
The Future of Fine Wine Consumers 2021

Prepared in collaboration with Mestrezat

Written by Pauline Vicard

March 2021

“As a Bordeaux négociant specialised in the distribution of Fine Wines, our goal in doing this collaborative project was to reconnect with our final customers. More than ever, we need to get closer to them, and adapt our offers and services to new buying patterns. As an intermediary, we want to reassert our role in exploring new routes to markets. Let’s be a gate opener.”

PHILIPPE LEVEAU
CEO Mestrezat Grands Crus

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FOREWORD



PHILIPPE LEVEAU
CEO Mestrezat Grands Crus

Who are the Fine Wine consumers? How do their behaviours change over time? Two years ago, we embarked on a long-term study with ARENI Global, in order to better understand the Fine Wines consumers.

As a Bordeaux négociant specialised in the distribution of Fine Wines (an intermediary), our goal in doing this collaborative project was to reconnect with our final customers. Rich insights emerged from the first step of this research, highlighting the uniqueness and the diversity of our consumers.

And 2020 happened... The unprecedented crises affecting our lives and our business have impacted the

behaviours of our customers, some more than others. It is crucial to understand these fast changes and to respond. More than ever, we need to get closer to our consumers, and to adapt our offers and services to new buying patterns. As an intermediary, we want to reassert our role in exploring new routes to markets. Let's be a gate opener.

In 2020, we launched a quantitative study dedicated to understanding Fine Wine consumers. The 'Barometer ARENI-Mestrezat' will be a valuable tool to identify our consumers' behaviours and watch their evolution over time. The goal of this report is to share best practices and guide our future actions. We hope you find it useful.



PAULINE VICARD
Co-Founder and Executive Director
ARENI Global

The world of Fine Wine has traditionally been production driven, with little regard for the needs of consumers. At the extreme end, the Fine

Wine producer is sometimes seen as a mediator who toils in service of a Terroir God, who alone dictates the decisions of the winery. In this model, consumers can either buy the wine or go elsewhere. The best Fine Wine success stories, however, are to be found in brands/wineries which manage the balance between respecting their natural environment, while placing consumers at the centre of their distribution model.

To do this, data and insights are key. Yet while research on wine in general and its consumers is widely available, there is far less that looks specifically at Fine Wine consumers.

For the last two years, ARENI Global's research partnership with Mestrezat has allowed us to not only define Fine wine through the eyes of trade or consumers, but also to study their buying behaviours and relationships with Fine Wine and its suppliers.

The following chapters present our research results, as well as important insights from our dedicated interview programme. To the global community of Fine Wine enthusiasts and trade members who participated in our research, we express our appreciation.

We hope that you find these results thought provoking, and we invite everyone from producers to thinkers, academics to business leaders, to join the conversation.

Executive Summary

What is 'Fine Wine'? Within the wine trade itself, there are multiple answers to this question. A Fine Wine can simply mean an investment grade wine—something that can be bought and traded for profit, like the sought-after wines of Burgundy and Bordeaux. A Fine Wine could also mean a unique wine that's been hand-crafted with care, sitting somewhere between commercial/industrial wine destined for the mass market, and those wines destined for the collector's vault.

Answering this question is an urgent priority, not because the market needs to be segmented properly, but because the world of wine is under tremendous pressure from governmental health lobbies, which do not make a distinction between 'Fine Wine' and other types of alcohol.

There is no reason to believe that the historic and cultural prestige associated with Fine Wine will protect it from growing pressures any longer. Fine Wine risks losing its social license to operate if it can't clearly articulate how Fine Wine takes responsibility for its alcohol content, how it deals meaningfully with environmental and social issues, and how it brings values to its communities and beyond.

The producers, sellers and consumers of Fine Wine also need to come together to mount the argument that Fine Wine is a special kind of cultural product, that in reflecting a particular time and place, is unique and irreplaceable.

EXECUTIVE SUMMARY



For the purposes of this report, ARENI has segmented Fine Wine by price:

- Fine Wine 1st Tier – €30-150 ex-cellar per bottle
- Fine Wine 2nd Tier – €150-450 ex-cellar per bottle
- Fine Wine 3rd Tier – €450 + ex-cellar per bottle

We do want to make it clear, nonetheless, that we recognise that Fine Wine is far more than this. Using a financial metric is useful, because it helps to bring the buying behaviours of Fine Wine consumers into focus—and they are the subject of this report, because it's consumers who will ultimately ensure the survival of Fine Wine.

