

# An Investigation into the barriers of trading fine wine in the on-trade.

Edmund J Cole, 18<sup>th</sup> February 2022



# Contents

- **Project Background**

- Initial research ideas

- Existing Data targeting on-trade distribution/consumption

- Conflict between opposing sides of the trade

- Marketing significance of the positioning of fine wine in the on-trade

- **Research Methodology**

- Interviewing voices from multiple points of the supply chain

- Identifying the commonalities in the research

- The Results

- **Future Implications on the UK on-trade**

- Opportunities for further research

- Strategies for UK on-trade

- Current Publications

- **Q&A**

# How the Project came to be?



With on-premise dried up and wine e-commerce hitting its stride, how is the fine wine industry adapting to 2020? [-] GETTY

Added value of  
Investment-grade wine in  
the on-trade sector

Accessibility to these  
wines via Merchants /  
Brokers and secondary  
market

Contrasting pricing  
structures at the point of  
sale influenced by  
restaurant model.

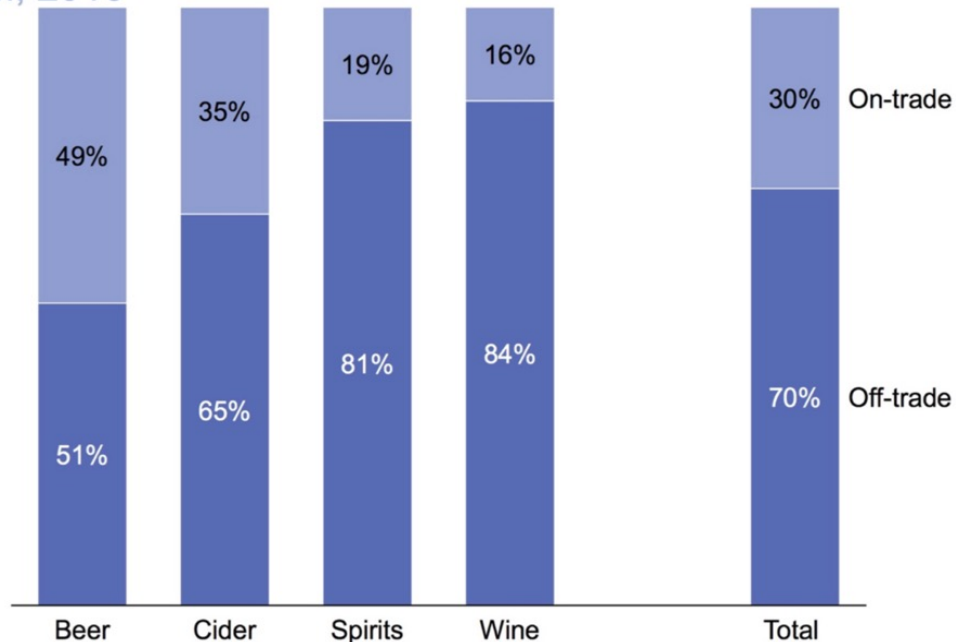
# Gap in the Literature

- Academic Research relating to Fine Wine focuses on the Investment attributes
- Recent publications target purchasing behaviours, demographics and pricing

\*This report focuses solely on the distribution of fine wine in the on-trade sector.

# Limited Quantitative On-Trade Data

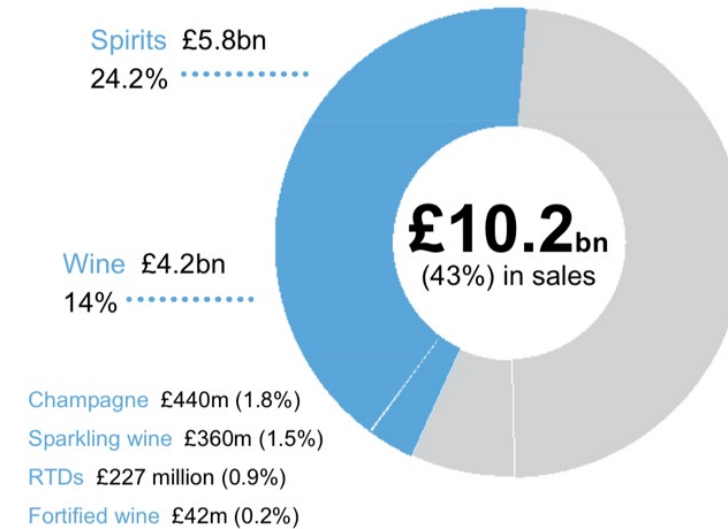
Figure 12: Volume of alcohol sales in England and Wales by beverage type and channel, 2016



