



# Cork Finished Brands Continue Sales Success



## Cork Finished Wines Outsell Alternatives

The Cork Quality Council periodically conducts surveys of wine sales by closure type. Data for this update was provided from wine sales reported by A.C. Nielsen during the 52-week period ending January 8, 2011. This study is focused on premium domestic table wine, which for this purpose, is defined as wines packaged in 750ml bottles priced at \$6 and up. Results indicate that the number of top brands using cork closures is growing, and that brands finished with cork have enjoyed more robust sales growth than brands finished with alternative closures.

During the current period, this study of Top 100 Brands shows that 74 were cork finished. This is an increase of seven brands over the past 8 months. The cork finished brands show a 10.3% volume increase over the same period ending in 2009. This compares to a 3.6% increase for brands finished with alternative closures. The cork finished brands enjoyed a pricing advantage of \$1.10 per bottle over brands finished with alternative closures.

## Cork Finished Wines Take Top Honors in Competitions

Santa Rosa, Calif. – Oct. 13, 2010 – Cork wine stoppers were the hands-down winners at this month's 36th Annual Sonoma County Harvest Fair, the nation's largest regional wine competition, 100% Cork announced today.

The top three red, white and specialty wine winners and all but one of the 37 wines ranked Best in Class were sealed with natural cork closures. All seven Double Gold winners had cork stoppers, as did 90 percent of 141 Gold winners. Of 186 winning wines, only 14 had alternative closures such as metal screw-caps or plastic stoppers.

Nearly 1,100 wines were entered into the competition, which is known as the "Oscars" for Sonoma County wineries. All wines entered boasted a Sonoma County appellation. This season's celebrated judging panel was made up of more than two dozen experts from the wine industry including bloggers, educators, food industry professionals and winemakers.

## Sales Performance Last 52 Weeks

Top Selling Domestic Premium Brands	Natural Cork	Alternative Closure	Difference
Number of Brands	74	26	48
Annual Volume Growth	10.3%	3.6%	6.7%
Average Bottle Price	\$10.46	\$9.36	\$1.10

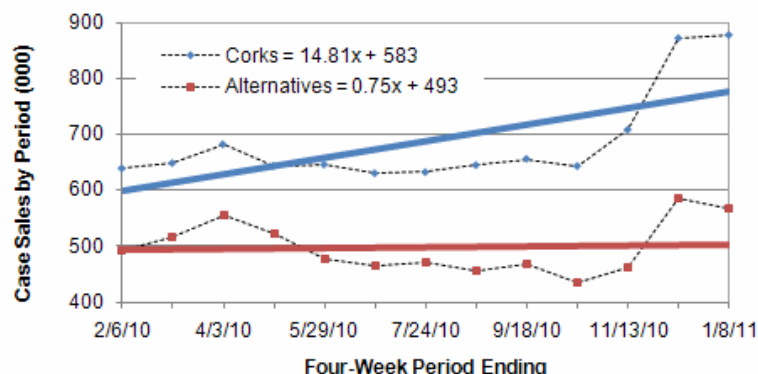
Nielsen Premium Wine Scan - 750ml Bottles for Brands with Avg Price over \$6.00 - Period ending 1/08/2011

Brands with cork closures have displayed a positive trend throughout the year. The comparison of sales by closure type for each 4 week period shows a linear trend with a positive slope of 14.8 for cork brands compared to a flat trend of 0.75 for those brands primarily using alternative closures.

## 2010 Sonoma County Harvest Fair Gold Medal Winners by Closure Type

Cork	172	92.5%
Synthetic	4	2.2%
Screwcap	10	5.5%
Total	186	100%

## Trend Analysis by Period and Closure Type



# Wines Under Natural Cork Excel in the Marketplace

## Cork Finished Wines Outsell Alternatives...

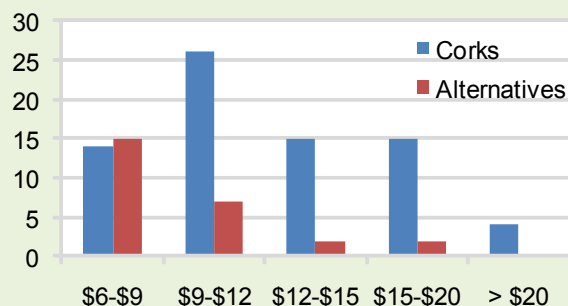
### Distribution by Price Category

Pricing categories of \$6-\$9, \$9-\$12, \$12-\$15, \$15-\$20 and >\$20 were used to measure the distribution of closure types. Cork was relatively evenly distributed, while more than half of the brands with alternative closures were in the \$6-\$9 group. Thirty four of Top 100 Brands over \$12 were finished with cork compared to four brands that were primarily finished with alternative closures.

