

Trends & Implications for Spanish Wine Sales in the U.S. Market

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Abstract

Purpose: Spanish wine sales have grown quite rapidly in the U.S. market during the past few years. The purpose of this paper is to examine this trend; discuss potential reasons; and identify opportunities for maintaining and increasing Spanish wine sales in the U.S. market.

Design/methodology/approach – The objectives are achieved by analyzing ACNielsen scan data from 2002 to 2005 and other secondary data on U.S. wine consumers and trends.

Findings – The results indicate that Americans perceive red Spanish wine quite positively and are moving up in price point expenditures. However, sales of Spanish white wines remain rather fixed at specific price points. In addition, Spanish wine is losing market share to other imported wines, except for certain price points, but is performing well against U.S. wines.

Practical Implications: This paper suggests 10 opportunities for maintaining and/or increasing Spanish wines sales in the U.S. market. Many of these suggestions are also useful for other countries desiring to export wine to the U.S.

Originality Value – This paper is one of the first of its kind to provide an in-depth analysis of ACNielsen Scan data on Spanish wines sales in the U.S. In addition, it provides extensive information on the U.S. wine market; trends; and new market segments such as the Millennial and Hispanic markets.

Key Words: Spanish Wine; Sales Trends; Pricing; U.S. Consumer Segments

Paper type: Research paper

Introduction

Spanish wine sales in the U.S. have increased dramatically in the past few years – growing as much as 61% in volume between 2001 and 2005 (ACNielsen, 2005). This positive trend has been spurred by a variety of variables, including an increase in wine consumption by Americans from 1.77 gallons per person annually in 1995 to 3 gallons per person annually in 2005 (The Wine Institute, 2005). In addition, the growing popularity of Spanish food served in the multitude of tapas restaurants opening up in most American cities has contributed to the rise in popularity of Spanish wines. Finally, the increased quality of Spanish wines, as well as the positive press from acclaimed wine critics such as Robert Parker, declaring their great value, have prompted positive sales.

So what is the future of Spanish wine sales in the U.S. market? Will they continue to grow at a steady pace, or will they even out or decline as seen with sales of French wine in the U.S. market? The purpose of this paper is to explore these questions in more detail in order to determine trends and implications for Spanish wine sales in the U.S. In order to do this, the paper will begin with an overview of wine consumption patterns in the U.S. market. This will be

followed by an economic analysis of Spanish wine sales trends based on ACNielsen Scan data. Next, general information on U.S. consumer perceptions of Spanish wine will be provided. Based on this, implications regarding opportunities for continued growth in Spanish wine sales will be discussed. This analysis should be useful to wine economists and wine marketing professionals who are interested in analyzing and, potentially, increasing wine sales in the U.S. market.

Wine Consumption Patterns in the U.S.

Estimates indicate that there are approximately 295 million people in the U.S., making it the fourth largest nation in the world after China, India and the European Union, respectively (CIA, 2005). Of this population, approximately 212 million are of legal drinking age, being at least 21 years of age or older. However, according to the Wine Market Council (2005) only 32.6%, or approximately 69 million people in the U.S., consume wine. The remainder of the population consumes other alcoholic beverages besides wine, such as beer and/or spirits (24.7%) or do not drink alcohol for religious, health or other personal reasons (42.7%).

Demographics of U.S. Wine Drinkers

Even though only 32.6% of the U.S. population currently drinks wine, this percentage is positive, because it has been steadily increasing over the past 10 years. According to the Wine Institute (2005), in 2005 U.S. adult wine **consumption rate** reached 3.0 gallons per person per year, increasing by an average rate of .12 gallons per year over the past ten years. Part of this has to do with an increase in the adult population, however increasing wine consumption amongst young adults in their 20's, referred to as Millennials, as well as higher wine consumption in the U.S. Hispanic population have been credited for this increase as well (Gillipsie, 2005).

Consumption frequency of wine has been categorized by the Wine Market Council (WMC, 2005). They report that 42% of the wine drinkers consume wine at least once a week or more. These wine drinkers are referred to as Core wine drinkers. The other 58% consume wine two to three times a month or less and are referred to as Marginal wine drinkers.

Currently the **gender** percentages for these two categories are 46% male and 54% female as Core drinkers, and 43% male and 57% female as Marginal drinkers (WMC, 2005). This illustrates that, regardless of the category, in the U.S. market more women drink wine than men. This is most likely because, traditionally, wine has been viewed as a woman's drink in

U.S. bars, whereas men are more apt to order a beer. However in restaurant situations with food, both men and women are equally apt to order wine to go with their meal.

Age demographics of wine drinkers in the U.S. are usually sorted by generation. Figure 2 below illustrates the four major age generations in the U.S. used by marketers (Lancaster & Stillman, 2002).

The Millennial generation was born between the years 1977 and 1999 and is approximately 76 million in size. Though not all Millennials are currently of the legal drinking age of 21 in the U.S., those that are in their 20's are already consuming a large percentage of wine, compared with the Gen X generation. The Gen Xer's are in their 30's and early 40's, and include 46 million people. They do not drink as much wine as other generations, having a tendency to prefer spirits. The largest generation is the Baby Boomer generation, which is approximately 80 million people who are currently in their mid 40's and 50's. They embraced wine in their 20's and continue to drink wine in positive quantities today. Currently they are the largest segment of consumers purchasing wine in the U.S. The oldest generation is referred to as Traditionalists and is approximately 75 million in size. Traditionalists are currently in their 60's and older, and their wine consumption is slowing, partially due to conflicts with medical prescriptions.

Regarding **ethnicity** of U.S. wine drinkers, the most recent research indicates that approximately 76% are Caucasian, 10% are Hispanic, 10% are African-American, and approximately 4% are Asian-American (Arbitron, 2003; Stallcup, 2004). Of these populations, Hispanics Millennials have been identified as one of the faster growing wine consumer groups (Gillipsie, 2005).

Common **traits** associated with wine drinkers in the U.S. include the fact that a high percentage have a college degree or advanced education, and often have higher levels of income than non-wine drinkers (Wine Marketing Council, 2000). A recent study commissioned by the Wine Institute (2005) also shows that wine consumers are open to new experiences; are information-savvy and confident consumers; and seek life enhancing experiences. In addition, other research shows that U.S. wine consumers generally travel more frequently abroad, and enjoy food & wine combinations and events, such as cooking, gourmet restaurants, and wine tastings (Thach & Olsen, 2004).

Finally, regarding **geographical location**, the majority of U.S wine consumers live on the East and West coasts of the United States and live in large metropolitan areas such as Los Angeles, San Francisco, Seattle, Portland, New York, Boston, and Miami. However, a few

central cities such as Chicago, Dallas/Fort Worth, Houston, and Denver have large wine drinking populations as well.

