

# BRAZIL'S TWO WINE MARKETS

Considering that it's one of the world's most dynamic emerging economies, Brazil has yet to receive a lot of attention from the wine industry. But, reveals Graham Holter, recent Wine Intelligence research has revealed that now is the right time to get established in this tiny, but growing market. He presents the latest customer findings.

## SUMMARY BOX

- Brazil is a 34m case market with a per head consumption of two litres.
- Imported wine is a recent phenomenon and locally produced wines include those made from non *Vitis vinifera* vines.
- There are clear differences between the way wine is consumed in Brazil's two major cities.
- Red wine makes up 80% of the market.

Much has been made of the potential of India, China, Russia and even Japan, but few have seriously explored what opportunities await exporters in South America's largest country. Brazil is the world's tenth largest economy, with almost 200m people, and a long history of domestic wine production.

There's a good reason for this. Brazil has yet to open itself up to wine drinking generally, or to imported wines, in any major way. It's currently a 34m case market, with a per head consumption of two litres. Yet this relatively paltry per person consumption level, multiplied by a prodigious population, means that the market for wine is already bigger than South Africa, Switzerland and Chile, and not far behind Canada and the Netherlands. This is a market with the word 'opportunity' stamped all over it.

### Who is drinking what

Beer and cachaca remain the alcoholic beverages of choice. Traditionally, when Brazilians have drunk wine, it has tended to be of the domestic variety: imports are a fairly recent phenomenon. Brazilian-produced wine – most of it red – tends to have a sweeter profile than in most other producing nations, a factor that has hindered both exports and imports.

And, according to Dirceu Vianna Junior MW, a native Brazilian who is now wine development director of Coe Vintners in the UK and who lectures regularly in Brazil, the issue is even more complicated. "People are talking about per capita consumption being

just under two litres, but that includes wine made with hybrids and *Vitis labrusca*. Anything from *Vitis vinifera* is defined as a fine wine in Brazil and if you only count *Vitis vinifera* wines, per capita consumption is even smaller: 0.427 litres."

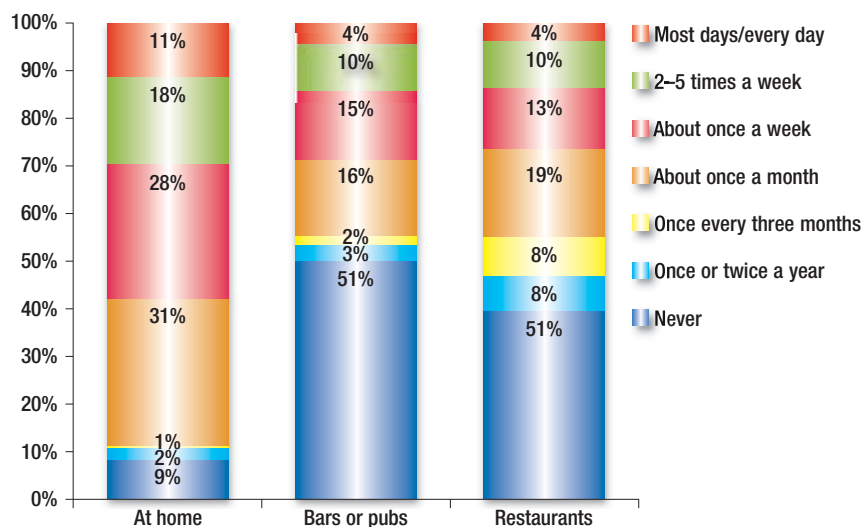
The Australian Trade Commission advises producers that the pricing structure is not particularly helpful. "There is still a low consumption of wines in per capita terms, especially if compared with the consumption of beer (52 litres per year)," it says. "This is due mainly to the price factor. For example, a Chilean average wine is 10 times more expensive than a 375ml bottle of beer."

