

Winning Over Today's Wine Consumer

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By Jennifer Straley

Supermarkets pull out all the stops to bolster sales.

Asleek granite tasting bar, sumptuous leather seating, dramatic floor-to-ceiling walls of wine – it may sound like the latest New York or L.A. hotspot, but these upscale design elements are redefining the character of today's supermarket wine departments.



WHY NOT WINE?

Customers can access the Wine Market Assistant self-service sommelier kiosk in Gelson's Market.

Consider the Denver area's sparkling King Soopers wine and spirits department, which features soaring ceilings, some 3,000 varieties of wine, a wine-tasting bar – with adjacent leather seating that surrounds a fireplace – and a cigar humidor. The 63,000-square-foot store, with an additional 10,000-square-foot liquor department that opened in Glendale, Colo., in November 2010, certainly reaffirms The Kroger Co.'s robust commitment to establishing the location as a premiere destination for wine.

Colorado grants only one liquor license to each grocery chain, which means the store in Glendale is King Soopers' one chance to shine in the category. Establishing the location as a beacon for wine drinkers, a dramatic sign above the department reads: "Think of Wine as Bottled Poetry," while the staggering selection, from boxed offerings to ultra-premium wines, demands to be taken seriously.

Why are supermarket chains like Cincinnati-based Kroger pulling out all the stops when it comes to wine? For one, wine consumers spend more – way more. According to Nielsen Scantrack information presented at the 2011 Unified Wine

and Grape Symposium, the average shopping basket ring for non-wine buyers was \$41 for the 52 weeks ending Nov. 27, 2010, vs. \$73 for shoppers who bought wine (\$14 of which was attributable to wine).

What's more, annual wine sales have grown in the United States for the past 17 years, according to industry analysts Gomberg, Fredrikson & Associates in Woodside, Calif. Even

in the sluggish economy of recent years, sales of both domestic and imported wine have increased steadily in the grocery channel. Nielsen data shows that for the year ending March 19, supermarkets with more than \$2 million in annual sales, excluding Walmart, showed an overall 5.1 percent increase in dollar volume sales of wine. Dollar sales of domestic wine increased 6 percent for that time period, while dollar sales of imported wine were up 2.1 percent.

Draeger's Delicious Discoveries

True, consumers are continuing to buy wine, but what they're buying and how much they're willing to spend on a single bottle has changed significantly since the pre-recession years. When Dan Taggart, wine consultant for Draeger's Supermarket in San Mateo, Calif., began working for the Bay Area-based chain of four stores, it was 1999, and the dotcom boom was in full swing. "I had 20-somethings waving \$100 bills under my nose, asking me to recommend a wine for dinner that night," he recalls.

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–Dan Taggart, Draeger's Market

Today is quite a different story. "For the last two or three years, the demand for expensive wines, especially the California collectibles from Napa and other places –those \$75 to \$100-or-higher wines – has gone off the cliff," says Taggart. "People are buying as much as they used to, but spending less. The \$15 to \$35 is a very hot price range for us right now."

Taggart also finds that customers are sticking with more familiar brands, the "warm and fuzzy" labels, as he calls them. The exception to this rule is usually an unbeatable deal on a delicious discovery.

"Southern French wines, particularly those from the Rhône and Languedoc, priced between \$10 and \$15, are strong sellers," notes Taggart. "In the lower price points, we can sell things that are not household names, but we have to put them on the map. We sell a blended Côtes du Rhône that nobody had ever heard of. We case-stacked it and put a sign on it that said we really liked it, and it's been selling incredibly well at \$9.99."

While industry analysts have seen some signs of a "trading-up" recovery in the over-\$20-a-bottle category, most agree that consumers will continue to be price and value conscious even when the economy improves.

"The up and comer under \$8 is Moscato. It's just going crazy."

–Marc Mondavi, Charles Krug Winery

"Wines \$15 to \$20 are up over 12 percent, and wines over \$20 are up 17 percent," says Marc Mondavi, VP of Charles Krug Winery in Napa Valley, Calif. "That said, \$40 and up is still

struggling. People are spending more than they were one or two years ago, but they continue to be smart shoppers. They want to get a great deal on a \$20 bottle of wine."

Wine-and-food Pairing

Offering a dynamic selection of domestic and imported wines in the \$10-to-\$15 price range is a good start in appealing to value-conscious consumers. Making the connection between wine and food is more important still.

If consumers begin to think of wine as an ingredient that completes a meal, sales will reflect the shift from wine as a special occasion or luxury item to wine as an everyday beverage.

At Draeger's, which prides itself on hand-selling its wines, the food and wine education takes place on the selling floor. "In this store, customers don't run and hide," observes Taggart. "They tell us the menu and their price range, and then ask us to recommend something." The store also relies on shelf talkers, which adorn about one-third of the store's wine inventory.

Larger stores, like the Glendale King Soopers, typically don't have the staff to hand-sell every bottle, but the retailer has made a powerful statement about the yin and yang of wine and food with an entire wall devoted to the subject.