ARENI's partnership with Mestrezat was launched to provide insights on today's Fine Wine consumers, creating the basis for a repeating study that will regularly assess major shifts and trends.

ARENI and Mestrezat worked with Wine Intelligence to produce a global snapshot of the Fine Wine consumer, looking at

people in the four main markets of the USA, the UK, Hong Kong and China. The following pages offer an in-depth look at who these consumers are and what they are looking for in wine.

We discovered the following:

- Fine Wine's ability to age and evolve over time is highly prized.
- Critics continue to play a vital role in identifying and valuing wines.
- Fine wine merchants and other intermediaries continue to play a significant role, in all markets.
- Sustainability does not appear to be a particularly important attribute for Fine Wine consumers, surprisingly, though it's possible that Fine Wine consumers already believe that wine is environmentally friendly.
- Different sensory attributes are of greater or lesser importance, depending on the market.
- Fine Wine investment is in rude health and is set to grow further.

Fine Wine consumers

Regardless of their wealth status, Fine Wine consumers want to be seen and acknowledged. They are demanding and expect personalised, top-notch service.

Fine Wine consumers remain predominantly male, although there are signs that women are beginning to enter the field.

Their motivations for being involved with wine are varied, from a desire to learn more, to a desire to trade wine, to simply wanting fine wine on hand to drink. Understanding their individual motivations is key to unlocking their custom.

When it comes to High-Net-Worth-Individuals (HNWIs), the best way to approach them is to offer them access to people, producers and events that are

normally barred to outsiders. In general, HNWIs have very high expectations and are highly demanding. They can afford the best service in the world, and they expect it, wherever they go—and since they typically have residences across the globe, they are also tapped in to an international Fine Wine merchant network. Yet despite their wealth and power, they are typically loyal to those wine intermediaries (whether merchants, sommeliers or consultants) who can deliver the best service. Likewise, they are acutely price sensitive and are aware of fair value in wine. Many of them are also driven by curiosity and a desire to access unique bottles and experiences.



The role of Intermediaries

In a time when the received wisdom is that the market works best when producers go direct to consumers, it turns out that Fine Wine consumers have deep relationships with wine merchants and the experts who serve them. There are a number of reasons for this: they want people to spot fraud and counterfeits; open doors to coveted bottles and exclusive experiences and tastings; and offer them wines perfectly matched to their palate.

The turbulent market

It's become commonplace to say that the pandemic has accelerated underlying trends, but this was nowhere more true than in wine.

The pandemic pushed the wine trade into digitalising, creating online/offline auction hybrids, to new ways to connect with winemakers and intermediaries. This year saw the rise of the wine Zoom tasting

and the small sample serving, which allowed merchants, sommeliers and wine clubs like 67 Pall Mall in London to offer Fine Wine tastings to a wide audience.

Yet as our interviews make clear, the Fine Wine trade still has further to go in making up for avoiding digital for so long.

Having said that, the pandemic has also made it clear that the intermediary remains highly significant. While wineries were busy building the capacity to reach their consumers directly, many merchants, distributors and sommeliers found themselves with even more work than usual, as Fine Wine consumers looked to them to do private online wine tastings, or to replenish their at-home wine stocks.

The values revolution

Finally, it is also clear that the Western world, in particular, is in the middle of a values revolution. Diversity, inclusion, concern for the environment, and concern

for personal health are converging on wine, and threatening to upend it. So far, the demands for more fairness and environmental sustainability have not yet reached the world of Fine Wine, but there's no doubt that a shake-up is on the way, starting with new ingredients labels that will debut in the EU within the next two years.

As detailed in Chapter 4 of this report, everyone along the Fine Wine value chain needs to pay attention to what's going on in the wider world, to prevent the day from coming when Fine Wine lovers will wake up to discover that wine has lost the social contract.

As you will see further in the report, however, there is no downside to inclusion. The more people who are welcomed into the world of Fine Wine, the stronger it will be.