...A comparison of sales revenue shows the overwhelming majority (90%) of annual growth came from brands finished with cork. The largest increase is seen in the \$9-\$12 category—where cork finished brands generated annual growth of \$63 million.

### Number of Brands

Price Category	Cork Closures	Alternative Closure	Total
\$6-\$9	14	15	29
\$9-\$12	26	7	33
\$12-\$15	15	2	17
\$15-\$20	15	2	17
> \$20	4	none	4
<b>Total</b>	<b>74</b>	<b>26</b>	<b>100</b>



Based on Nielsen Premium Wine Scan - 750ml Bottles for Brands with Avg Price over \$6.00 - 52 week Period ending 1/08/11

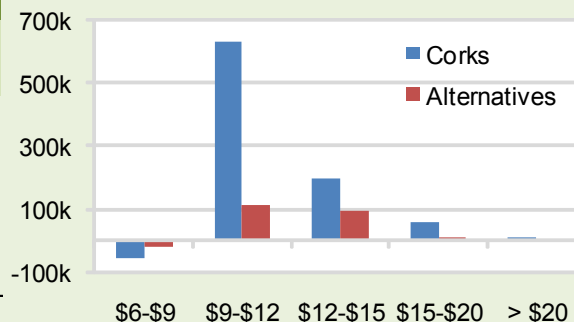
### Sales by Price Category

Comparison of case sales shows that cork finished brands gained 840,802 cases over year ago (+10.3%) The greatest increase occurred in the \$9-\$12 category where cork brands registered an increase of over 628K cases. Brands with alternative closures increased by 200,058 cases (+3.6%). The weakest price point is the \$6-\$9 category, where volume declined by more than 75K cases.

A comparison of sales revenue shows the overwhelming majority (90%) of annual growth came from brands finished with cork. The largest increase is seen in the \$9-\$12 category—where cork finished brands generated annual growth of \$63 million. Of the Top 100 Brands, those finished in cork posted a total sales growth of \$92million. Brands with alternative closures had growth 11% of that number.

### Annual Case Volume Growth

Price Category	Natural Cork	Alternative Closure	Total
\$6-\$9	-56,004	-19,474	-75,478
\$9-\$12	628,271	112,080	740,351
\$12-\$15	199,843	94,622	294,465
\$15-\$20	56,395	12,830	69,225
> \$20	12,297	none	12,297
<b>Total</b>	<b>840,802</b>	<b>200,058</b>	<b>1,040,860</b>



Based on Nielsen Premium Wine Scan - 750ml Bottles for Brands with Avg Price over \$6.00 - 52 week Period ending 1/08/11

# Wines Under Natural Cork Excel in the Marketplace

## Seasonal Sales by Closure Type

Fourth Quarter Holiday Sales traditionally bring the heaviest volumes of the year. This year is no exception - as the last twelve weeks, covering three sales periods, exceeded the average of the prior ten by 20%.

Case sales from the Top 100 Brands exceeded the same three periods in 2009 by 6.1%. That increase was primarily due to sales from brands finished with cork closures.

Cork finished brands enjoyed an 10.8% increase in case sales over the same Holiday period in 2009.

### Cork Finished Brands

Holiday Season	10/17 to 11/13	11/14 to 12/11	12/12 to 1/08	12 Week Total
Case Sales 2010	708,548	872,614	878,132	2,459,294
Case Sales 2009	628,973	784,041	807,267	2,220,281
<b>% Change</b>	<b>12.7%</b>	<b>11.3%</b>	<b>8.8%</b>	<b>10.8%</b>

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

Brands finished with alternative closures were nearly flat compared to year ago, and posted cases sales -0.3% below the comparable 2009 volume.

### Alternative Finished Brands

Holiday Season	10/17 to 11/13	11/14 to 12/11	12/12 to 1/08	12 Week Total
Case Sales 2010	461,114	585,602	566,279	1,612,995
Case Sales 2009	454,745	593,336	569,207	1,617,288
<b>% Change</b>	<b>1.4%</b>	<b>-1.3%</b>	<b>-0.5%</b>	<b>-0.3%</b>

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

According to a 2007 Consumer Study (see right) wine drinkers find cork finished wines to be more "appropriate" for special occasions, gift giving and dinner parties. Though these attitudes might explain some of the recent sales patterns - the relative success of cork finished brands was not so evident during the Fourth Quarter of 2009.



*...Cork finished brands enjoyed an 10.8% increase in case sales over the same Holiday period in 2009. Brands finished with alternative closures were nearly flat...*

## Consumer Preference

In a 2007 study of consumer attitudes, Tragon Corporation conducted interviews with 300 US wine consumers to identify the key factors influencing their purchasing decisions.

