



Sales Comparison of Wine Brands by Closure Type (Year ending 2/6/10)

In the Wine Business Monthly 2009 Closure Report, wineries rated closures by perceived consumer acceptance. Natural cork received the highest marks. Technical corks were rated second. Alternative closures of screwcaps and synthetics were third and fourth respectively.

These results have been consistent in the four reports published since 2004 – with the most significant change being a gradual reversal of the participants’ ranking of consumer perception for synthetics and screwcaps.

A more direct study of consumer perception was conducted by the Oregon State University Food Innovation Center¹. It found that consumers perceived wine finished with cork to have higher quality and price than the same wine finished in alternative closures.

In a study conducted by Tragon², consumers were asked to rate the appropriateness of different closures for a variety of occasions. Though consumers felt cork was most appropriate for special occasions, gift giving and dinner parties – the most stark contrast appeared when consumers were asked the general question “how likely would you be to purchase wines with this closure”. Natural cork was selected by a 4:1 margin over alternatives.

While surveys and focus groups can yield valuable insight into consumer motivation, these controlled studies cannot duplicate the complex factors that generate actual sales.

To provide another perspective on consumer attitude, the Cork Quality Council has conducted a survey of sales performance by closure type. Data was provided from wine sales reported by A.C. Nielsen for the 52-week period ending February 6, 2010. The study focused on premium domestic table wine, which for this purpose consists of wines packaged in 750ml bottles priced at \$6 and up.

Closure type was assigned to the 100 largest selling brands based on the predominant closure being either “cork” or “alternative”. In most cases there was an obvious assignment. In only two instances did the brand have roughly equal distribution between closures. Neither of these occurrences were closer than 60/40. The top 100 brands represent 84% of the case volume reported from over 1,500 total brands measured by the scanned data.

The study of top 100 brands shows that a little over two thirds were cork finished. The cork finished brands show an 11.2% volume increase over the same period ending in 2009. This compares to a -1.3% decline for brands finished with alternative closures. The cork finished brands enjoyed a pricing advantage of \$1.68 per bottle over brands finished with alternative closures.

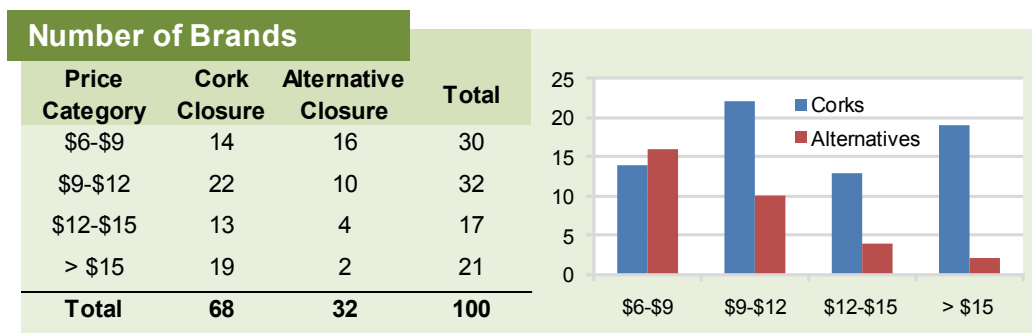
Brand Performance Last 52 Weeks			
Top Selling Domestic Premium Brands (750ml)	Natural Cork	Alternative Closure	Difference
Number of Brands	68	32	36
Annual Volume Growth	11.2%	-1.3%	12.5%
Average Bottle Price	\$10.71	\$9.03	\$1.68

Based on Nielsen Premium Wine Scan - 750ml Bottles for Brands with Avg Price over \$6.00

Sales by Price Category

When sales activity is examined by price category, it becomes clear that performance differences occurred evenly, and were not a function of the predilection for alternative closure brands to occupy the lower pricing segments.

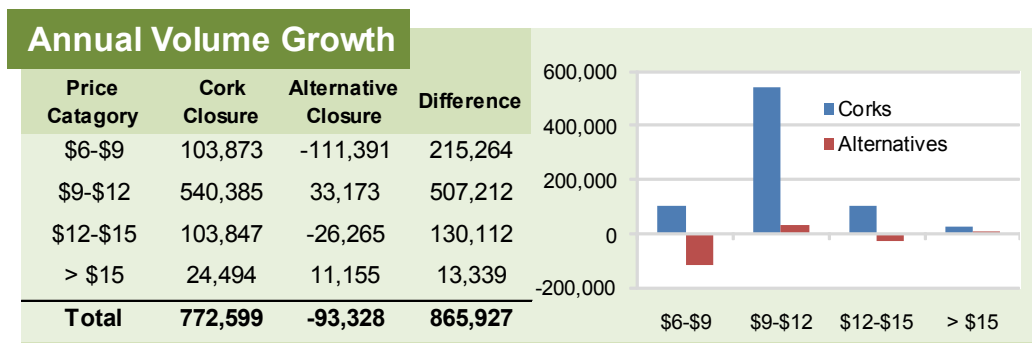
Pricing categories of \$6-\$9, \$9-\$12, \$12-\$15 and >\$15 were used to measure the distribution of closure type. Cork was relatively evenly distributed, while half of the brands with alternative closures were in the \$6-\$9 group.