A sweeping sign anchors an attention-getting wall that reads, "Wine With Food." Below that are headers for a number of wine style profiles such as "Crisp and Light" and "Berry & Spicy." Under the profiles are lists of three or four appropriate food pairings, like shellfish or goat cheese with light wines, and duck breast or spaghetti Bolognese with berry and spice. The wines are then displayed underneath the signage, and are organized by the style descriptors featured above, making it easy for customers to choose a bottle based on their dinner plans.

DIY Wine Service

While some supermarkets hand-sell their wines, others let well-conceived displays and informative signage coax customers to buy. But another trend in supermarket wine sales is to let technology do the talking.

"We're a nation of people who like to do things on our own, whether it's booking our own airline tickets or choosing our wine," says Jon Holland, partner of Wine Market Assistant in Menlo Park, Calif. He describes Wine Market Assistant kiosks as self-service sommeliers for consumers. Designed for wine departments, delis or other areas of a supermarket, the kiosks contain information about wines from independent review sources, tasting notes, wine-and-food pairing suggestions, and more.

For example, a customer could search for a red wine for under \$25, from a particular region with a specific rating. The kiosk would then reveal the bottles offered in the store that fit the

criteria. Once the customer finds a bottle of interest, he or she can obtain food-pairing recommendations and recipes, all of which can be printed out at the kiosk. Conversely, a customer could scan a packet of chicken, and the kiosk would reveal appropriate wine pairings.

Wine Market Assistant launched in 2003, and today Holland reports that five supermarket chains are using the kiosks. The company's database contains a total of approximately 30,000 wines, beers and spirits, with most retailers featuring between 1,500 and 2,000 of those products in their customized kiosks.

Wegmans, based in Rochester, N.Y., is among four supermarket chains using technology to give customers a taste of wine before they buy. The supermarket has introduced self-service wine stations in its Downingtown and Allentown, Pa., stores. Napa Technology created the WineStation, a wine preservation and dispensing system that allows retailers like Wegmans to store wine for 60 days, and offers customers a number of self-serve automated pouring options that provide a "try before you buy" experience. The WineStation also allows retailers to capture customer information and preferences.

"Shoppers can now explore a wide variety of wines they may have otherwise shied away from due to lack of knowledge or price point," says Nick Moezidis, founder and VP of sales and marketing for Campbell, Calif.-based Napa Technology.

Matthews, N.C.-based Harris Teeter also features the WineStation, and according to Napa Technology, installations in additional stores are planned for this summer.

Summer Sipping

Which wines will be hot drinks for chilling out this summer? In addition to the staples of Chardonnay and Cabernet Sauvignon, industry experts say Moscato is making a move in the white wine category, while red blends are also all the rage.

"The up-and-comer under \$8 is Moscato," says Mondavi of Charles Krug. "It's just going crazy." While he admits that he doesn't know if Moscato is a fad or a bona fide trend, Mondavi believes it has all the makings of a runaway hit. "Historically, the wines that have just exploded were lighter in style, with a little sweetness to them and with lower alcohol. That's Moscato," he notes, predicting that it "will be a big summer wine."

According to Columbia Crest senior marketing manager Cary Kloster, "While the [Moscato] category is small, it [has grown] more than 40 percent in both volume and dollar sales over the last 52 weeks, according to Nielsen data [ending March 2011]." Columbia Crest Winery, located in Paterson, Wash., just released a red blend and a Moscato wine.

Sales of red blends, or meritage wines, are also on the rise, notes the Meritage Alliance. Up 14 percent in 2010, red blends overtook pinot noir for the first time since the release of the wine-heavy film "Sideways" in 2004.

Modesto, Calif.-based wine giant E. & J. Gallo Winery believes that the strong sales of both red blends and Moscato reflect consumer demand for value. "We are also seeing more emerging types such as Moscato, Riesling, pinot grigio, sweet red and red blends," says Gallo's VP of domestic sales, Steve Sprinkle. "Due to the challenging economy, we continue to see that consumers are looking for products that are affordable and offer the best quality for the price."

At Rob ert Fresh Market in New Orleans, La., director of operations Drew LeBlanc positions his extensive line of imported and domestic wines to complement local summer events and lifestyles. "In the summer, we shift our emphasis to whites, and we entice our customers to buy by offering many of those wines chilled," he says. After Chardonnay, LeBlanc's biggest summer seller is pinot grigio. He then builds entire displays of his most popular warm-weather sippers around popular local events like the area's annual jazz fest.

Think Inside the Box

Affordable and summer tote-ready, boxed wines are poised to make a big splash with supermarket wine consumers this year. According to Nielsen data, the 3-liter premium-priced box wine segment brands were up more than 18 percent for the 52 weeks ending Feb. 5, 2011 (based on dollar volume for food, drug and liquor channels).

Underdog Wine Merchants of San Francisco is the brains behind the Octavin Home Wine Bar collection, a series of 10 nationally available boxed wines that are vacuum-packed in bags tapped with a spout that prevents air from coming in contact with the wine. The result is not only good for the wine, which according to the company has a shelf life 10 times that of bottled wine, but also good for the environment, as each lightweight box contains 3 liters of wine. All 10 Octavin wines retail for less than \$24 for 3 liters.

Whether it's boxed, bottled, red, white, domestic or imported, showing customers, through displays, signage and tastings, that wine completes a meal will go a long way toward securing those higher basket rings that benefit a supermarket's bottom line.