Source: NHS Health Scotland (2017), MESAS monitoring report 2017

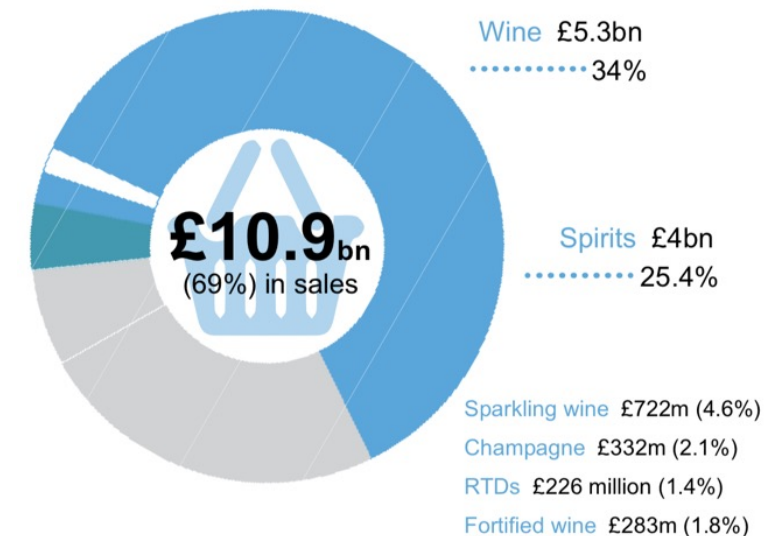
(Institute of Alcohol Studies, 2018)

## Wine and spirits are worth to the on trade...



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## and to the off trade...



(WSTA, 2016)

# Why has confidence in fine wine increased in 2020?

By Liv-ex | November 18, 2020 | Fine Wine Market, Regions, Wine Investment

- Increased Liquidity, trade opportunities surpass the £100m in 2021.
- Broadening Secondary Market, Bordeaux share decreased across last decade.
- Increased market transparency and technological advances.

*“As one sector (On-trade) was exiting the market for cash flow, the other (Off-Trade) was attracting considerable interest.”*

# Positioning Fine Wine in the On-Trade

**DISTRIBUTION:** Fine-dining establishments are generally the luxury wine trade channel of choice.

**EXPOSURE:** The wines tend to be opened and consumed quickly, with the potential for brand messaging and education about the wines from the sommelier.

**IMAGE:** Having the wine associated with sommeliers and restaurants with strong reputations also lends a level of third-party endorsement to the brand. Opposingly, sommeliers buy well-branded wines because they sell easily with consumers and may help them elevate their own image.

**STRATEGIC FIT:** The on-premise strategy that tie's to the brand image should be pursued with importers and distributors to continue to build the brand image and awareness in the desired fashion.



# Research Method - Scope

## Primary data sourced:

- Using unstructured online interviews
- Collecting multiple industry perspectives

