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Wine Spectator Presents: The Role of Imports in the U.S. Wine Market

Moderator:

Thomas Matthews, Executive Editor, *Wine Spectator*

Panelists:

Ian Downey, Executive Vice President – Imports, Winebow

Helen Mackey, VP Enterprise Beverage Strategy & Innovation, Darden Restaurants

Patrick Mata, Co-Founder & CEO, Olé & Obrigado

Michael Skurnik, Founder, Skurnik Wines

Matthews began by saying the role of imports in the U.S. wine business has been both stable and wildly fluctuated over the past 40+ years. *Wine Spectator's* Impact Databank shows that at the earlier end (starting in 1970), share changed dramatically by decade, but since 2005 it has been basically stable at about 25% of the market.

By country of origin, the import share is stable, although the total import market has grown as the overall market has grown. Italy took a commanding early lead in import volume (excluding sparkling, rosé and bulk imports) among countries of origin and maintains that lead today.

In addition, while the overall share is stable, the mix has changed dramatically. Malbec took a huge leap from 2000 to 2015 but now is eroding as rosé from Provence climbs dramatically.

Looking at a few popular brands over the same time period, Riunite and Blue Nun are two brands that dominated the market in the 1980s before dropping off dramatically. Yellow Tail entered the market in 2000 and quickly became a significant percentage of all Australian imports in the early 2000s. It has now stabilized at a very high level. Meanwhile, 19 Crimes recently entered the market and captured attention with its augmented reality label and red blend. While it's still small, it has grown 104% in the past year. Matthews looks forward to seeing if it eventually rivals Riunite or Yellow Tail at its peak.

Helen Mackey, Darden Restaurants

Darden Restaurants has eight diverse brands in 1,700 locations and serves 400 million people per year. Each concept is so unique that check averages range from \$15 at Cheddars to \$90 at Eddie V's. Wine trends in the restaurant business are guest driven; a few that make headlines are price elasticity, premiumization of varietals (where imports could take some of that momentum) and consumers choosing a glass over a bottle. There is a rejection of "extreme value" wines, which guests perceive as cheap. For casual dining, it's about entry points and focusing the people who come in. Darden tells the story of its brands by how they develop the wine list for that brand. For instance, at its Capital Grille restaurants, 6.5 million people see the wine list. When those guests have an emotional connection with a wine, it impacts retail. Capital Grille's wine list is 75% domestic /25% imports, aligning with the overall market.

Ian Downey, Winebow

Winebow's business evolved out of a passion for Italian wine and as it grew its import book grew and began to be recognized as a solution for people who wanted wines that weren't necessarily large, leading brands. Winebow has four import divisions: Craft + Estate, LLS, MundoVino, and Negotiants USA. Matthews asked Downey how an Italian-based company decided to diversify and how well he thinks Winebow has succeeded. Downey responded that Billington was the first to bring in super premium wine from Chile, and Winebow became a distributor for those wines. As their wholesale footprint grew and wine imports grew, there were synergies. Downey believes Winebow has succeeded well in diversifying and pointed to others who have as well, including Smith Family Partnership, Matthews remarked that in a sense, Winebow acquired founders with vision rather than portfolios.

Patrick Mata, Olé & Obrigado

Olé Imports launched 20 years ago this month. Mata and his business partner have always imported wine from Spain into the U.S. and five years ago added a new collection from Portugal into the portfolio, which it operated under the Obrigado brand. They are uniting the two brands in 2019. When the partners started their business the Spanish wine scene in America was very small. As recently as 10 years ago, the market was all about value wines and rated wines; today ratings are still important but there are other influences determining what wines resonate with consumers. In 2018, the Portuguese side of the business grew 50%. U.S. perceptions of Portuguese wines used to be limited to a \$6.99 vinho verde; today the growth is on the higher end. In fact, the average price per case is higher for Portugal than Spain. The market for Spanish wines, too, has elevated from inexpensive tempranillo to sherry and high-end rioja. A more refined style is coming back.

Mata noted that the whole landscape for distribution and the three-tier system is changing in the U.S. A year and a half ago, he started a distribution company in New York, New Jersey and Connecticut, and today, Olé & Obrigado employs 50 sales people. He said that to succeed now, one has to be both and

importer and distributor because consolidation of traditional distribution companies has rendered their portfolios too vast for them to sell effectively. The importer has to be out on the street to help tell its wines' stories. Matthews added that this is particularly true for the kinds of brands Olé & Obrigado imports—small specialty brands that need context to be appreciated. The importer has to force trial through someone like Mackey to get people to understand their wines.

