

## December 21, 2009

### The Last Stretch of the Holiday Sales Season

**The wine market seems to have turned a positive corner as it pulls into the last month of the year.**

by **Liza B. Zimmerman**

American consumers are getting a little festive this year: at least with their drinking habits. It looks like they will be buying a touch more wine than last year as recent interviews with operators and wholesalers and data attests. Total domestic table wine dollar volume share was up by 1.1 percent in the 52-week period ending November 14, 2009, according to the Nielsen Company. Dollar volume percent change also saw an increase of 5 percent in the same period.

"I have seen encouragement since the week before Thanksgiving until now," said Alan Dreeben, a partner and owner in the Dallas-based Republic National Distribution Company, which is present in 20 states and the District of Columbia. He added that the retail sector has picked up and that the on-premise has diminished in terms of revenue, but not units.

He added that the bulk of sales have been in popularly priced wines. "I don't think conspicuous consumption is coming back any time soon." He noted that while this season is not like other years, when stores were mired in excess inventory, but "it's better than last. Last year people were in total shock."

Dreeben also said that many sectors of the industry were also better prepared for this sales season. "Everybody has gotten tighter controls on purchasing and inventory. Being efficient in this economy is what really provides you with an advantage."

#### What's Selling

Premium priced wines remain the top producers in this tenuous economy. Dreeben said that wines both under \$10 and under \$20 were generally the top sellers. He added that the fact people are having a lot of parties at home is also fueling interest in these wines.

"The product mix is different than last year," noted Robert Rogness, general manager and wine director of the single location Wine Expo store in Santa Monica, California. "\$10 is the new \$25." He noted that few wines, with the exception of Champagne, priced over \$50 are moving. "We are selling more bottles to more people for less money as people have traded down viciously." Rogness agreed with Dreeben that customers were entertaining more at home as well as seeking out restaurants that don't charge corkage.

Some operators in the on-premise sector have been selling a surge as well. "Sales are increasing and people seem more apt to 'treat' themselves after a year of economic bad news and belt tightening," said Scott Turnbull, sommelier at the 364-room Four Seasons Hotel in Philadelphia, which is home to the fine dining Fountain Restaurant. He added that this year's holiday season also compares favorably to 2008. "The third to fourth quarter has seen a gradual increase in sales, which will certainly help end our year a bit more positively than it began."

Some smaller, independent restaurants have also seen an uptick. "There is a slight increase in the month of December based on the higher volume of guests dining out during the holiday season," said Erin Fitzpatrick, sommelier at New York's Waverly Inn, which features American comfort food. "We consistently pick up new product, but remain conscious of purchasing and are buying smaller quantities of new wines."

At the 3,933-room Las Vegas Bellagio Hotel's Picasso French restaurant, master sommelier Robert Smith said that space in his dining for Christmas and New Year's is almost sold out. He added that he sees consumers "buying more high-priced items off-premise but still collecting and purchasing low- to mid-priced products on-premise."

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Most operators and wholesalers were modestly hopeful about the wine market in the year to come. “The wine business will continue to grow, albeit in single digits,” said RND’s Dreeben. “There’s not going to be a sudden spike but there is going to be a gradual return. Value and reasonably priced wines are what is going to be in vogue for a long time.”

“I expect things to slide back in the early part of 2010, like a sneaking hangover, I think people will realize that we are not out of it yet. I don’t expect a return to 2007-era spending until 2014,” said the Four Seasons’ Turnbull. He added that the positive side to all is that it is a great time to be exploring new things and that he expected a trend towards “price reduction and stabilization over the next three years or so.”

Waverly’s Fitzpatrick enforced the market’s current focus on value. She called it the “key word of the moment for the consumer. I expect consumption of domestic wines to increase in the next year as the dollar remains weak for imports and consumers are becoming more conscious of supporting goods and products from the U.S.,” she concluded.

It certainly been a wild ride, but perhaps the American wine market is finally turning a corner.

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