A Fine Wine is complex, balanced, with a potential to age – though highly drinkable at every stage of its development. It's a wine that provokes emotions and wonders in the one drinking it, while reflecting the expression of truth intended by its maker. It is environmentally, socially and financially sustainable.

ARENI'S DEFINITION OF FINE WINE

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INTRODUCTION

Saying that the world is going through a period of uncertainty is an understatement. But uncertainty and change didn't start with COVID-19. For several years now, both society as a whole, and Fine Wine and its consumers in particular, have undergone deep transformations.

What the pandemic has done is increase the pace of change, by speeding up trends, exposing problems, and accelerating the move to digital. In order to adapt, Fine Wine needs to re-assess its foundations, from the vineyard to production to distribution, to business and marketing practices, right through to its cultural and philosophical thinking. It also, of course, must be aware of its customers.

Who will the future Fine Wine consumers be?

Fine Wine is a very difficult concept to articulate. Yet in order to know who will be buying it tomorrow, we need to understand what the concept means today.

After tackling that, we take a close look at consumer behaviours: How and what they buy; their motivations and attitudes; their common traits, and main differences. ARENI approached this question through both quantitative and qualitative research; we explore the main drivers for tomorrow's consumption and examine the nature of influence.

Finally, we look at the main shifts that Fine Wine is undergoing globally, and how these are likely to impact consumers of the future and shape their relationship to Fine Wine.

These forces of change, both cyclical and structural, represent major challenges for Fine Wine. This report, therefore, does not simply present the results of this important research, but also represents a call to action. It's time for everyone in the industry to grapple with the challenges and seize the opportunities, if Fine Wine is to thrive in the decades ahead.

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“We don’t operate in a vacuum. Of course there is terroir, but the expression of terroir itself changes all the time, because generations of winemakers are affected by social change.”

TOBY BEKKERS, BEKKERS WINE

The Changing Definition of Fine Wine

How can we define Fine Wine? What do consumers think of Fine Wines? How has this definition evolved over the last few years?

What do we mean when we say 'Fine Wine'? Is it merely the absence of impurities and faults, or should a Fine Wine also be superior in kind, quality or appearance to the vast majority of other wines?

Is it enough to define Fine Wines through established and recognised quality assessments, or are the emotional, cultural or ethical dimensions more important?

What about the winemakers themselves? If Fine Wine is an art, then what about the importance of the artist's intent? Is it more important than the natural factors that contribute to the wine, or the simple evidence of quality?

In 2017, we started an ongoing project called Define Fine Wine, now in its third edition. It began by gathering key concepts and ideas from both trade and consumers. The following chapters will discuss some of these ideas, from how strongly they are embedded for the trade, to how they resonate with consumers and, finally, to how the definition of Fine Wine and its associated attributes evolved since we started our research work.

Fine Wine Consumers: Profiles, Buying Behaviours and Motivations

*Who is the 'Fine Wine' consumer? Is Fine Wine one market, or many?
What do Fine Wine consumers buy—and how?*

As became clear in ARENI's *The Future of Fine Wine* (2019), Fine Wine consumers want to be seen as individuals, whether they are High-Net-Worth-Individuals (HNWIs) or members of the middle class.

While AI and digital tools offer the promise that Fine Wine producers and merchants can, one day, have genuine one-to-one relationships with each of their customers, that day is far off.

Instead, Fine Wine companies need to take a different route, by understanding what their different customer groups have in common. The next question then becomes: are contemporary sales and marketing strategies still relevant? Or are marketing and export strategies simply based on what's worked in the past?

ARENI's research has shown that while the Fine Wine trade has a broad definition of what a 'Fine Wine' is, one useful way to tackle the market is by dividing it by price. For the purposes of this study, Fine Wine has been divided into three price tiers, starting from €30 ex-cellar and rising to €450-plus. While price doesn't express everything about the Fine Wine market, it functions as a good proxy for different groups of consumers.

Next, Wine Intelligence's quantitative approach was used to tease out the behaviours and buying trends of those consumers who described themselves as being part of the middle- and upper-middle class. They buy wines almost exclusively from the first two tiers.