It would be wrong to suggest things are changing rapidly – but from a wine industry perspective, progress is being made. The wine trade in Brazil is experiencing modest (though consistent) growth of 3.3% a year and there are signs that, in the bigger cities, wine drink-

### São Paulo

#### wine frequency of consumption by occasion

Base = Affluent drinkers of imported wine (n=303)



SOURCE: WINE INTELLIGENCE, VINITRAC® BRAZIL, MAR'08, N=608 AFFLUENT DRINKERS OF IMPORTED WINE, SÃO PAULO AND RIO DE JANEIRO

Distill is achieving some success with brands such as Two Oceans. Carina Gous, general manager, for wine marketing, points out that in 2008, imported wines made from *Vitis vinifera* accounted for 20% of the market and comfortably outsold native *Vitis vinifera* wines.

ing is becoming more popular. In São Paulo, 69% of adults currently drink wine, and in Rio de Janeiro the proportion is 53%.

Wine Intelligence has taken a closer look at both cities as part of its Vinitrac Global project, which analyses the habits of regular wine consumers in 15 international markets.

In other countries the survey usually divides its respondents into discrete sub-groups, based on demographics and attitudes to wine. But because wine drinking is somewhat less developed in Brazil, this survey was made simpler: researchers conducted face to face interviews with a total of 608 wine drinkers in the two biggest cities, and compared the results geographically. The results highlight some intriguing differences (and notable similarities) between the two populations, and also provides a platform for further research as the Brazilian market develops more complexity.

The research was restricted to 'affluent drinkers of imported wines' – that is, consumers who typically spend R\$10 (\$4.40) or more on a bottle of wine at least once a month, and who do not restrict their choices to domestic products. In both Rio and São Paulo, Vinitrac researchers found that 37% of adults drink wine at least monthly, but the proportion was lower when the question was focused on imported wine. Thirty-two per cent of respondents in Rio regularly drink wines

consumption. Informal meals at home are the most common wine drinking occasion in São Paulo, while drinking wine at a party or celebration is more usual in Rio. Half of the affluent wine consumers in São Paulo have never drunk wine in bars or pubs, underlining the city's preference for at-home wine drinking. There is clearly an opportunity for the wine industry to make inroads in the São Paulo on-trade, though for now the supermarket channel would appear to be the best bet. In Rio, by contrast, there is more evidence of much more frequent consumption in bars and restaurants.

Almost half (49%) of all wine sold in Brazil is sold in supermarkets and hypermarkets. A large proportion of the remaining 51% of the market is sold predominantly through convenience stores (23%). On-premise establishments account for a further 16% of all wine sold, a figure matched by Internet and other direct sales.

### White opportunity

A striking feature of the Brazilian wine market is how under-developed the white wine category is. As Brazil is a red wine pro-

dominated sparkling category (9% between 2003 and 2007), which is expected to continue to act as a driver for the Brazilian market generally in the coming years.

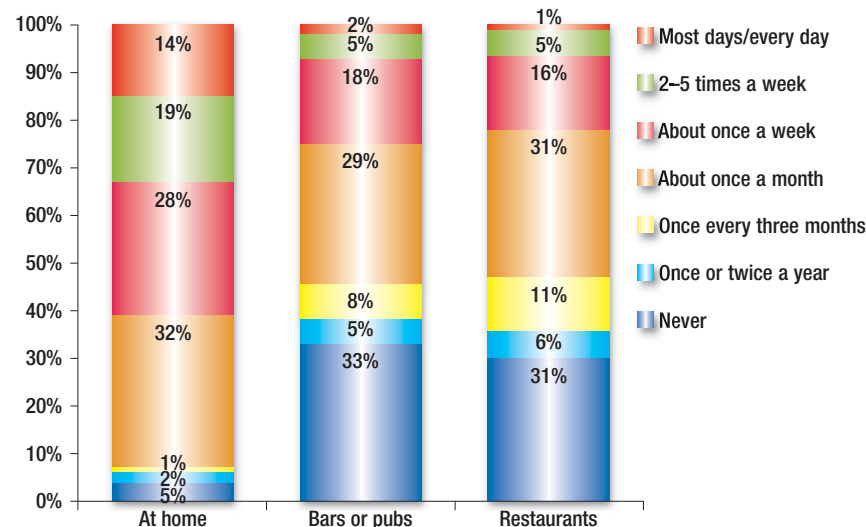
Fewer than half of the drinkers questioned in the Vinitrac surveys in both cities said they were white wine drinkers (48% in São Paulo and 44% in Rio). Champagne fared a little less well (47% in Rio and 40% in São Paulo). Rosé and sparkling wines appear to be appreciably more popular in São Paulo, with scores of 36% and 33% respectively, compared with Rio's 24% and 18%.