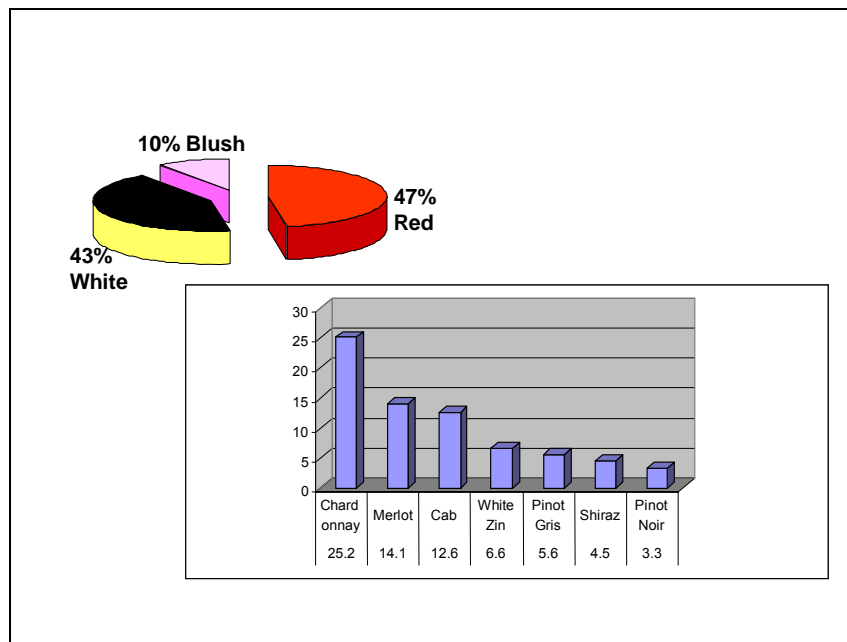
Reasons Americans Drink Wine

In a recent study of over 5900 Core wine consumers in the U.S., three major reasons were identified for drinking wine: 1) wine goes well with food; 2) they like the taste of wine; and 3) their friends, family and coworkers drink wine (Olsen, Thach & Nowak, 2005). The study also asked respondents about their image of wine, and the top five answers were, in order of importance: relaxation; healthy, sensual, sophisticated, and natural. This suggests that Core U.S. wine drinkers primarily see wine as a beverage to relax with over a meal with friends and family, or at the end of a long work day. Many also perceive it to be a healthy drink. The image of wine as sensual matches the U.S. perception of wine as a drink of romance. It is also considered to be more sophisticated to drink wine, rather than beer. Finally, wine is perceived as a natural beverage made from grapes harvested from the earth, fermented naturally, and not containing artificial ingredients. All of these are very positive images of wine.

Preferred Wine Varietals and Styles

According to ACNielsen Scan data (Tinney, 2006), 47% of the wine sold in the U.S. in 2005 was red; 43% was white; and 10% was blush. Chardonnay is still the most popular varietal sold in the U.S., claiming 25% of the market in the 52 weeks ending September 2005. Merlot is still in second place at 14% but losing ground to Cabernet Sauvignon at 12.6%. In addition, pinot noir sales are up 85% by value.

Figure 1: Preferred Wine Varietals in the U.S.



Wine Sales Trends in the U.S.

In 2005 the U.S. wine market had a yearly value at retail outlets of \$25 billion and reached the equivalent size of 300 million cases (Cartierre, 2006). The market is segmented into several price categories, with the lowest being under \$5. This segment accounts for 70% of all sales volume (Motto, 2006). This has been the situation for years, but is lower in the U.S. than other markets, such as the U.K. and Germany (Stich, 2006). The interesting news is that U.S. consumers are moving up in price segment. In 2005 wines priced above \$7 grew by 14% in volume (Cartierre, 2006). The premium wine segment, generally priced from \$15 to \$25 has recently achieved 10% of the volume, but has 35% of the revenue (Motto, 2006). This increase in consumer interest of higher priced wines is occurring in other countries as well, but at a slower pace (Motto, 2006).

Methodology

The methodology used for this study focuses primarily on the analysis of secondary survey data and document review. The data set used for this paper is AC Nielsen scan data from 2002 to 2005. The data set contains 281,566 observations of weekly wine sales in retail outlets in 52 markets in the U.S. The data analysis begins by examining the trend in sales of Spanish wines in the U.S. over the period 2002-2005 by price point and color (red and white wines). Next, we examine the market penetration of Spanish wines into the U.S. wine market by analyzing the following: 1) the trend in Spanish wines as a percent of total U.S. wine consumption in the U.S. by price point and color; 2) the trend in Spanish wines as a percent of all imported wines in the U.S. by price point and color; and 3) the trend in Spanish wines as a percent of domestic wines in the U.S. by price point and color.

Lastly, we construct a single regression equation model to estimate the separate demand functions for red and white Spanish wines in the U.S. using Ordinary Least Squares and a double logarithmic functional form. The estimate demand function allows us to examine estimates of price, cross-price and income elasticity for both red and white Spanish wines. This analysis was complemented by a document review of recent wine consumption and trend data in the U.S.

Trends in Spanish Wine Sales in the U.S.

Spanish wine sales have been very positive in the U.S. over the past few years. According to the U.S. International Trade Commission, Spain is the fifth largest wine import country to the U.S. after Italy, Australia, France, and Chile, respectively. Furthermore, Spanish wine imports have increased at an average rate of 12% each year since 1997 (ITC, 2005). Indeed, the percent change from YTD 2004 and YTD 2005 for Spanish wine imports was 13.1% -- higher than Italy and Australia, which was averaged 10.5% and 6.8% respectively (ITC, 2005).

Spanish Wine Sales by Price Point

Figure 2 below shows the proportion of Spanish wines sold by price point, and illustrates that the majority of Spanish wines are sold in the middle price points with over 70% of Spanish wines sold in the \$7- \$10 price point. Not only does the \$7 -\$10 dominate, it is the only price point which has observed consistent growth over the period 2002-2005. The next largest price point in terms of cases sold is the \$3 -\$7 dollar price point. However, the share of Spanish wines sold in this segment has been decreasing since 2002. The next largest market segment for Spanish wines is the \$10 -\$15 price point which has been increasing since 2003. Taken together, these three price points represent 95% of all Spanish wine sales in 2005.

Figure 2: Spanish Wine Consumption in the U.S.

