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# United Kingdom

# Annual Brandy Report - Marketing


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## General Summary

In the absence of any domestic production, the U.K. relies totally on imported product, all of which is bottled at source. CY 1998 imports are forecast at 112,956 HLPA, marginally up on 1997 imports of 112,903, with imports from the U.S. projected to be 1,185 HLPA. The U.S. continues to be the dominant third country supplier to the market.

**PART I - STATISTICAL SECTION/EXPLANATORY NARRATIVE**

**PRODUCTION**

There is no U.K. brandy production.

**CONSUMPTION**

The following table shows U.K. brandy consumption for the three years 1995 - 1997:

| | 1995 | 1996 | 1997 |
|---|---|---|---|
| | | Thousands of Hectoliters (40 percent alcohol by volume) | |
| Total cognac/brandy | 158 | 153 | 163 |
| Cognac | 71 | 68 | 72 |
| Armagnac | 3 | 3 | 3 |
| Brandy/Marc | 84 | 82 | 88 |

(Source: The Drink Pocket Book, 1999)

Brandy has a 7.7 percent share of the U.K. spirits market as compared with whisky having a 39.7 percent share and white spirits (gin, vodka, tequila and white rum) a 37.7 share. Of brandy's 7.7 percent market share, Cognac represents 3.4 percent, Armagnac 0.1 percent and Brandy/Marc 4.2 percent.

54 percent of brandy consumers are male and 46 percent female. Within the brandy consumer group, 7 percent are in the 18-24 age group; 13 percent in the 25-34 age group; 23 percent in the 35-49 age group, and 58 percent in the 50+ age group.

75 percent of brandy consumers are in the ABC socio-economic group and 25 percent in the DE socio-economic group, as defined by National Readership Survey (NRS Ltd). The following are definitions of the various socio-economic groups:

| Social Grade | Social Status | Occupation |
|---|---|---|
| A | Upper middle class | Higher managerial, administrative or professional |
| B | Middle class | Intermediate managerial, administrative or professional |
| C1 | Lower middle class | Supervisory or clerical, and junior managerial, administrative or professional |
| C2 | Skilled working class | Skilled manual workers |
| D | Working class | Semi and unskilled manual workers |
| E | Those at the lowest level of subsistence | State pensioners or widows (no other earner), casual or lowest grades of workers |

(Source: The Drink Pocket Book 1999)

Brandy is consumed as both a long drink (brandy dry; brandy soda; brandy coke, brandy lemonade and neat. As a long drink, brandy is consumed at social gatherings in pubs and bars, or as an aperitif (pre-dinner drink) in restaurants and at home. Neat brandy is consumed as an after-dinner drink, in place of a liqueur, and for medicinal purposes by the aging population.

**INTERNATIONAL TRADE**

| | 1996 revised | | 1997 estimate | | 1998 forecast | |
|---|---|---|---|---|---|---|
| | HLPA | BPS Mill | HLPA | BPS Mill | HLPA | BPS Mill |
| Imports from | | | | | | |
| EU | 92,944 | 88.4 | 111,447 | 86.9 | 111,500 | 87.0 |
| France | 85,771 | 83.6 | 105,381 | 83.6 | 105,500 | 84.0 |
| Other | 7,173 | 4.8 | 6,066 | 3.3 | 6,000 | 3.0 |
| Imports from | | | | | | |
| Third Countries | 1,805 | 1.1 | 1,456 | 1.0 | 1,456 | 1.0 |
| USA | 1,557 | 0.9 | 1,185 | 0.8 | 1,185 | 0.8 |
| Other | 248 | 0.2 | 271 | 0.2 | 271 | 0.2 |
| Total Imports | **94,749** | **89.5** | **112,903** | **88.9** | **112,956** | **88.9** |
| | | | | | | |
| EXPORTS | | | | | | |
| TO | | | | | | |
| EU | 2,989 | 4.3 | 2,915 | 4.0 | 2,920 | 4.0 |
| USA | 239 | 0.5 | 613 | 0.5 | 650 | 0.6 |
| Other | 2,385 | 4.0 | 3,210 | 4.7 | 3,500 | 4.8 |
| Total Exports | 5,613 | 8.8 | 6,738 | 9.2 | 7,070 | 9.4 |

Exchange rate as at 12/10/98 BPS 1 = $1.62
Import values are based on CIF, landed UK port
Export values are based on FOB

Source: Overseas Trade Statistics of the United Kingdom

All available trade data records both imports and exports under the heading "Spirits Obtained by Distilling Grape Wine or Grape Marc". While there is no trade data available on the different brandy varieties, the narrative and data given under "Consumption" on page 4 indicates that brandy/marc accounts for 54 percent of the brandy market.

Trade sources inform us that virtually all brandy, both manufacturer's label and store (private) label, is bottled at source. In line with EU legislation, the standard container sizes for brandy are 70 cl and 1l.

