Customer + Category Opportunities in the Australian Wine Market

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Australian Grape & Wine Industry Briefing

Leigh Firkin + Alison Sinclair | 20.07.2021

Customer Opportunities and Where Can Wine Win?

- Attracting younger customers to Wine
- Retaining Premium customers within the Wine Category

Remaining Relevant in a Highly Competitive Drinks Market

- Increasing engagement with Wine through Innovation

Customer Opportunities

Younger

Premium

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Let’s talk generation.

By 2026, 49% of Australia’s drinking population will be GenZ and Millennials.

In the last year, GenZ and Millennials were responsible for 97% of Endeavour customer growth.

In value terms a Baby Boomer is worth 2x that of a GenZ.

For the Wine category the challenge is a lack of participation and engagement with younger generations who have a preference for alternative drinks categories.

	Australian population 2020	Australian drinking population 2020
Traditionalists	7%	9%
Baby Boomers	20%	25%
Gen X	20%	26%
Older Millennials	12%	15%
	24%	30%
Younger Millennials	12%	15%
Gen Z	30%	10%

Source: ABS Data.

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Top 5 segments growing and declining.

While traditional segments are more prominent in the older customers' repertoire, these are also the ones that have declined the most vs YA.

Source: Quantium Checkout, 52 weeks to 24/11/2020 vs. YA, Total Liquor, Endeavour Drinks

	Rank	Gen Z	Younger Millennials	Older Millennials	Gen X	Baby Boomers	Traditionalists
Top 5 growth segments	1	Seltzers	Gin	Gin	Gin	Gin	Gin
	2	Premix Gin	Seltzers	Liqueurs	Liqueurs	Liqueurs	Liqueurs
	3	Gin	Liqueurs	Seltzers	Premix Gin	Whisky	Whisky
	4	Liqueurs	Premix Gin	Premix Gin	Vodka	Vodka	Vodka
	5	Premix Vodka	Misc Spirits (East Asian)	Vodka	Seltzers	Rum	North American Whiskey
Top 5 declining segments	1	Apple Cider	Sparkling Spritz	White Moscato & Fruit	Sparkling NV	Sparkling NV	Shiraz
	2	Sparkling Sweet, Moscato & Fruit	White Moscato & Fruit	Sparkling Sweet, Moscato & Fruit	Sparkling Spritz	Apple Cider	Sauv Blanc Blends
	3	Premix Bourbon	Sparkling Sweet, Moscato & Fruit	Sparkling Spritz	Apple Cider	Sauv Blanc Blends	Domestic Lager
	4	Cask Wine 4-5L	International Lager	Apple Cider	Sauv Blanc	Sauv Blanc	International Lager
	5	International Lager	Apple Cider	International Lager	International Lager	International Lager	Sauv Blanc

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Popular categories by generation.

Sweeter, trending segments are popular with the younger generations, while older customers prefer easy drinking styles and low tempo drinks.

	Gen Z	Younger Millennials	Older Millennials	Gen X	Baby Boomers	Traditionalists
Beer	**Sweeter Styles:** Ginger Beer **Easy drinking styles:** Summer/Session Ales **Complex styles:** IPA	**Non-lager:** Ginger Beer, Craft Beer **Easy drinking styles:** Summer/Session Ales, Golden Ale **Complex styles:** IPA, XPA		**Easy drinking styles:** Pale Ale **Complex styles:** Amber/Red Ale, Wheat Beer	**Easy drinking styles:** Lager, Pilsner **Complex styles:** Porter/Stout	
Wine	**Sparkling, Champagne & Rosé** **Trending varietals** (Tempranillo, Sangiovese, Grenache, etc.) **Sweeter styles** (Sweet Red, Moscato & Sweet, Dessert)	**Red, Champagne & Rosé** **Trending Varietals** (Tempranillo, Sangiovese, Grenache, Pinot Noir, Pinot Gris/Grigio etc.) **Sweeter Styles** (Moscato & Sweet, Dessert, Riesling)		**Sparking & Champagne** **Recently scaled** as well as **established** varietals (Pinot Noir, Sauv Blanc)	**White & Cask & Fortified** More **traditional** varietals (Merlot, Cab Sauv, Shiraz, Chardonnay) **Blends**	
Spirits	**High tempo** Vodka, Spiced Rum, Fruit Liqueurs & Commercial Tequila, Eastern Asian Spirits	**Medium tempo** Vodka, Spiced Rum, Liqueurs, Tequila, Australian & Japanese Whisky	**Medium tempo** North American Whiskey, Premium & Craft Vodka, Spiced Rum, Premium Tequila, Australian & Japanese Whisky	**Low tempo** North American Whiskey & Vodka	**Low tempo** Whisky, Brandy, Commercial Gin, Cream Liqueurs	
Premix	**Light Spirits and Sweeter styles** Vodka & Seltzers **Sweeter Styles** (Watermelon, Guava, Dry Ginger, Raspberry)		**Dark Spirits** Bourbon & Rum		**Low Tempo** Whisky, Commercial Gin	