Michael Skurnik, Skurnik Wines

Skurnik was introduced to the wine industry while working for Windows on the World restaurant, first as a waiter then assistant sommelier—a background he sees as essential for someone on the import and distribution side of the business. Today, Skurnik Wines and Spirits is an importer and distributor with a high quality, diversified portfolio of wines and spirits from around the world.

Skurnik sees this as an exciting time to be in the wine business; he wonders if the industry creates quasi-artificial boundaries when what's needed is more authenticity. Producers should produce the best bottle of wine they can and ignore the trends. As consumers learn more about wine, they'll be more open to exploring. The beauty of wine is in its variety and diversification. Skurnik used supermarkets as an example—before the advent of brands like Whole Foods, a consumer couldn't find a selection of fine olives and cheeses in a supermarket as they can today.

Skurnik believes that the go-to-market distributor and private label are squeezing the “family story” aspect of wine marketing and that what casual diners are looking for is lifestyle accessibility. More than the story, they want to know if the wine tastes good. He was discouraged in recent travels around Europe to see small vineyards changing the way they make wines to please the critics. He sees that as a short-term, not long-term, solution and that instead they should focus on what makes their wine special.

Matthews turned the conversation to a look at wine categories that embody some of these fluxes: rosé and sparkling/prosecco. Mackey said that in 2010, Darden put a dry rosé on the menu and no one bought it; now it's hot. She noted rosé has flexibility on pricing—there are great-quality rosés at the entry point all the way up to Miraval at the high end. It has expanded geographically, stylistically, and sells year-round. Dry rosé has yet to take off in casual dining. Downey added that a number of producers they import have added rosé to the wines they produce and that Winebow narrows down the selection; they might take certain rosé wines on a pre-sell basis. He feels the number of rosés is hitting the ceiling.

Matthews said that Spain offers an interesting example. The classic rosado is richer and deeper than Provence rosé, yet now you'll find Provence-style rosés produced in Spain. Mata sees rosé not as a trend but a proper category like white, red or sweet wine. In Spain there is room for growth in terms of price point and quality. Rosé needs to be very accessible. Millennials like it because it's uncomplicated, authentic and fun. They like to *discover*, so rosé as a category will expand as it relates to different grape varieties. There are other countries making rosé and other varieties beyond Provence rosé.

Skurnik believes rosé has become an overcrowded category and that has created a lack of clarity. He sees the market in need of a “giant pruning” and predicts a number of rosés will disappear in five years.

What's next after rosé? Skurnik would like to see people go back to the classics; there are so many great wines available from everywhere at great prices. Mackey thinks sauvignon blanc will be the “next big thing.” Downey senses that vermentino will be the one to watch. Mata cited albariño wines, an

extremely diverse grape that is entirely different depending on where it's grown. He thinks it's a good match for millennials—accessible, authentic and very high quality.

An audience member asked Mackey why she thinks rosé has not taken off at a casual level. Mackey clarified that it's dry rosé that hasn't gained traction. There's still confusion with off-dry at \$6 a bottle. Casual customers are drinking white zin, maybe Moscato or riesling. But they have millennial customers at Olive Garden and she believes that eventually you'll see a dry rosé there.

Another question from the audience concerned the role of importers in today's market. Producers are coming to the U.S. and serving as owner/importer; retailers are getting direct import wines. Downey responded that it's not one size fits all; it depends on an individual producer's aspirations for the market. Producers are investing heavily in the U.S. market. There's a support system in place to deal with all the challenges a producer faces across the country. But for some small producers, having direct relationships is completely suited to their business plan and size.

Skurnik thinks the role of importer is extremely important; the issue is there are many and they are not all created equal. There is a cost to working through an importer so for an importer to be worth what they earn, they need to add value. We talk about sustainability in the vineyards and the soil, but sustainability also applies to the families who make wine. Many are barely living at a sustenance level. Skurnik considers it part of his job to make sure the families he represents succeed not just financially but through generational succession.

Mata added that a producer can work with a national importer with a network of distributors or go direct with individual distributors in individual states. What's important is to work with someone who has access to the trade and to the consumer. It's about access to the relationships in the marketplace.

A final remark from the audience concerned a lack of wine education, and therefore a lack of ability to sell wines, among restaurant servers. Mackey responded that servers are Darden's salespeople. With a portfolio of 1,700 restaurants there are bound to be a range of abilities but the company has doubled down on education, making a financial commitment to make sure its servers are effective at selling.

Skurnik gave kudos to the role *Wine Spectator* has played in sharing and educating people. Matthews brought the session to a close by remarking that what drew him to the industry in the first place was the passion for the product. There's something important about wine that needs to be supported and sustained, and particularly the family winemakers need to be supported.

Download the presentation [here](#).