It's also interesting to observe the relative lack of enthusiasm for the wines of neighbouring countries. At a time when many parts of the world are increasingly excited about Chilean and Argentine wines, regular Brazilian drinkers seem to prefer products flown over the Atlantic from former colonial master Portugal, a trend especially apparent in São Paulo, a city notable for its fondness for Italian wines.

This is despite Chile and Argentina leading the imported wine league, with a 33%

### Rio de Janeiro wine frequency of consumption by occasion

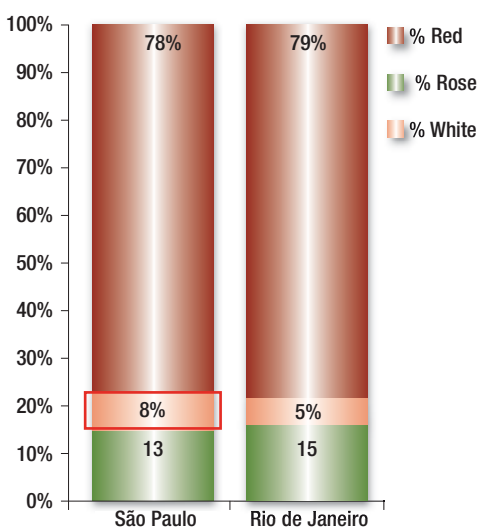
Base = Affluent drinkers of imported wine (n=305)



SOURCE: WINE INTELLIGENCE, VINITRAC® BRAZIL, MAR'08, N=608 AFFLUENT DRINKERS OF IMPORTED WINE, SÃO PAULO AND RIO DE JANEIRO

### Proportion of red, white and rosé wines consumed

Base = Affluent drinkers of imported wine (n=608)



Red Box: Significantly higher than the other city at a 95% confidence level

produced outside Brazil; in São Paulo, the proportion is just 12%.

These consumers are more likely to be males, and approximately half of them are aged between 25 and 44. Around a third drink wine at least twice a week, and in both cities at home drinking is more common than on-premise

drinking. In São Paulo, it's perhaps no surprise to see reds as the most popular choice among regular drinkers, but to account for eight out of 10 bottles in their shopping baskets puts the market out of kilter with almost every other wine-drinking nation. However there has been reported growth in the white

and 27% share respectively, followed by Italy with 16%. According to Giancarlo Bianchetti, director of marketing for global brands at Concha y Toro: "More and more Brazilian people have access to imported wine of good quality at lower prices, mainly from Argentina and Chile. Currently

## MARKET WATCH

Argentina pays a duty of 0% for wine exports to Brazil and Chile will do the same in 2011, so imported wine is a segment that will be increasing soon."

In terms of favoured grape varieties, there is little to choose between the cities. When consumers were asked which varieties they had consumed in the past six months, Cabernet Sauvignon, Merlot and Malbec topped the list in both areas. Among the white varieties, Chardonnay leads the way, followed by Sauvignon Blanc. Chenin Blanc comes in third in São Paulo, a position occupied by Riesling in Rio.