Source: Quantium Checkout, 52 weeks to 24/11/2020, Endeavour Drinks

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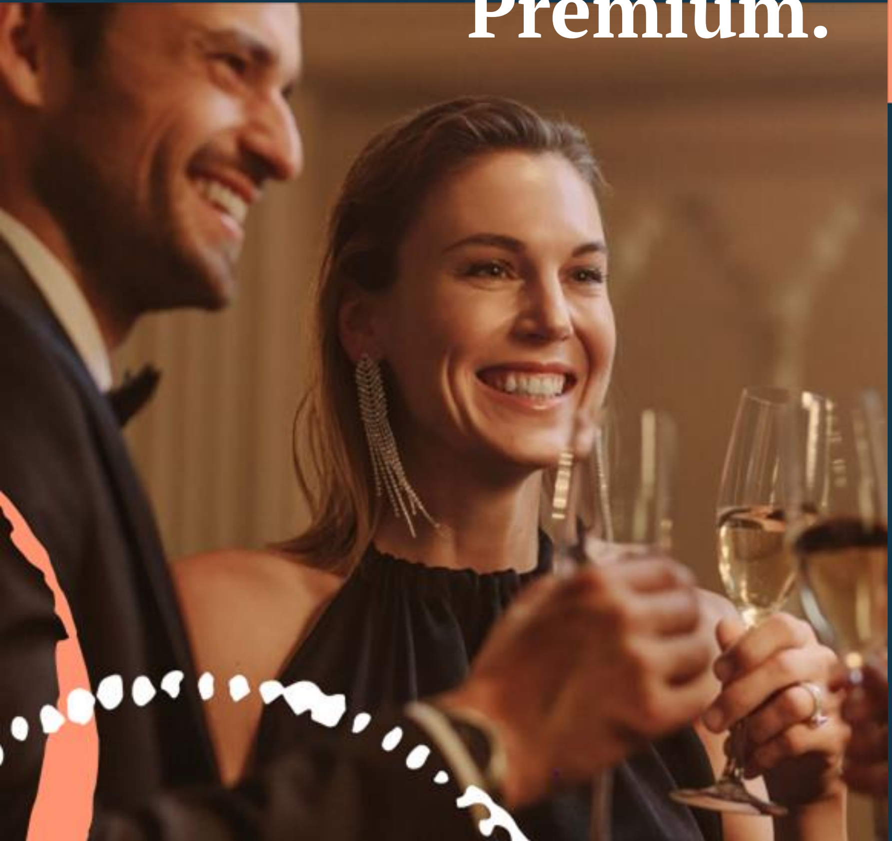
When it comes to Premium.



33% of our customers.
30% of sales.

Highest
compared to other customer segments.

+36% Spirits
$ sales vs last year

+12.4% Wine
$ sales vs last year

+17.2%
$ sales vs last year

Largest spenders per litre.

Middle
compared to other customer segments.

+50.9%
$ basket size per visit

Lowest
compared to other customer segments.

Smallest annual spend.

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One focus, two opportunities.

Premium younger.

- This segment is regularly out and about, drinking mostly with friends.
- They have a wide drinks repertoire, and aren't afraid to explore new, interesting and emerging trends.
- These are confident shoppers, who like to be challenged and inspired.
- More socially conscious than most, they want to make better choices for the planet, and for themselves.

Premium older.

- The older segment has a well-established drinks repertoire, but they're still open to recommendations from someone in the know.
- They have more time to check out premium products and stock up on favourites, and the means to make it happen.
- Their drinking occasions are mostly at home, shared with family, friends and good food.
- Health and wellness are bigger priorities for this segment than most.

Top selling categories.