Based on Nielsen Premium Wine Scan - 750ml Bottles for Brands with Avg Price over \$6.00 - 52 week Period ending 2/6/10

Changes in case sales shows that cork finished brands gained 772,599 cases over the 52-week period (+11.2%). The greatest increase occurred in the \$9-\$12 category where cork brands registered an increase of over 500K cases. Brands with alternative closures declined by 93,328 cases (-1.3%). The largest decrease was incurred in the \$6-\$9 category, where volume fell by 111K cases.

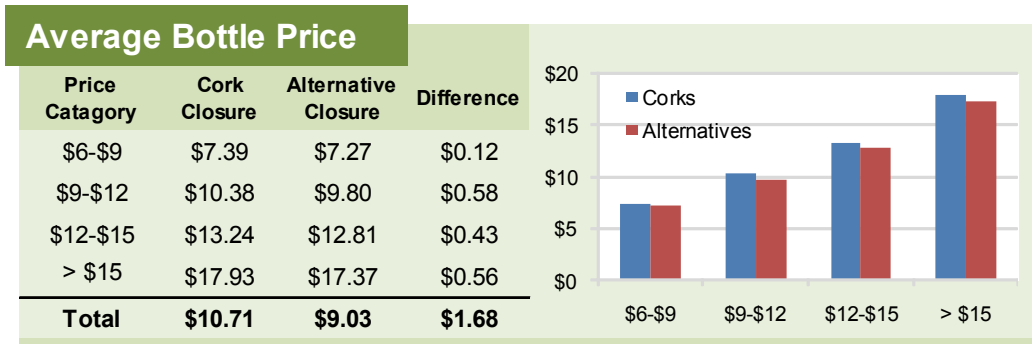
The year-ago comparisons are based on the same brands. There were no "new" brands or changes in closure assignment between the year ending in February 2009 and the period ending in 2010.



Based on Nielsen Premium Wine Scan - 750ml Bottles for Brands with Avg Price over \$6.00 - 52 week Period ending 2/6/10

The pricing comparison shows cork finished brands enjoyed a weighted average pricing advantage of \$1.68 per bottle over brands with alternative closures. Cork brands displayed higher prices in each category, with the closest - \$.12 in the \$6-\$9 group and the highest - \$.58 in the \$9-\$12 segment.

Nielsen data reflects retail pricing net of discounts, so this comparison does not necessarily translate into revenue received by the winery. It does show that cork finished brands realized volume growth with higher prices than brands finished with alternative closures.

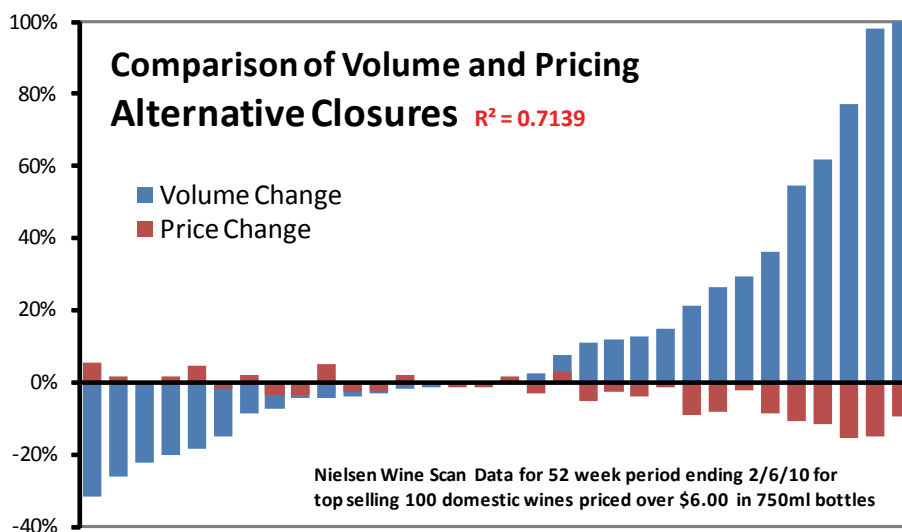


Based on Nielsen Premium Wine Scan - 750ml Bottles for Brands with Avg Price over \$6.00 - 52 week Period ending 2/6/10