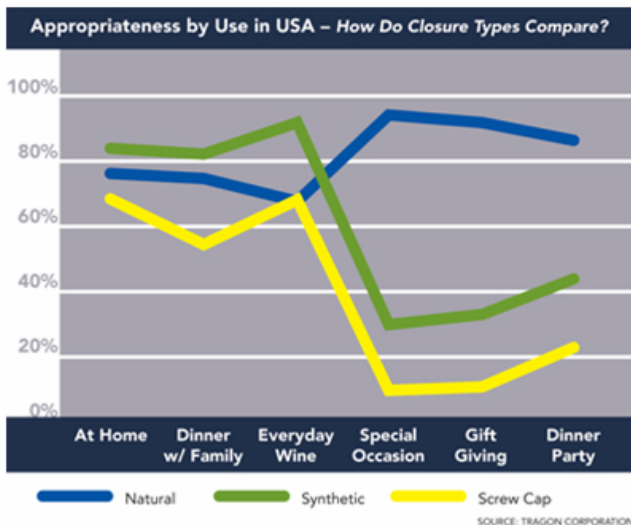
Not surprisingly, price was the most important factor for consumers purchasing wine at less than \$8. The second most important factor was the presence of a cork closure.

For consumers purchasing wines above \$15, cork was the single most important factor in the buying decision.

When asked about "appropriateness of use", consumers favored cork finished wines for special occasions, gift giving and dinner parties.

### Perceived Value and Quality —

In two separate studies performed at the Oregon State University Food Innovation Center, consumers were found to expect higher prices for wines finished in natural cork than the same wine bottled under screwcap. The second study showed that consumers perceived higher quality for wines finished with natural cork.



2007 study asks wine consumers to share their opinion of which type of wine closure is most appropriate by occasion of use.

## Comparison of Nielsen Data to Total US Wine Sales

This report is based on Nielsen data from retail surveys primarily generated by scanned data from supermarkets. Data does not reflect on-premise sales or sales from smaller wine shops.

For the year 2009 - total sales expressed from Nielsen surveys were 25% of the total wine sales reported by the Wine Institute.

The target study group - US wines priced at >\$6 for 750ml bottles - represent 68% of all domestic 750ml bottles. The Top 100 Brands represent 83% of that group.

Eqv Case Sales	% of All Wine Sales	% of US Production	% of US Bottles	% of US Premium	
				% of US 750ml	% of US Premium
Total Wine Sales	100%				
US Production	71%	100%			
Glass Bottles	53%	75%	100%		
Glass 750mL	32%	45%	59%	100%	
750's >\$6	22%	30%	41%	68%	100%
<b>Top 100 Brands</b>	<b>18%</b>	<b>25%</b>	<b>34%</b>	<b>57%</b>	<b>83%</b>
750's <\$6	10%	14%	19%	32%	
Glass 1.5L	16%	23%	31%		
Glass Other	5%	8%	10%		
Bag in Box	14%	19%			
Other Packaging	4%	6%			
Wine Imports	29%				

## Price Sensitivity by Closure Type

The wines in this study group have shown consistent volume growth compared to the same period last year. That growth is also marked by consistent reductions in retail prices.

The Top 100 wine brands in this category were evaluated for pricing changes every four weeks starting 1/8/10 and ending 1/8/11. Over each period the brands registered an average case volume gain of 7% compared to year ago. Average prices have dropped \$.26 per bottle from year ago.

The pattern of sales growth and price reductions was seen in the Top 100 Brands for all closure types, but it was more pronounced for alternative closures than for brands finished with cork.

Tracking the Top 100 Brands for each of the thirteen 4-week periods provides 1,300 data points. Each record was compared to the same period in 2009 to evaluate the change in case sales and bottle pricing.

Overall, only 25% of the comparisons showed a price increase while 66% enjoyed volume increases. Cork finished brands had a higher incidence of both price and volume increases than the brands with alternative closures.

## Brands Posting Increases Over Same Period Year Ago

By Closure Type	Corks	Synthetic	Screwcap	Total
Number of Brands for 13 Periods	916	286	98	1,300
Percent with Price Increase	27%	21%	17%	25%
Percent with Volume Increase	70%	57%	59%	66%

When the relationship between price and volume are displayed as a scatter diagram, calculated trend lines show that all brands hold negative correlations between price and sales volume. Cork brands enjoy significantly more pricing freedom than brands that primarily feature alternative closures.

During this 52-week period, the trend slope for cork brands is 1/5th that seen with synthetics and 1/12th seen with screwcaps. The result is that volume gains are less predicated by pricing discounts for brands finished in cork.

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## Pricing to Volume Relationships by Closure Type For Top 100 Brands Recorded in 4 Week Intervals