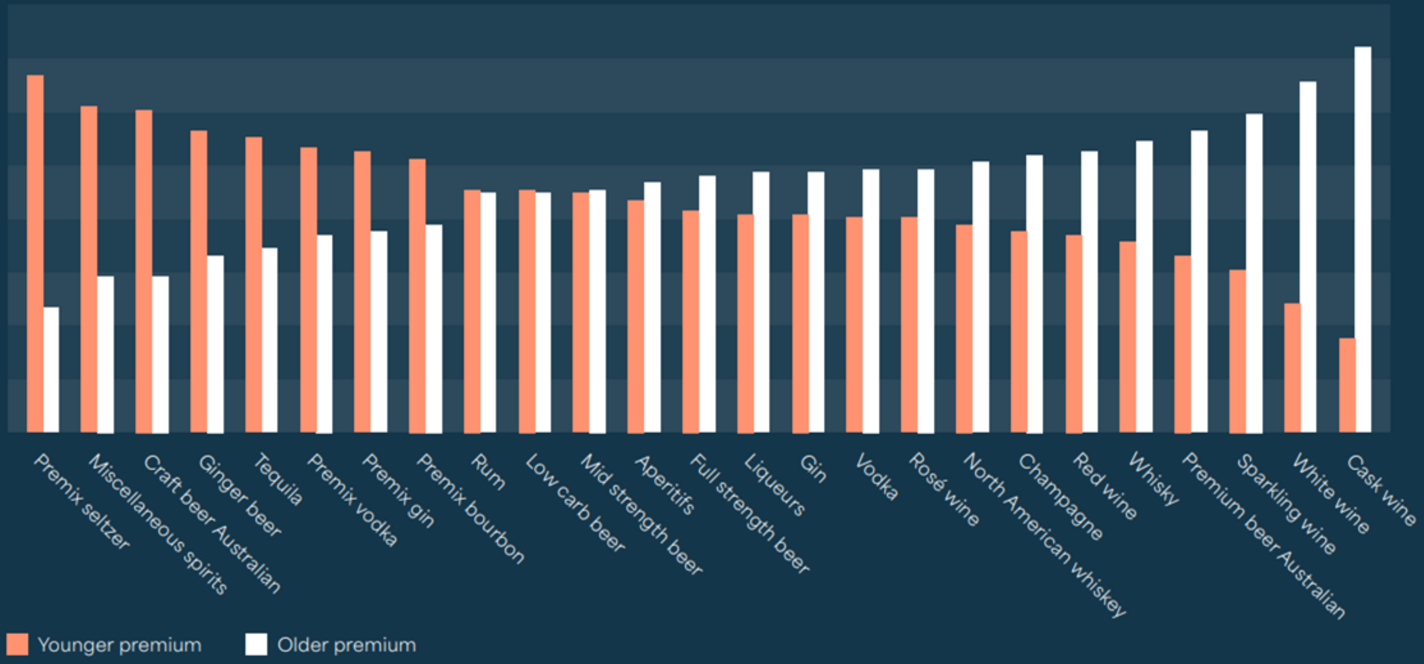
In the last year, Premium customers have spent more on Shiraz than any other sub category yet while Premium customers are highly engaged Wine drinkers, Spirits and Premix sub categories are driving interest with Premium customers.

When it comes to growth, Premium customers are driving growth ahead of the market in the following sub categories: Rum, Tequila, Premix Vodka, Premix Seltzers, Prosecco and Grenache.

Top category, premium sales

What is engaging younger vs older premium customers?