ARENI also conducted one-on-one interview with High-Net-Worth-Individuals, who typically buy wines from throughout the three tiers. Rarely, however, do they buy outside these tiers.

What follows is a summary of the Wine Intelligence findings.

High-Net-Worth Individuals

The current economic crisis is very different in nature to previous crashes. As explained by Richard Portes, founder of the Centre for Economic Policy Research: “This crisis is really unique, in that it is not an economic depression nor a recession, but an almost complete cessation of economic activities, without, so far, a crash of the financial system.”⁶

According to Savanta’s Millionaire Vue⁷, an omnibus study gathering insights from 1,500 HNWI individuals in the UK, the US and China, there appears to be a polarisation of views when it comes to how worried HNWIs are about the impact of COVID-19.

Torie Bold, Savanta’s EVP, says that more than half of all HNWIs say that COVID-19 has made little difference to their health or financial security; 10% of them have even seen an improvement of their personal wealth. Of those who have been affected in some way, it’s their financial security and mental health that have suffered the biggest blows.

As for the changes that have been taking place in the lives of HNWIs through the pandemic, there are two trends worthy of note.

Firstly, COVID-19 meant that HNWIs spent more time at home, regardless of where they were located. Our ARENI one-to-one interviews with HNWI revealed that all of our respondents chose to spend the lockdown at their country residences, in the company of their families. In our last report, we covered the rise of megacities and their high concentration of wealthy individuals, and explored the possible impact on Fine Wine. Though it is too early to tell whether the abandonment of metropolitan centres by wealthy individuals is a temporary or permanent change, it’s important to consider that how wealthy individuals access wine is likely to change in the near future.

Secondly, according to Savanta’s study, only a small number of HNWIs had a salary reduction during COVID-19; 17% in the UK, 16% in the US, and 15% in China. A substantial number, however, have changed their investment strategies, with or without the help of their financial advisors. When the ARENI interviews are cross-referenced with the latest Liv-ex report, it’s clear that this shift in financial strategy has been highly beneficial to Fine Wine.

What Comes Next for Fine Wine?

What are the biggest forces of change likely to affect Fine Wine production, distribution, promotion and education? How will recent crises impact Fine Wine in both short and long term? How are Fine Wine consumers likely to react to change and disruption? What are the levers of change needed in order to adapt and thrive?

To envision the future of Fine Wine consumers, it's important to consider the forces and pressures affecting them.

To say 2020 was a difficult year is an understatement. Fine Wine consumers have lived through bruised economies and social and cultural changing codes, norms and beliefs.

Tariffs came into force in the US in late 2019, investment funds started de-investing in companies involved with alcohol and, of course, the ravages of climate change became obvious, with out-of-control wildfires burning through Australia and California. And then came the pandemic. The on-trade shuttered, the wealthy deserted city centres, sommeliers lost their jobs, wine tourism stalled, influencers had nowhere to go, and ordinary consumers went back to drinking brands they knew and trusted. The Court of Master Sommeliers scandal rocked the wine establishment to its core, as did smaller scandals involving misogyny and bullying. In the wake of Black Lives Matter, Black wine professionals and consumers demanded to be heard.

Perhaps the most significant change was the acceleration of technology. A sector that famously embraces in-person conviviality and hospitality found itself doing tastings and seminars through screens and using small formats. It had to fundamentally re-think the way it communicates and builds experiences for consumers.

While 2021 will be better, “back-to-normal” is not where we are heading. In the wake of 2020, a new social framework for Fine Wine is being born. The global trade environment is changing and this will impact Fine Wine's capacity to access established and developing markets.

Whether 2021 will lead to a “post-COVID” world or a “with COVID” world, there will be new issues and mid-term changes to be considered, and long-term disruptions to be addressed.

This chapter presents the main shifts. It aims to give Fine Wine stakeholders a glimpse of what is coming.

Join the Conversation

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ARENI GLOBAL

ARENI is a global research and action institute dedicated to the future of Fine Wine. Creating conversation platforms for the Fine Wine ecosystem, ARENI brings together critical thinkers, from iconic Fine Wine producers to leading academics and business leaders, resulting in a well-researched, global and multi-disciplinary approach to a world undergoing change.

Because it's time to lead the way.