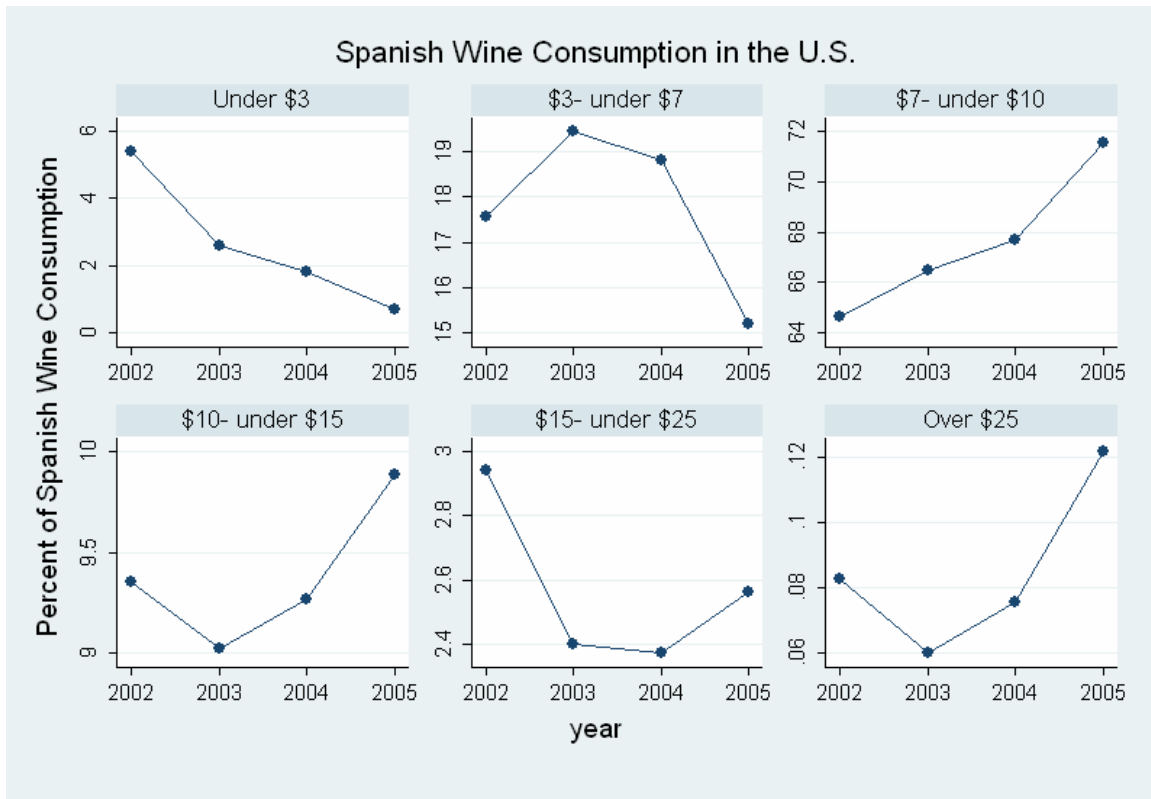
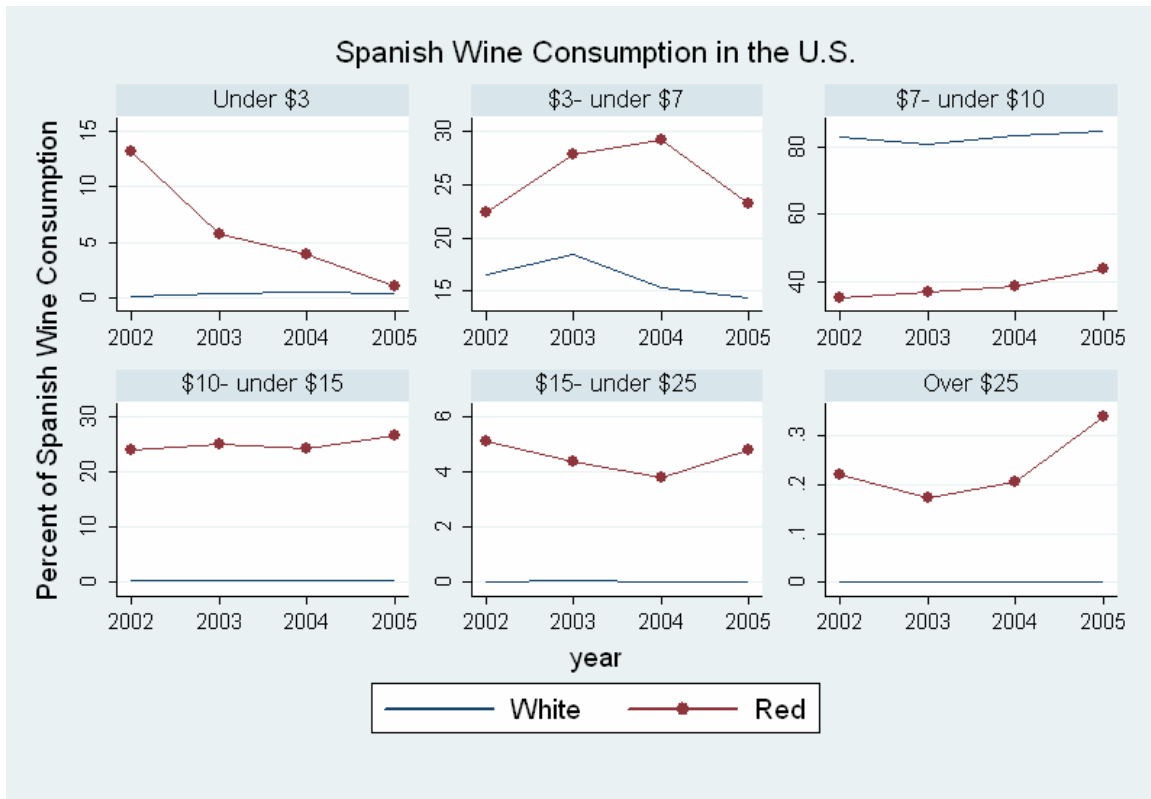


Figure 5 examines the same data but breaks down Spanish wines by color distinguishing between red and white wines. Figure 5 shows that Spanish red wines dominate Spanish wine sales in every price point except the most popular \$7 -\$10 price point. Over 80% of Spanish white wine sales and over 40% of Spanish red wine sales occur in the \$7 -\$10 price point. The next two largest price points for Spanish red wines are \$3-\$7 and \$10-\$15. Interestingly, Spanish white wine sales are insignificant in the remaining price points except the \$3-\$7 segment.

Figure 3: Red & White Spanish Wine Consumption in the U.S.



Spanish Wine As a Percent of Total U.S. Wine Consumption

Figure 4 shows Spanish wine imports as a percentage of total wine consumption in the U.S. by price point. Although the fraction of Spanish wine consumed varies by price point, Spanish wine rarely exceeds more than 1% of total U.S. consumption in any price segment. In addition to the relatively small share of consumption that Spanish wines hold in the U.S., Spanish wine are also losing market share in all but two price points.