### What motivates consumers

Arguably the biggest question facing anyone wanting to sell wines in Brazil must be: what motivates wine consumers? This is not (yet) a particularly sophisticated market – according to some research there is confusion among some consumers between

education, people are hungry to learn more, with plenty of wine clubs, magazines, television programmes and a wine column in the prestigious magazine *Veja*. "The market is conservative but first and foremost it is price-sensitive."

One easy bit of advice is: be wary of your choice of closure. The Vinitrac research detected a strong preference for natural cork – it has an 88% approval rating in São Paulo and 91% in Rio. Wine drinkers were not merely indifferent to other closures; they were openly hostile. In Rio, 83% of those questioned said they did not like screwcaps, and 73% said they did not appreciate synthetics. In São Paulo, 69% opposed screwcaps while 65% gave synthetics the thumbs-down. Yet consumers have been won over in supposedly entrenched markets like the UK, and indeed Concha y Toro says screwcaps are quickly winning approval in Brazil despite an initial resistance.

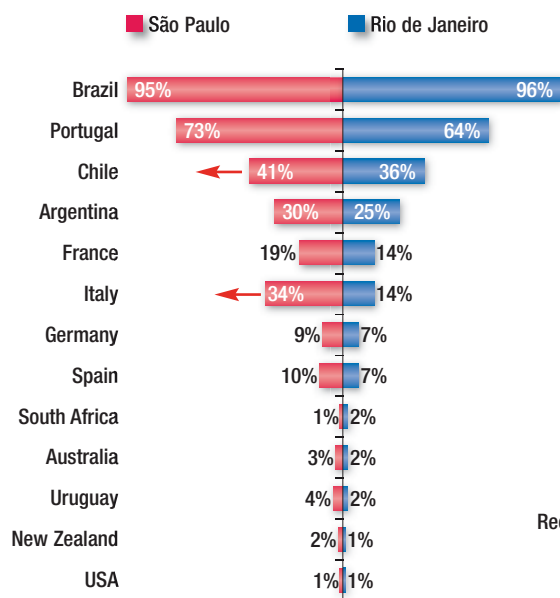
wine which has been recommended by family or friends. Gous at Distell suggests the 'conservative' tag is misleading. "Actually, Brazilians are amongst the fastest in the world to adopt new trends," she says. "This is partially the result of the extremely high level of Internet penetration, with Brazilian Internet access ranking amongst the top five countries in the world. However, imported wine remains the drink of the elite and more needs to be done to give it a more populist appeal, by demonstrating its versatility, showing that it can be enjoyed amongst friends on a variety of occasions, not just when dining."

### Wine origin

Although country and region of origin are important buying cues, awareness and penetration of some of the world's most prestigious wine producing areas is noticeably low. For example, in Rio, only 47% of regular

### Have you ever drunk wine from the following wine producing places

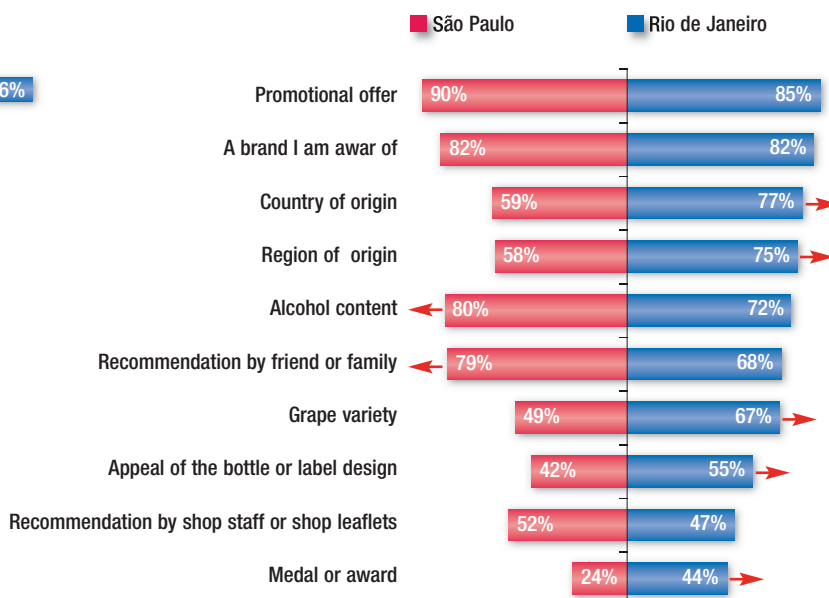
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→ Significantly higher than the other city at a 95% confidence level