## OPPORTUNITIES FOR U.S. BRANDY:

Based on official data, 1998 U.K. imports of U.S. brandy are forecast at 1,185 HLPA. The U.S. continues to be the dominant third country supplier of brandy to the U.K. market. As previously reported, given that U.S. exporters have been successful with marketing activities featuring U.S. brandy as a long-drink, they should consider continuing similar activity in the future.

## COMPETITION

We are not aware of any competitor country marketing activity undertaken for brandy. The U.K. spirit houses, which own the majority of EU brandies supplied to the U.K. market, conduct limited seasonal marketing activities. Such activities comprise pre-Christmas and Easter trade and consumer magazine advertisements and editorial articles, poster advertising and limited in-store tastings.

### PART II - MARKET PROFILE

### PRODUCTION

As reported in the statistical section above, there is no U.K. production of brandy.

### CONSUMPTION

The major brandy varieties are brandy/marc, accounting for an estimated 54 percent of total brandy consumption; cognac accounting for an estimated 44 percent and Armagnac accounting for an estimated 2 percent.

54 percent of brandy consumers are male and 46 percent female. Within the brandy consumer group, 7 percent are in the 18-24 age group; 13 percent in the 25-34 age group; 23 percent in the 35-49 age group, and 58 percent in the 50+ age group.

Alcoholic strength of brandy is 40 percent by volume. Typically a good quality cognac has been matured for five to seven years.

Brandy is packaged in a standard 70 cl container. Retailers' own brand product, and product sold in duty free shops is available in 35 cl, 70 cl and 1 liter containers.

Leading Cognac brand names in the U.K. market include:

**Courvoisier *****
**Martell *****
**Hennessy *****
**Remy Martin *****

and the leading grape/brandy marc brands include:

**Three Barrels**
**Burnez Freres**
**Bissac**

Typical supermarket prices for brandy are:

| Brandy Name | Brandy type | Price per 70cl container in BPS |
|---|---|---|
| Martell VS XXX | cognac | 17.99 |
| Remy Martin | cognac | 26.15 |
| Courvoisier XXX | cognac | 17.99 |
| Three Barrells | marc | 12.49 |
| Hine | cognac | 17.49 |

**DISTRIBUTION**

The major importers/distributors (predominantly spirit houses) of brandy include:

| Company Name | Brand |
|---|---|
| Allied Domecq Spirits & Wine Ltd | Courvoisier |
| Seagram UK Ltd | Martell |
| Remy Martin Ltd | James E. McCabe Ltd |

In addition to these major distributors, there are another 15 or so importers/distributors handling the lesser known brands. Importers/distributors are responsible for getting product into distribution at retail/wholesale and food service distribution.

At retail level brandy is available in supermarkets, off-licences (wine and spirit shops) grocery stores, discounters, and warehouse clubs. Brandy is available at all food service outlets licensed to sell alcohol (restaurants, pubs, hotels, bars, etc.).

**MARKET ACCESS:**

All brandy marketed and sold in the U.K. is subject to conformity with the EU Spirit Drinks Regulation (Council Regulation [EEC] 1576/89). Appellation of origin/geographic designation, alcoholic strength and lot marking must be applied to the product label. There are no import licensing requirements for brandy.

Imported brandy from third countries is subject to customs/import duty, Excise Tax and VAT (Value Added Tax) at the standard rate of 17.5 percent, while brandy coming in from EU countries is subject only to Excise and Value Added Taxes.

**REGULATORY REQUIREMENTS:**

Under the EU regulation cited under **MARKET ACCESS** above, brandy or Weinbrand is defined as a spirit drink that:

- is produced from wine spirit, whether or not blended with a wine distillate distilled at less than 94.8% volume provided that the distillate does not exceed a maximum of 50% by volume of the finished product;
- is matured for at least one year in oak receptacles or for at least six months in oak casks with a capacity of less than 1,000 liters;
- contains a quantity of volatile substances equal to or exceeding 125 grams per hectoliter of 100% vol alcohol, and derived exclusively from the distillation or redistillation of the raw materials used;
- has a maximum methyl alcohol content of 200 grams per hectoliter of 100% vol alcohol.

Grape marc spirit or grape marc is defined as a spirit drink that:

- is produced from grape marc fermented and distilled either directly by water vapor, or after water has been added; a percentage of lees that is acceptable to the European Commission may be added to the marc, the distillation being carried out in the presence of the marc itself at less than 86% vol. Redistillation at the same alcoholic strength is authorized,
- contains a quantity of volatile substances equal to or exceeding 140 grams per hectoliter of 100% vol alcohol and has a maximum methyl alcohol content of 1,000 grams per hectoliter of 100% vol alcohol.

**TAXES**

The customs/import duty for all brandy varieties, all of which are under tariff commodity code 220820, is 0.56 ECU (European Currency Unit) per volume % of alcohol per hectoliter plus 3.5 ECU per hectoliter. Therefore the import duty on brandy containing 40% alcohol by volume equates to 25.9 ECU per hectoliter.

As at this writing, 1 ECU = US$ 1.16595, BPS 0.703992

Excise Duty is BPS 19.46 per LPA (liter of pure alcohol).