</i> | <i>430</i> |
| Lower-alcohol wine | 10% | 8% | 13% | 13% | 12% | 8% |
| Organic wine | 6% | 6% | 5% | 10% | 5% | 4% |
| Sustainably-produced wine | 4% | 4% | 3% | 6% | 3% | 3% |
| Environmentally-friendly wine | 2% | 3% | 2% | 5% | 1% | 2% |
| Sulphite-free wine | 2% | 3% | 2% | 3% | 3% | 1% |
| Biodynamic wine | 2% | 2% | 2% | 3% | 1% | 2% |
| Preservative-free wine | 2% | 1% | 2% | 3% | 1% | 1% |
| Non-alcoholic wine | 2% | 2% | 2% | 3% | 2% | 1% |
| Fairtrade wine | 2% | 2% | 1% | 3% | 2% | 0% |
| Vegan wine | 1% | 1% | 2% | 5% | 1% | 0% |
| Wine from a carbon-neutral winery | 1% | 1% | 1% | 2% | 1% | 0% |
| Orange / skin contact wine | 0% | 1% | 0% | 1% | 0% | 0% |

Red / Blue Statistically significantly higher / lower than all New Zealand regular wine drinkers at a 95% confidence level

Source: Wine Intelligence, Vinitrac® New Zealand, October 2017 (n=1,000), New Zealand regular wine drinkers