Figure 4: Spanish Wine as a Percent of Total U.S. Wine Consumption

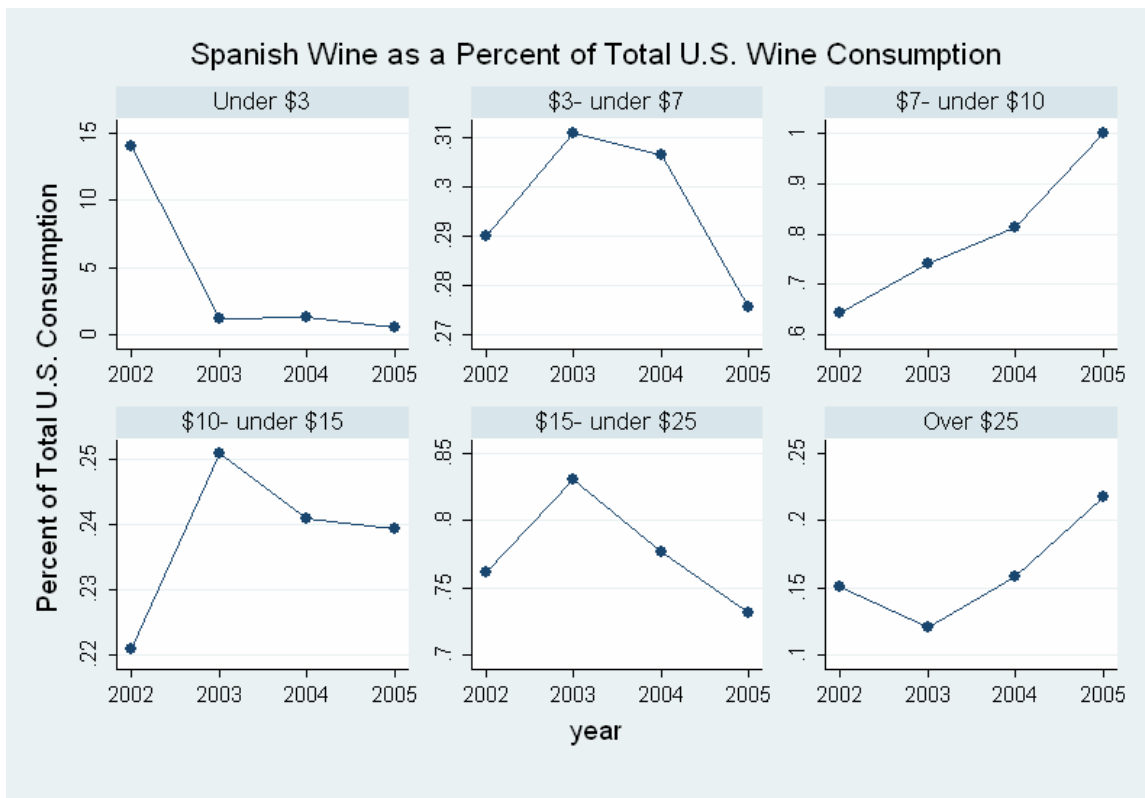
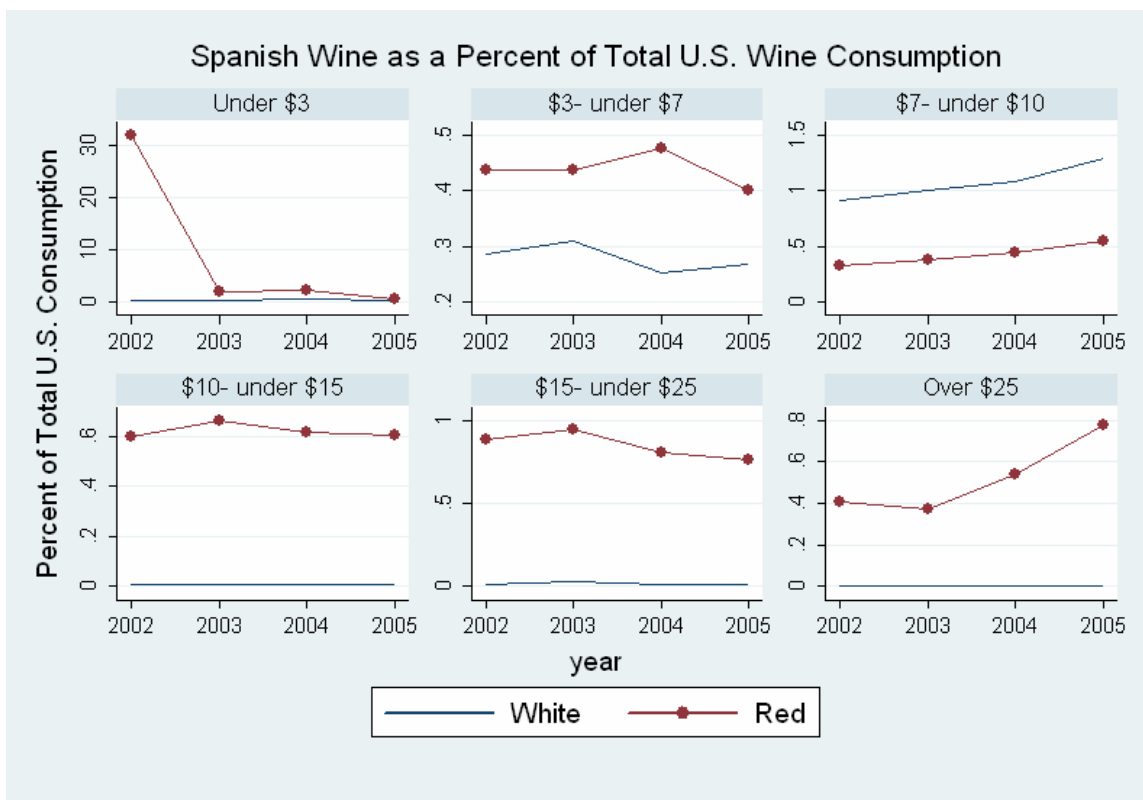


Figure 5 shows Spanish wine consumption as a percent of total U.S. consumption by price point and color. This illustrates that Spanish red wines hold a larger market share than Spanish white wines in all price points except the \$7 - \$10 price point. In fact, in the upper price points, the presence of Spanish white wines is nearly imperceptible. The price points in which Spanish wines are gaining market share are the \$7-\$10 price point and to a lesser degree the over \$25 market.