### Important considerations when shopping for wine

Base = Affluent drinkers of imported wine (n=608)



→ Significantly higher than the other city at a 95% confidence level

Champagne and cider – and there is clearly work to be done by marketers and retailers.

Says Junior at Coe Vintners: "The vast majority of consumers don't make a distinction between a fine wine and a vitis labrusca, or sangria, or any type of flavoured drinks." He says that while there is a lack of

In Rio, wine drinkers are more likely to be swayed by country and region of origin than their counterparts in São Paulo, and more interested in the label design and the awards a wine has won. In São Paulo, alcohol content is an important consideration, and consumers are more likely to select a

wine drinkers are aware of Bordeaux. And that was a high score: Champagne achieved a mere 35% awareness rating and Burgundy just 27%. Rioja scored even lower, with 18%.

Only 11% of Rio wine drinkers said they had actually bought Bordeaux wine in the previous six months, which seems

SOURCE: WINE INTELLIGENCE, VINIFRANCIS BRASIL, MAR/08, N=608 AFFLUENT DRINKERS OF IMPORTED WINE, SÃO PAULO AND RIO DE JANEIRO

respectable when the penetration scores for Champagne (4%) and Burgundy (3%) are considered. Rioja's score can be measured in a single, round figure.

In São Paulo, there is a closer correlation between awareness of a region and the likelihood of having bought some of its wine in the recent past. Although in this city Bordeaux's awareness rating was just 26%, the penetration was proportionately high: 10%. Champagne achieves a 31% awareness rating, and 14% penetration; Burgundy was recognised by 15% of respondents, and achieved a penetration of 5%. Rioja, meanwhile, did even worse than in Rio, with a 13% awareness rating and another zero in terms of penetration.

There is a solid correlation between brand awareness in São Paulo – the top four best known brands are also the ones which respondents are most likely to have purchased in the past six months. The same holds true in Rio, although the research found that Chateau Duvalier's penetration was slightly ahead of Sangre de Boi, the brand which beat it to first place in the brand awareness table.

Does all this add up to a marketplace which is going to change the focus of multinational wine businesses? Does Brazil have the capacity to solve the problems of exporters saddled with unsold tanks of wine, and plateauing demand from recession-blighted Western markets? The honest answer must be: not yet.

But Brazil, as a wine consuming nation, is still in its infancy. If its consumers are relatively unworldly, with a tendency to behave conservatively, it must be something to do with the lack of attention that the wine and retailing industry has devoted to educating them. It's a daunting country to target, at least on first inspection – all 3.3m square miles of it – but realistically it's the more contained and manageable south-eastern region that should preoccupy marketers.

Junior at Coe Vintners says: "Despite everything, it's a very exciting market. You can see there is more and more interest in wine. It's been a gradual process and it will carry on. I think suppliers are going to dedicate more time and effort and financial resources to the market."

"Ultimately, Brazil has the potential to become a major consumer of wine but how long this will take is difficult to guess," adds

Distell's Gous. "Of course, the present global credit crisis is forcing consumers to focus more on pragmatics of price, and imported wine is still perceived as a luxury, so the speed with which Brazilians take to such wine on a wider scale may take longer than was originally anticipated."

Bianchetti at Concha y Toro is more upbeat. "Brazilian market growth potential is amazing," he says, adding that a realistic target is for 10% of the population to become established wine drinkers. "I would not be surprised if [the market] trebles during the next 10 years."