Share of premium customers growth (younger v older) - top 25 sub-cats



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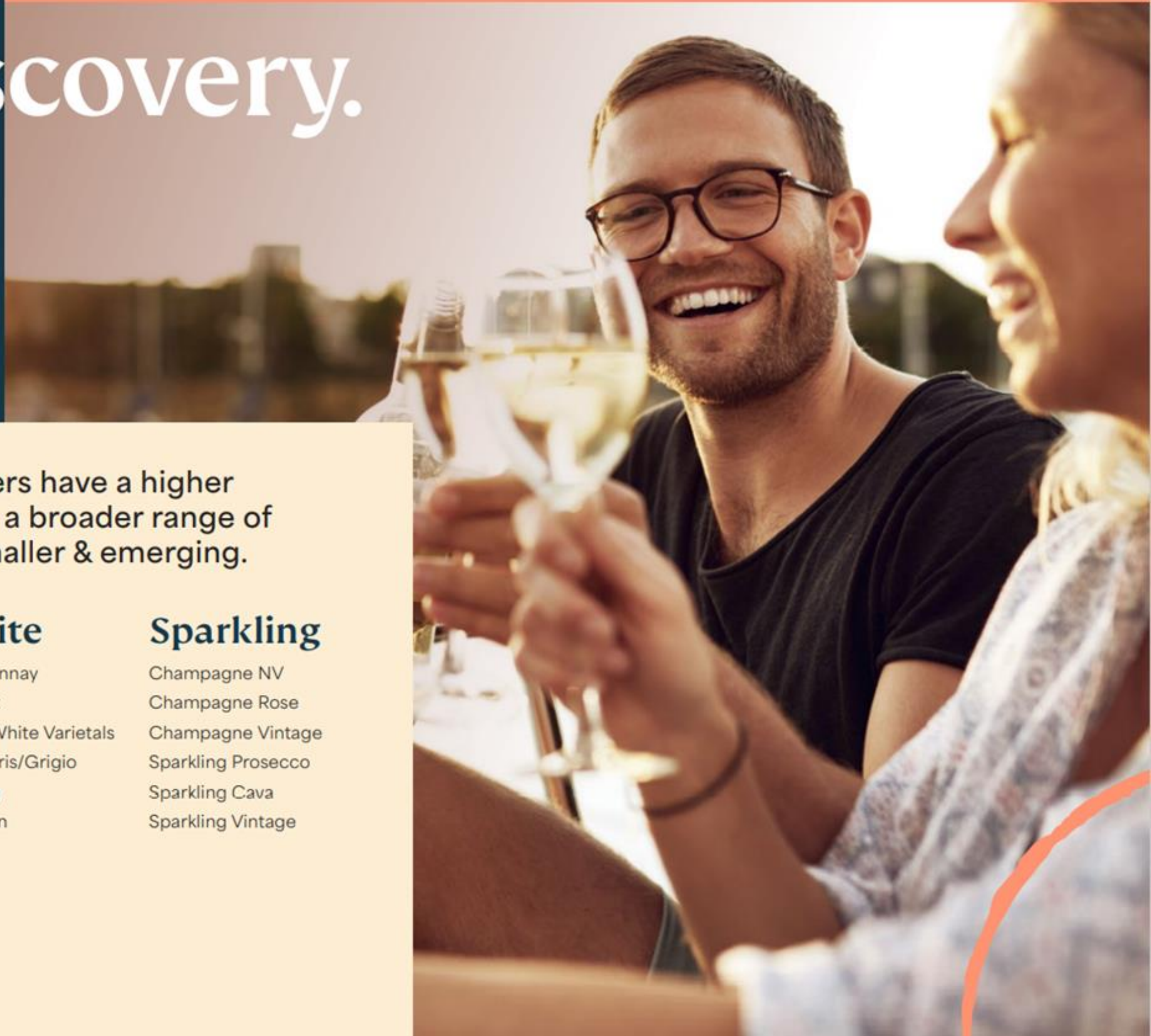
A taste for discovery.

Premium customers have a broad taste in wine - much broader than other categories. They purchase more subcategories, more varietals and more brands than other segments, and across a wider price range. They also enjoy more wine occasions.

Premium shoppers have higher engagement in top varietals Shiraz, Sauvignon Blanc, Sparkling NV and Cabernet Sauvignon e.g 44% premium shoppers buy Shiraz vs 26% of budget shoppers.

Premium customers have a higher engagement with a broader range of varietals, often smaller & emerging.

Red	White	Sparkling
Pinot Noir	Chardonnay	Champagne NV
Grenache	Dessert	Champagne Rose
Tempranillo	Other White Varietals	Champagne Vintage
Malbec	Pinot Gris/Grigio	Sparkling Prosecco
Other Red Varietals	Riesling	Sparkling Cava
Sangiovese	Semillon	Sparkling Vintage
Nero d'Avola	Rosé	
Gamay		
Nebbiolo		



Premium customers want to connect with brands that reflect their values. These macro trends show what values are having the biggest impact on behaviour.

Source: Quantium, 52 weeks to 29/12/2020 vs. YA, Endeavour Drinks

*Launched within the last 18 months.

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Innovation

Wine Style

- Emerging varietals are outgrowing traditional varietals fourfold
- Australian wine anchored in traditional heavier varietals
- Opportunity exists to innovate to re-invent via mashups and collaboration


Also, remember to over-exaggerate the pronunciation:

Packaging Disruption

Occasion Fit

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Attribution and Functional Benefits