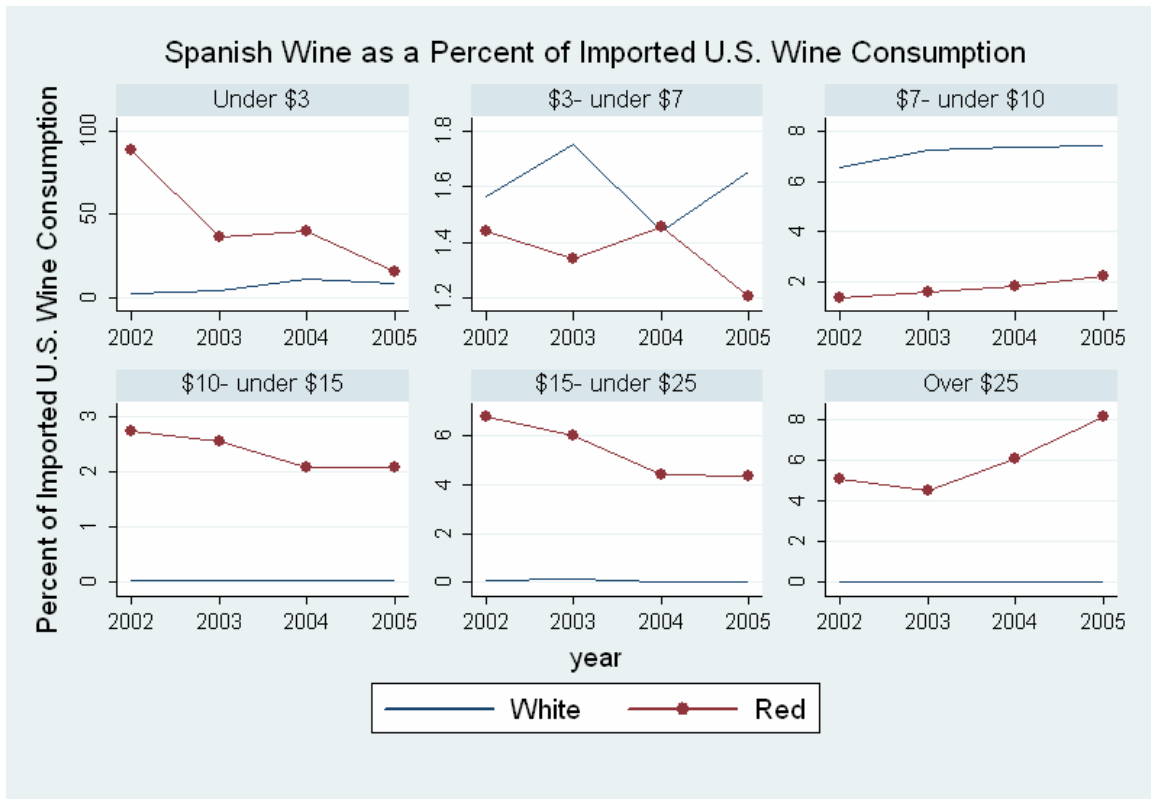
Figure 5: Red & White Spanish as a Percent of Total U.S. Wine Consumption



Spanish Wine Sales Compared to Other Imported U.S. Wines

In Figure 6 Spanish wines are examined relative to all other imported wines in the U.S. Figure 8 tells a similar story to Figures 4 and 5 in that Spain appears to be losing market share to other imported wines in all price segments except the \$7 - \$10 and the over \$25 price points. In the lower price points, the loss in import market share is clearly due to the proliferation of Chilean and Australian wines which have aggressively targeted the lower price points. In the upper price points, \$7 and above, both red and white Spanish wines have seen some growth in the \$7 - \$10 while Spanish reds have seen some growth in the \$25 and above price points. The remaining price points, \$10 to under \$15 and \$15 to under \$25 have seen mild decreases in the import market share.

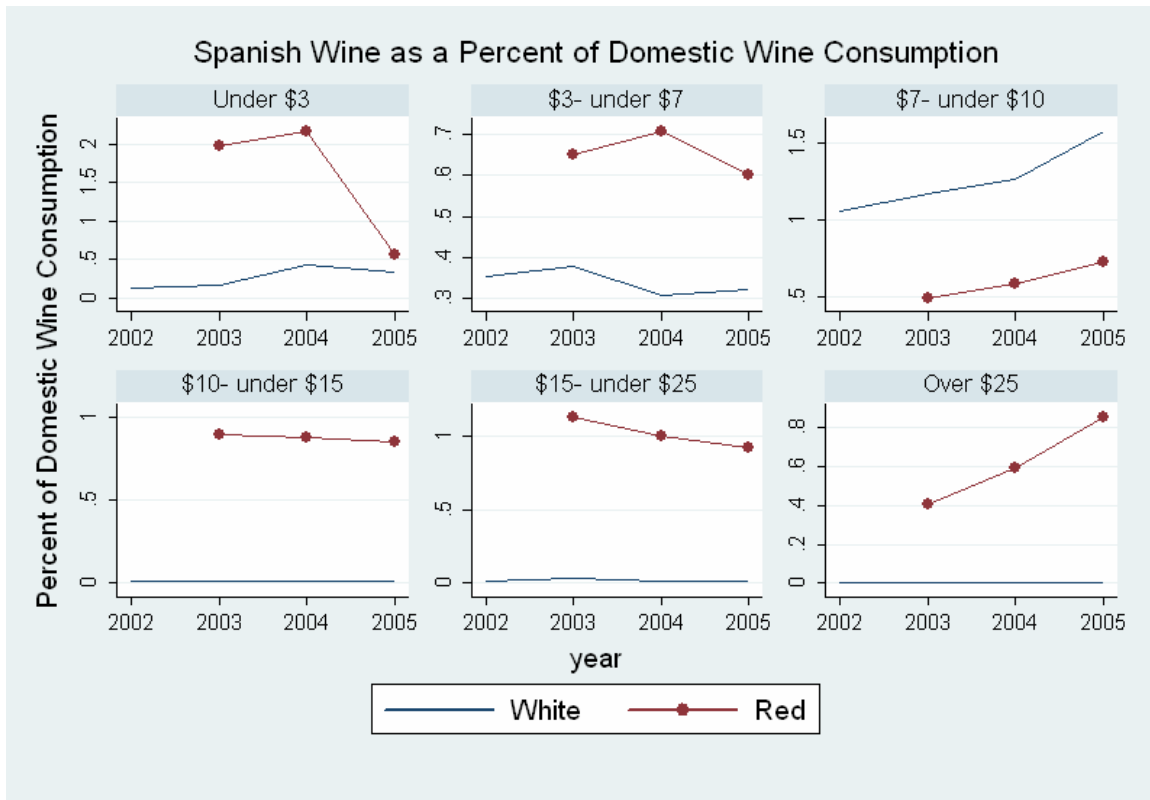
Figure 6: Spanish Wine as a Percent of Imported U.S. Wine



Spanish Wine Sales Compared to U.S. Domestic Wine

Figure 7 shows Spanish wines as percent of domestic consumption in the U.S. From this, it is clear that Spanish wines appear to be performing best relative to domestic U.S. wines. As a percent of domestic wines both Spanish red and white wines are growing in the \$7 to under \$10 price point, while Spanish reds in the over \$25 price point are also increasing market share relative to domestic U.S. wines. Except for the lowest price points, Spanish wines are losing market share only slightly to domestic wines in the U.S.

Figure 7: Spanish Wine as a Percent of Domestic U.S. Wine Consumption



Demand for Spanish Wines in the U.S.

It is also useful to estimate a simple demand function for Spanish wines in the U.S. This examines how sensitive the demand for Spanish wines are to own price, the price of other imported wines, and income. To estimate the demand for Spanish wine a double logarithmic specification is used:

$$Q = \beta_0 + \beta_1 \text{Price}_{\text{Own}} + \beta_2 \text{Price}_{\text{U.S.}} + \beta_3 \text{Price}_{\text{French.}} + \beta_4 \text{Price}_{\text{Italian.}} + \beta_5 \text{Price}_{\text{Australian.}} + \beta_6 \text{Income} + \varepsilon.$$

Where Q is the case volume of Spanish wine. Prices are measure in 750 ml bottle prices, where Price_{Own} is the own price of Spanish wine, Price_{French} is the price of French wine, Price_{Italian} is the price of Italian wine, Price_{Australian} is the price of Australian wine and Income is the disposable personal income in the U.S.