Price Sensitivity by Closure

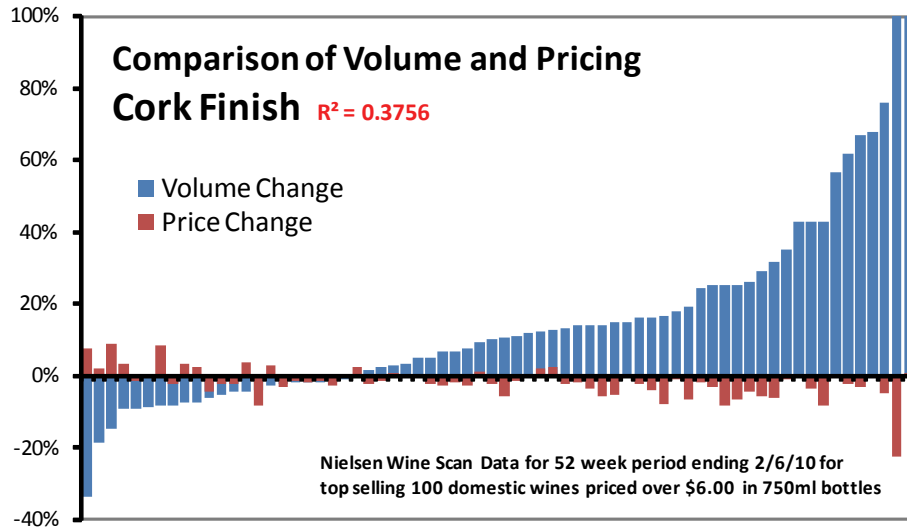
The last year was considered difficult by most wineries, and it is no surprise that the average price per bottle shows a small decline from the same period ending in 2009. For the top 100 brands, the average price per bottle fell 0.9% from \$9.99 last year to \$9.00 for the period ending in February of 2010.

Though there was little difference in overall price reduction seen between the total cork finished and alternative closure brands, there is a pattern which shows that volume gains are more closely associated with price reductions for brands finished in alternative closures. They appear to be more sensitive to pricing than the brands finished with cork.



The graph seen above displays the close relationship between sales growth and average price reduction. Of the 32 brands in the alternative closure group, only two showed positive volume growth without a lower price than seen in the same period ending in February 2009.

The correlation of price reduction and volume growth for cork finished brands was less pronounced (see display below). A best trend line analysis shows the R^2 value for the alternative closures is 71.4%. Brands finished with natural cork had roughly one half the correlation, with an R^2 value of 37.6%. This pattern indicates that pricing changes to cork finished brands were considerably less predictive of volume growth.



To put these results into the context of consumer research - if consumers associate cork finished wines with higher quality and higher price, it is not surprising that there is less pressure to reduce pricing in order to heighten a wine's perceived value. If consumers are more comfortable with natural cork for purchases associated with special occasions and gift giving, it is not surprising that they perceive more subjective value to cork finished wines than those using alternative closures.

Regardless of the reasons, this study shows that brands finished with cork have seen better sales growth, higher prices and superior price stability than those brands using alternative closures. Similar results were seen from a survey of the top 50 brands in July of last year. Though it is not clear if this continued performance is an aberration of the marketplace, it could also indicate that consumers are taking the closure into consideration when making purchasing decisions in these competitive times.

¹ Marin, A.B., Durham, C.A.. 2007. [Effects of Wine Bottle Closure Type on Consumer Purchase Intent and Price Expectation](#). Am. J. Enol. Vitic. 58:192-201. Marin, A.B., E.M. Jorgensen, J.A. Kennedy, and J. Ferrier. 2007. [Effects of bottle closure type on Consumer perception of wine quality](#). Am. J. Enol. Vitic. 58:182-191.

² Penn, C., [Independent Consumer Research on Closures](#). *Wine Business Monthly* – April 2007

The Cork Quality Council is a non-profit group organized to improve quality assurance programs for its membership. The group is comprised of Amorim Cork America, Cork Supply USA, Ganau America, Juvenal Direct, Lafitte Cork & Capsule, M.A.Silva Corks USA, Portocork and Scott Laboratories.