

Environmental Sustainability in the Wine Sector - December 2015 Management Briefing



In the final of our four-part annual briefing on environmental sustainability in the drinks industry, Ben Cooper looks at the wine category.

By: Ben Cooper

Wine-on-tap ticks environmental box - Sustainability in Wine, Part III

By Ben Cooper | 1 December 2015

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The growth in draft wine sales in the on-premise channel in the US and in Europe offers keg wine specialists, on-premise outlets and wine companies the potential for commercial gain. But, the sustainability benefits are also clear.

Making advances in sustainability requires innovation and, in turn, successful innovation must often challenge conventions and orthodoxies. Such is the case with the current growth in the draft wine sector, which is not only providing the companies involved with commercial advantage, but also offers up sustainability gains for the broader wine sector.

Chiefly, the challenge for the draft wine specialists leading this growth has been to change consumer perceptions about the quality of wine on draft, while also persuading wine companies that they can entrust their premium wines to this method of serving, gaining both incremental sales as well as a reduction in their environmental footprint.

Indeed, sustainability is described as "an underpinning of our entire business model" by Jordan Kivelstadt, founder & chief executive of [Free Flow Wines](#). Sustainability, Kivelstadt continues, "was one of the reasons we founded the company and has been one of our core ideological stances since the company was created". Underlining the point, Kivelstadt claims that Free Flow has been responsible for diverting some 6m bottles away from landfill.

Challenging perceptions

Growing the draft premium wine sector involves challenging consumer and trade perceptions about the quality of wine on tap. Kivelstadt takes an optimistic view about consumer willingness to try new things. "I always like to believe that people are more innovative and willing to try than we give them credit for." However, he says it has been critical to convince wine brands that they can trust the system to deliver a quality serve that does justice to their premium wines, in turn giving consumers the confidence to buy wine from the keg for as much as \$24 a glass.

"When we started this company we were very cognisant that we would need brands, and quality and premium brands, to drive that first wave of customer adoption," Kivelstadt tells just-drinks.

Kivelstadt also underlines the investment the company has made in what he believes to be the optimum delivery system, notably with the use of reusable stainless steel kegs. While Kivelstadt maintains that using stainless steel rather than PET is the best option both for product integrity and the environment, he points to another advantage in terms of instilling confidence among wine producers, as they also use stainless steel. "It's been much easier to bring people on board with that," he says. "It [stainless steel] is something winemakers are very comfortable with."

Above all, it is the focus on the premium market that marks out the current successful expansion of the draft wine sector in the US, according to Kivelstadt. "When you look at other alternative packages in wine, be it screw cap, Tetrapak, bag-in-box, they all started bottom of the market. They didn't believe the consumer was willing to drink a premium wine out of an alternative package. I went just the opposite. I think the consumer is craving premium wine out of a sustainable or exciting package, and that has always been our focus."

While acknowledging that there is more resistance among some older consumers, on the positive side, Kivelstadt asserts that the huge boom in craft beer has assisted the growth of wine on tap by "changing the way consumers perceive draft". He continues: "Thanks to the explosion of the craft beer movement here, people have a very positive association with taps so, for that younger audience, it's a natural fit for them very, very quickly and there's very little resistance. If you go to consumers and say: Which would you prefer: draft beer or bottled beer? Most people will say draft because it's fresher, so carrying that same mindset over to wine is the next logical step. People get it; it clicks right away."

However, while Kivelstadt says the environmental benefits "really resonate with consumers", particularly with Millennials, he stresses that on-premise operators need to be shown the financial win. "When you're talking to a major national account or even a restaurateur, some of them care but, at the end of the day, it always has to be a double bottom line, which is it's got to be green for the environment and green for their back pocket."

This point is echoed by Daniel Spinath, a founder & director of [UK draft wine specialist Frizzenti](#). Spinath says the environmental advantages represent "a very, very welcome side objective".

That Spinath maintains that wine on draft is meeting commercial imperatives for on-premise operators suggests the growth forecasts both Spinath and Kivelstadt are making for the draft wine sectors in their respective markets are realistic and attainable. Returning to the analogy with craft beer, Kivelstadt stresses that, in spite of the growth draft wine is seeing, the craft brewing sector has effectively taken around 30 years to get to the stage it is at today. "This is not one of these things where you can flick a switch and overnight 20% of consumption in US on-premise is done out of a tap. It is going to take time," he warns.

In 2016, Kivelstadt says around 1% of total US on-premise wine consumption will come from wine on tap, and he forecasts that by 2020, this will have risen to 5%. Currently, Free Flow has around 80% of that market and Kivelstadt believes the company can retain that sort of market share over the coming five years.

Spinath also predicts strong growth for wine on tap in the UK. Currently, draft wine accounts for less than 1% of on-premise wine sales, but Spinath sees this rising to between 10% and 15% by 2020, and will continue to grow beyond that.

"The percentage will grow tremendously, particularly in those areas like bars and pubs and also perhaps nightclubs where you are predominantly serving by the glass and where our system will make most sense," Spinath tells just-drinks. "I think in 20 years from now, probably most - if not all - on-trade [outlets] will have an on-tap or on-keg facility alongside wine by the bottle."

Frizzenti, which sells wine in its own wine bar in Birmingham at up to GBP7.25 (US\$10.90) a glass, reported this month that it has added nine new still wines from France, Germany, Italy and Portugal to its range. The expanding offer of premium wines available on draft in the US and the UK suggests wine companies are also recognising the potential not only to increase sales, but also to reduce the environmental footprint of their products.

Suppliers backing wine on tap growth

The contention that major wine producers are firmly backing the premium wine-on-tap trend appears well founded. [Treasury Wine Estates](#) (TWE) sees the growth in the wine-on-tap market as a "great opportunity", says global corporate affairs director Roger Sharp. "Many global markets are seeing a trend toward serving premium wine on tap. TWE believes this is a great opportunity."

Improved draft wine technology has been critical in a number of ways, Sharp continues. "These systems have benefits for both the trade and the consumer. For example, at the point of sale, bar staff can continue to engage with the customer during service, and the dispense technology allows for a quality glass of wine to be poured quickly and consistently. There are also waste reduction benefits to be found from most bulk wine systems."

[Constellation Brands](#), meanwhile, views wine-on-tap as part of its strategy to broaden the range of consumption occasions for wine. "We are focused on selling wine during occasions not traditionally associated with wine, and wine-on-tap is one piece of that strategy," says Constellation's CSR manager Eric Thomas. "Wine-on-tap is gaining positive attention from consumers, with more growth expected as it continues to open new avenues of providing wine options to consumers, like at stadiums."

Constellation currently offers nine wines on tap in the US and is the market leader in this growing sub-category.