The regression is run separately for red and white Spanish wines using the natural logarithm of all variables. Thus the estimated coefficients can be interpreted as elasticities.

Figure 8: Scatter Diagram of Spanish Wine Estimated Demand

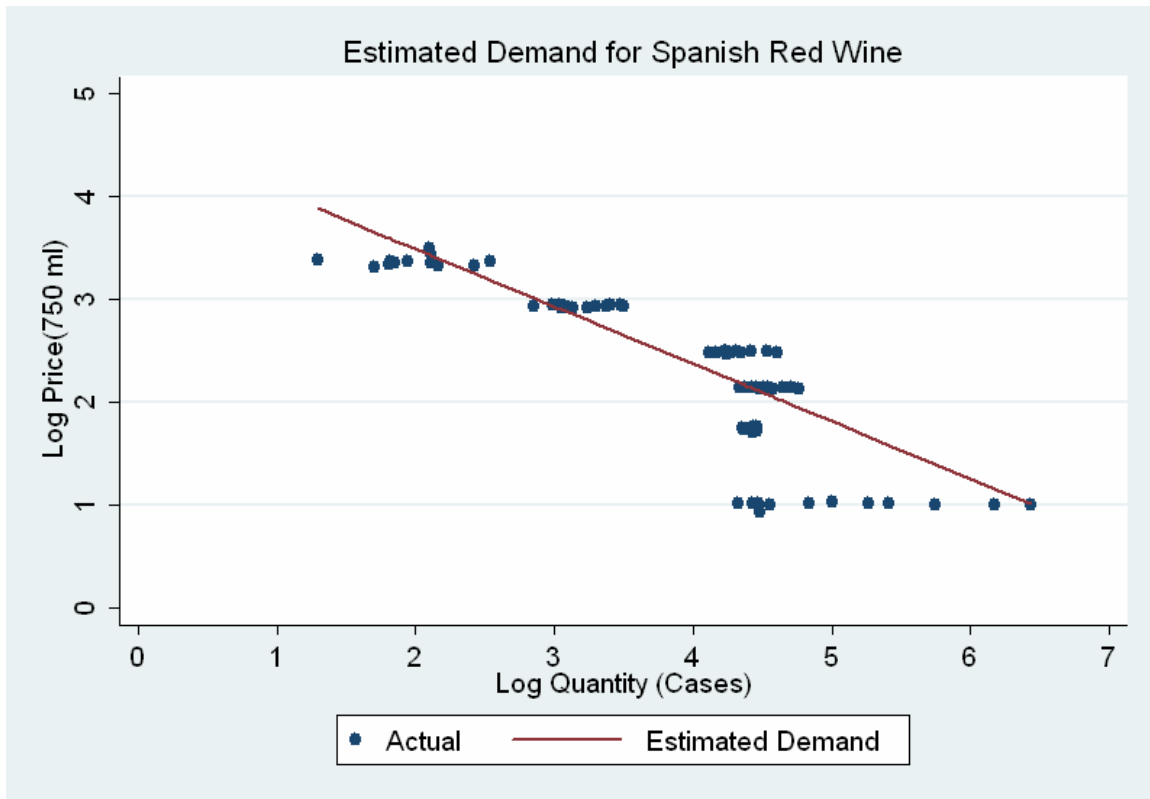


Figure 8 shows a scatter diagram of the log price per 750 ml bottle and log number of cases sold of Spanish red wine along with an estimated demand function fitted to the Spanish red wine data. Consistent with economic theory, Figure 8 shows a typical downward sloping demand function relating case volume as an inverse function of price.

Table 1 shows the regression results for both red and white Spanish wines. In examining red wines, all estimated coefficients are of the expected sign and all coefficients are statistically significant except for income. The own price elasticity of demand is estimated to be approximately -1.2 indicating a standard downward sloping demand as illustrated in Figure 10. The negative price elasticity of demand of -1.2 indicates that U.S. consumers are relatively responsive to changes in the price of Spanish wines.

Table 1:Regression Results for Red & White Spanish Wine

Spanish Red Wine			Spanish White Wine		
Variable	Coefficient	p-value	Variable	Coefficient	p-value
Own Price	-1.204611	0.000	Own Price	-3.036493	0.000
Price U.S.	-1.100515	0.000	Price U.S.	-2.863114	0.000
Price French	-1.220989	0.000	Price French	-3.25637	0.000

Price Italian	-1.127013	0.000	Price Italian	-2.899355	0.000
Price Aussie	-1.130779	0.000	Price Aussie	-3.168631	0.000
Income	.020123	0.806	Income	-.4783304	0.000
Constant	6.282691	0.000	Constant	25.10317	0.000
Adjusted R ²	0.6721		Adjusted R ²	0.3396	

The cross-price elasticities examine how sensitive the demand for Spanish wines are to changes in the price of U.S., French, Italian and Australian wines. Interestingly, all the estimated coefficients are negative, indicating that Spanish wines are viewed as complementary for U.S., French, Italian and Australian wines. The estimated coefficients are all similar in magnitude and range in values from -1.1 for U.S. wines to -1.22 for French wines. Thus, one could conclude that American consumers find Spanish and French wines as more complementary than they find Spanish and U.S. wines.

The coefficient on income is positive indicating that as U.S. income increases, U.S. consumers increase consumption of Spanish wines. Because of the double logarithmic function form of the regression, the income coefficient can be interpreted as an income elasticity. A positive Income elasticity, indicates that U.S. consumers view Spanish wines as a normal good although the results are statistically insignificant. However, further demand analysis by price point would most likely provide a more accurate picture of the income elasticity of Spanish wines.

The results for Spanish white wines differ significantly from those for Spanish red wines. To begin with, the own-price elasticity of demand of -3.04 is much greater than that of Spanish red wine indicating that U.S. consumers are much more price responsive to Spanish white wine than to Spanish red wine.

The cross price elasticities are similarly greater in magnitude for Spanish white wines than for Spanish reds indicating a greater complementarity among Spanish and U.S., French, Italian and Australian wines in the eyes of U.S. consumers. The cross price elasticities range from -2.86 to -3.25. Interestingly, as with red wines, American consumers find Spanish white and French white wines as greater complements than they find Spanish and U.S. white wines.

The income elasticity of white wines differs significantly from that of red wines in both sign and magnitude. The negative income elasticity of -.478, which is statistically significant, indicates that U.S. consumers view Spanish white wines as an inferior good. This makes sense since approximately 95% of all Spanish white wines are sold in \$3-\$7 and \$7-\$10 price points. Finally, the estimated demand equation for Spanish white wines explains much less of the

variation in case volume than that for Spanish red wines, 34% and 67% for white and red wines respectively.