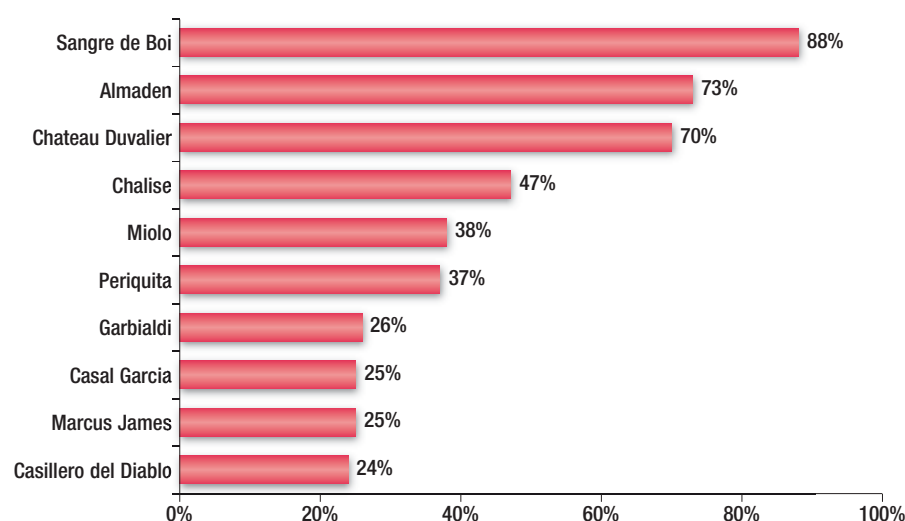
As its economy grows and Brazil takes its place among the world's commercial elite, the country's involvement with wine will surely increase too. There is a distinct impression that a new generation of wine drinkers is ready to emerge in Brazil – hungrier for knowledge, more eager to try new things. For wine marketers who are prepared to invest intelligently, this potent new market will be there for the taking. ■



This article was supplied by Wine Intelligence.

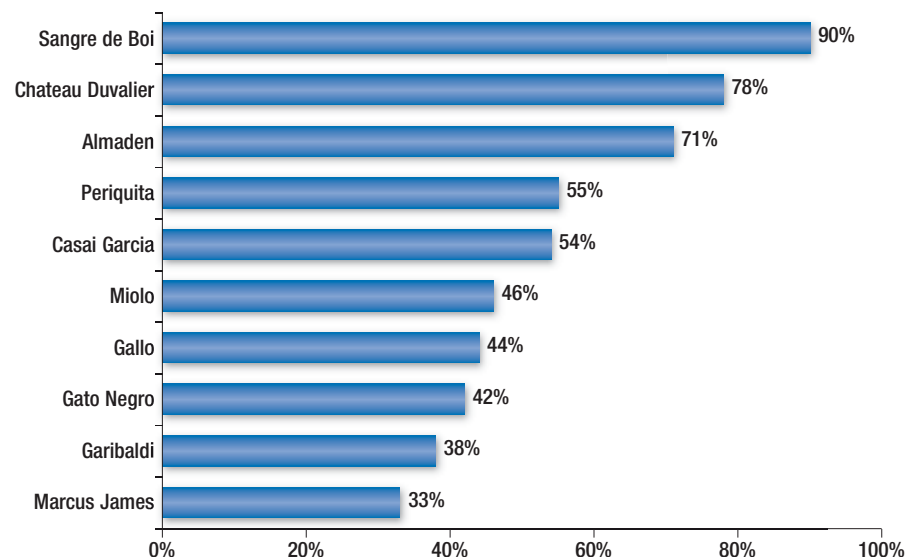
### São Paulo – Top 10 brands (awareness)

Base: Affluent drinkers of imported wine (n=303)



### Rio de Janeiro – Top 10 brands (awareness)

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SOURCE: WINE INTELLIGENCE, VINTRANCOS BRAZIL, MARCOS, N=600 AFFLUENT DRINKERS OF IMPORTED WINE, SÃO PAULO AND RIO DE JANEIRO