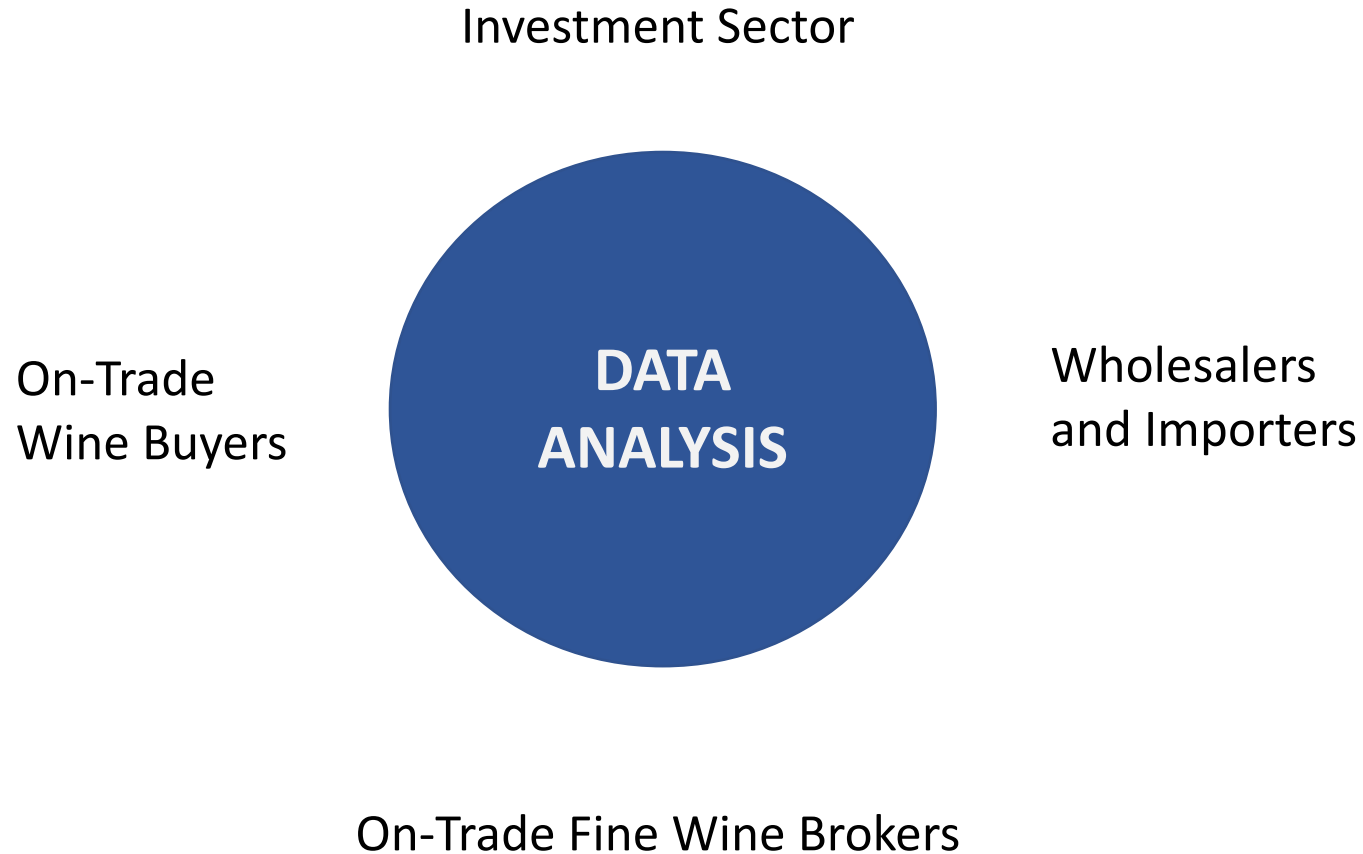
Limited scope due to time restraints

Recordings were critical in re-accessing the information and interpretation during the analysis phase.





# Data Analysis – Combining Multiple Views



## Commonalities in the data:

- Sourcing
- Pricing
- Accessibility / viability of secondary market
- Demand Pressures
- Marketing Influence

# Evaluating the Results

## **Low bargaining power on the secondary market;**

- insignificant trading activity
- Restricted accessibility to open market
- Merchants and Collectors

## **Relationships were deemed critical;**

- Obtaining scarce investment-grade wine
- Gaining strategic advantage (Pricing and marketing implications)
- Direct to producers

## **Rising prices for fine wine are impacting margin decisions;**

- Price elasticity / willingness to pay
- Value in sourcing lesser-known producers
- Access to live cellar

## **Fine Wine adds value to the dining experience;**

- Reinforces customer loyalty – corporate sustainability
- Client's Expectation vs Listing Differentiation

“Trade with high-end restaurants – the increases in price of wine on the secondary market can determine the viability of trading the wine in the on-trade.” – **Tom Turner, Cult Wines**

“It depends but the biggest thing I think because everything is so competitive with importers a lot comes down to price, a lot comes down to the relationship that you have with your rep’ as well” – **Sarah Drake, Flint Wines**

“Surge in the off-trade has negatively impacted the on-trade – demand in one sector has been failed to be compensated in the other” – **Seamus Sharkey, JKS Restaurants**

“It’s a fairly difficult arena for restaurants to operate in. It can be quite time consuming and take a lot of expertise” – **Christine Parkinson, Hakkasan Group**

# Current Publications & Trend Indicators

CULINARY ARTS

🕒 4 min read

## Do Fine Wines Still Have Their Place in Restaurant Wine Lists?



WRITTEN BY  
Dr Philippe Masset



Hospitality Insights - Masset and Weisskopf (2018)

### 4 Key trends:

#### **Greater demand towards regional diversification;**

- Experts, amateurs, enthusiasts, collectors and investors

#### **Increasing knowledge and awareness;**

- Further impact on pricing and demand

#### **Back vintages have significantly appreciated;**

- Activity on the investment market

#### **Financial pressure on restaurants;**

- Competition reaching levels of saturation

### **Asset-Light approach:**

**Sales Depots or Investment Funds**

# Current Publications & Trend Indicators

## **Distribution channels to source back-vintage wine onto a listing:**

Ageing wines In-house

Bidding through Auction Houses

Sourcing directly from Wineries

Purchasing from private cellars and importers

Using a Wine Trading Platform

SevenFifty Daily – Magrini, 2019



The regions represented are critical to the purchasing decision whether traditional or upcoming.

Drinks Business – Smith, 2022

# Strategic Implications for UK On-Trade

Adopting an asset-light approach by narrowing and focusing wine listings

Pooling resources with non-direct competitors to create greater bargaining power or collective cellar approach.

Differentiating by listing lesser-known and emerging producers and undiscovered regions.

Capitalising on the value of fine wine in building loyalty and repeat visits.





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