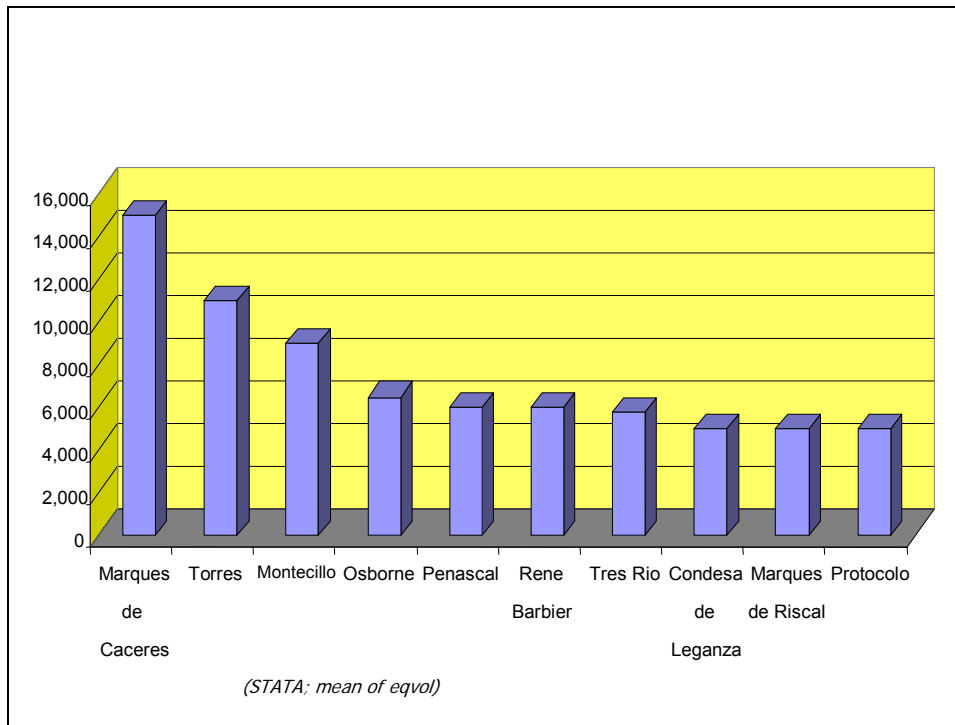
Consumer Perceptions of Spanish Wine in the U.S.

In general, the American perception of Spanish wine is very positive. It is not perceived as “cheap,” but has a reputation for quality and value. This is an important differentiator in the U.S. market, because once the wine from a certain country is perceived as “cheap,” it is difficult to change that image. Chile has encountered this problem in the U.S. market (Gugino, 2003). Australia has managed to avoid it, because they utilized a multi-segment approach when entering by selling good wine at all price segments.

Americans have also embraced many of the fruity-forward crianzas coming out of Spain, and connoisseurs have praised several of the “vinos de alta expression.” The use of new technology, less restrictive winemaking methods, less oak, and more fruit-forward and higher alcohol wines has been praised by many wine critics. On the other hand, there has been some concern from other American wine writers and connoisseurs that Spanish wines are starting to lose their authenticity and heredity (Passmore, 2005; Wright, 2005). Spain is the only country in the world that is known to make red wines from tempranillo, using traditional aging techniques, and creating unique treasures from some vintages. If the majority of Spanish wine makers were to start adopting the new international wine styles and lose the artistry of their traditional methods, that would be distressing. Therefore, some type of compromise of marrying the old traditions with the new technology could be in order.

In terms of regions, the La Rioja region is the most well-known region of Spain for most Americans. It is also regarded as a part of Spain that makes very high quality wine – similar to the perception of Napa in the U.S. However this perception is being challenged by new wines coming from Priorat, Toro, and Ribera Del Duero. In addition, the albarinos from Rias Baixas have gained large popularity in recent years. Figure 9 below illustrates the top ten selling Spanish wine brands in the U.S. market over the last four years, based on a mean of price point times volume.

Figure 9: Top Ten Selling Spanish Wine Brands in the U.S.



Reasons for Increased American Interest in Spanish Wine

The introduction of the tapas bar and restaurant concept into the U.S. in the past five years has been identified as one of the reasons for the rising popularity of Spanish wines (Boone, 2005). Furthermore, the famous Spanish chef, Ferran Adria, has gained international attention due to the food he serves at El Bulli restaurant in Roses, Spain. As Americans have become more enraptured with cooking, as witnessed in the huge rise in popularity of TV channels such as the Food Network, matching regional foods with wine has become a new past-time. This has always been the case in the U.S. with Italian wine, because of the large number and popularity of Italian restaurants. Now with new ethnic cuisines becoming popular, Americans are interested in exploring wines from other countries.

Another reason Spanish wines have become more popular in the U.S. is because of the positive press they have received from influential wine critics and writers. For example, in 2004 when the famous American wine critic Robert Parker announced that the 2002 Las Rocas Garnacha from Spain was the greatest wine value he had ever tasted and bestowed a rating of 91 points, the wine sold out in most wine shops within 24 hours (Medmusings, 2004). Since that time, other wines from Spain have received similar ratings, causing Spanish wines to develop a consumer perception of good value – high quality for a moderate price. Not only are

the red wines made from tempranillo and garnacha becoming more popular, but the Spanish white grape, albarino, has gained quite a following in the U.S. as well (Boone, 2005).

The Wine Spectator has also been kind to Spanish wines, rating 15%, or 97 of the 648 Spanish wines reviewed as 90 points or higher in their recent 2005 worldwide evaluation (Molesworth, 2006). Table 2 lists the top scoring five wines. These types of ratings are very attractive to wine connoisseurs and collectors.

Table 2: Top 5 Scoring Wines from Spain, Wine Spectator 2005 Ratings

<i>Name & Vintage of Wine</i>	<i>Score</i>	<i>Price</i>
Numanthia-Termes Toro Termanthia 2002	96	\$202
Bodegas Sierra Cantabria Rioja Armancio 2001	96	\$142
Bodegas Vega Sicilia Ribera del Duero Unico Gran Reserva 1994	96	\$350
Bodegas Lan Rioja Edicion Limitada 2002	95	\$45
Vinedos de Paganos Rioja El Puntido 2001	95	\$53

Increased tasting events of Spanish wine in fine wine shops and restaurants have also contributed to Spain's increasing popularity. As more American consumers are introduced to new Spanish wines and are educated on the traditional winemaking methods and use of grapes such as tempranillo and albarino, they become more intrigued. Part of this credit is contributed to passionate Spanish wine importers who are reputed to do a good job at getting Spanish wines into the hands of influential critics, as well as top wine shops and restaurants in the U.S. Importers such as Jorge Ordonez with Fine Wine Estates and Eric Soloman of European Cellars are two such brokers who have assisted in this endeavor (Thach, 2006). This educational and passionate "hand-selling" technique is required to introduce new wines, especially higher priced ones, into the U.S. market.

Opportunities for Increasing Spanish Wine Sales in the U.S.

In examining all of the data described in this paper, there appear to be several opportunities for both maintaining and increasing Spanish wine sales in the U.S. market. These are listed in Table 3 below, and described in the following paragraphs.

Table 3: Opportunities for Increasing Spanish Wine Sales

OPPORTUNITIES
CONTINUE TO:
1) Maintain & Enhance Quality Levels
2) Promote highly rated Spanish wines
3) Support and develop passionate Spanish wine importers
4) Develop positive relationships with critics, distributors & retailers
CONSIDER STARTING TO:
5) Conduct Flavor Profiling on American palate
6) Consider Crianza brands targeted at Millennial generation
7) Pursue Spanish Labeling for U.S. Hispanic market
8) Develop partnerships with American wineries to sell direct to consumer
9) Offer more Spanish wine and food events
10) Promote Spanish Wine Tourism

There are several activities which Spanish wineries and importers are currently doing very well and should continue. These include efforts made in the past few years to maintain and enhance the **quality levels** of Spanish wine. Much capital and other resources have been poured into the Spanish wine industry, including upgrades in technology and production techniques. These have paid off in the creation of higher quality wines, and therefore, these types of efforts should continue.

In addition, many Spanish wines have received very positive ratings from Robert Parker, the *Wine Spectator*, and other recognized authorities in the American market. These types of tributes to the high quality of Spanish wines, as well as the great values, have contributed much to the increased sales and recognition of Spanish wines in the U.S. – especially to the wine collectors and connoisseurs who are willing to pay higher prices for great wines. Therefore Spanish wineries should continue to promote their **highly rated wines** – especially the higher-priced “icon” wines so that Americans recognize that not only value-priced wines are produced in Spain, but some of the most sought-after and expensive wines in the world.

Related to this issue is the controversy of producing traditional wines verses “vinos de alta expression.” As previously mentioned, there are some wine critics in the U.S. who are concerned that Spain may abandon its traditional wine-making style to pursue the highly lucrative market of producing international style wines. This is similar to the wine-making controversy that has occurred in Italy with “Super Tuscans” competing with traditional Chianti styles -- and reflects the debate over old and new world wine styles. For Spain, it is suggested

that pursuing both styles is beneficial. The positive press received by the "vinos de alta expression," is one very clear reason for this recommendation; however Spain also continues to receive high accolades for its traditional styled wine, especially from La Rioja. Therefore, both wine styles should be continued, and used as a market differentiator when advertising the merits of each approach.

A basic tenant of exporting any type of product around the world is the quality of relationship between the exporter and importer. This is especially true with wine exporting (Spawton & Lockshin, 2004). In the case of Spanish wine exports to the U.S., one of the main reasons they are reported to be so well received is because of the efforts of passionate Spanish **wine importers** such as Jorge Ordonez with Fine Wine Estates and Eric Soloman of European Cellars (Thach, 2006). These importers attempt to have their wines evaluated by Robert Parker and other influential wine critics; they describe the old vines and unique soils of Spain; as well as the new technology which is being used. They do extensive relationship marketing with key distributors and retailers in fine wine shops and restaurants. These types of efforts are required to succeed in the U.S. wine market, and therefore it is in Spain's best interest to continue to support these types of importers, as well as develop others.

Related to this is the need for Spanish wineries to continue to **develop positive relationships** with U.S. distributors, retailers, and wine critics. Scheduling time for the Spanish wine maker or winery representative to visit the U.S., call on key accounts; conduct wine-tastings and wine dinners; and communicate the benefits of their products is crucial. In a recent wine distributor survey in the U.S., three of the top five reasons a distributor elects to carry a wine in his/her portfolio has to do with positive working relationships with wineries (Thach & Olsen, 2005). The other two reasons had to do with the taste and price of the wine.

In regards to new opportunities, Spanish wine makers should consider conducting **flavor profiling** research into key segments of the U.S. population which they want to target. The Australian wine industry was able to glean much useful information from similar research and produce wines to meet the needs of consumers. Obviously this technique would not be applicable for current strong brands, but for launching new brands in the future, this type of data is invaluable.

Two fast-growing wine consumers segments have been identified within the U.S. population – both the Millennials and the Hispanic segment (Gillespie, 2005; Thach, 2005). Both of these are potential targets for Spanish wine. The **Millennial generation**, with over 76 million consumers, is currently drinking a lot of red wine. They have a tendency to prefer the fruit-forward wines of Australia and the U.S. They also are attracted to fun, quirky labels with

easy to pronounce names and clever branding. They generally spend around \$10 per bottle. This appears to be a good audience to target for the introduction of a new crianza which is designed to meet the desires of Millennials.

A more focused segment within the U.S. population is the **Hispanic segment** which is currently 39 million strong and is considered to be the largest and fastest growing minority population in the U.S. (Jung, 2005). It is predicted that by 2020, 1 in 5 Americans will be of Hispanic decent, and 29 million Americans currently speak Spanish (U.S. Census Bureau, 2004). They have very strong buying power which has tripled since 1990 to over \$650 million in 2003 (Jung, 2005). Currently 22% of Hispanics drink wine, and they are 96% more likely to spend \$20 or more per bottle compared to other Americans (Stallcup, 2003). However, only a few wineries in the U.S. are targeting this population. There is an opportunity to create a Spanish advertising campaign promoting Spanish wine to this segment. In order to do this well, it would be important to contract with a good Hispanic marketing firm to conduct market research and develop an ad campaign. The fact that the Hispanic segment is composed of multiple ethnic backgrounds is an important consideration. According to the U.S. Census Bureau (2004), the current composition is: Mexican (67%); Central & South American (14%); Puerto Rican (4%); Other (15%). Each of these segments has different needs and concerns which would need to be identified regarding wine consumption. California, Florida, New Mexico, and Texas are the largest Hispanic states by population. Both California and Florida are two of the largest wine consuming states, making either state a potential target for a new product launch.

Another opportunity to gain access to more American wine consumers is through **partnerships** with large U.S. based wineries. This could be accomplished through traditional export strategies such as strategic alliances and/or joint-ventures. A different tactic is to gain access to wine clubs which sell directly to consumers. This could be accomplished through a partnership with the winery or with one of the many retailers which establish private wine clubs consisting of multiple brands.

Finally, two other opportunities are to promote Spanish **wine and food events** and to promote **Spanish wine tourism**. The first activity could be accomplished through establishing promotions with television/radio stations and magazines which could feature Spanish foods and wines, and introduce consumers to the unique varietals of Spain. Related to this is the need to sponsor more Spanish wine tastings events at restaurants, wine shops, trade show events, and other venues. Establishing a Spanish wine promotion vehicle that encourages Americans to visit Spanish wine tourism areas could also be beneficial.

Conclusion

In conclusion, Spanish wines appear to be well-received in the U.S. market. Growth in volume and sales dollars is mounting, driven by the increasing quality and perceived value of Spanish wines; a new American interest in regional food and wine; the growth of tapas bars; and positive ratings from critics. There are many opportunities and some cautions for Spanish wine in the U.S., but, in general, they seem poised for positive growth and increased acceptance.

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