

Why the Future is Dry for Sherry?

By Chris Kelly

In a recent piece in *The Sunday Times* the well known critic A.A. Gill commented on the renaissance of Spanish cuisine, calling it, 'a top down reinvention... into some of the most sophisticated and inspiring in Europe.'<sup>1</sup> Indeed, with the recently closed El Bulli consistently named as the World's best restaurant and the growing number of Tapas bars springing up across London, it seems that there is nothing to stop the gourmet reputation and appetite for all things Spanish. Well, nearly all things. Sherry and the sweet styles, so traditionally popular in the UK, is a product certainly not riding the crest of this wave, weighed down with images of only being suitable for visits from the vicar and granny's tippie at Christmas. Furthermore, the market for these now unfashionable drinks is ageing, considerably, and simply not being replaced. How then, can Gonzalez Byass replace its traditional drinkers whilst simultaneously capturing the public mood and desire for Spanish food and more importantly, drink?

The answer must lie with educating people in the merits of the dry styles. It is almost something of an open secret in the wine trade that dry Sherry offers almost unbelievable complexity, consistency and value for money. However, when first tasted it could certainly be seen as something of an acquired taste and convincing the public of its virtues is not necessarily an easy task. Not easy, but certainly not impossible. London is seeing more and more Sherry and tapas bars opening and an integral part of the experience will be matching the food and wine, or more specifically, Sherry. The public must be allowed to try these Sherries and be educated in their qualities as table wines, rather than simple aperitifs. It seems unlikely that people will spontaneously opt to choose bottles from the shelves of supermarkets and as such it seems likely that growth will be driven by the on-trade. Here waiting staff and sommeliers will have a golden opportunity to describe and offer these Sherries to restaurant customers who may then repeat their purchases in the off-trade market.

The figures for the Sherry market bear out such conclusions. Demand for the dominant sweet styles and famous brands is falling and having the effect of contracting the overall market. Indeed the figures make sobering reading. Year on year (YOY) figures to May 2011 show an 11.8% fall in the volume of all Sherry sold and a 3.1% fall in value. This is driven by the big, traditional brands such as Harvey's Bristol Cream (-13.2% fall in volume YOY to May 2011) and Croft's Original (-4.6% fall in volume YOY to May 2011) who between them make up nearly 50% of the market. However, this cloud is not without a silver lining in the shape of Tio Pepe. This dry and elegant style bucked the trend and reported a 21% year on year rise in value and 9.4% rise in volume in the year to May 2011. While this particular brand makes up only 2.5% of the market it seems proof positive that once people have tried the dry styles of Sherry, further purchases will be made. Furthermore this demand

---

<sup>1</sup> Sunday Times Style Magazine, 28<sup>th</sup> August 2011, p.54

is seemingly driven in the on-trade as overall Sherry sales are up 1% compared to down 2% in the off-trade in terms of YOY sales to May 2011.<sup>2</sup>

How then are Gonzalez Byass poised to take up the slack left by the collapsing demand for its flagship sweet Croft's Original, while exploiting this new opportunity and demand for dry Sherry? Clearly its famous Tio Pepe is doing extremely well and this is exemplified by the figures, which despite a background of economic turmoil, show significant rises in both volume and value. There is no reason why this can't continue year on year going forward. Certainly one of the aspects of my recent visit to the winery in Jerez that most impressed was the sheer quality and care that goes into the final product. Indeed there aren't many wines from anywhere in the world that are hand harvested, gently pressed and aged for 4 years that retail for under £10. I'm sure this would come as a surprise to most consumers, as would the consistency of the finished product and its food friendly qualities. The future looks bright for Tio Pepe, but if these intrinsic qualities are promoted then it could be stellar.

If Tio Pepe is to be the new flagship, it does however have a long way to go to catch Croft's, for example, in terms of both volume and value. It seems therefore that if Gonzales Byass is to replace the sales lost in its traditional market, a broad range of high quality wines is vital to cover as many tastes as possible. Again, Gonzalez Byass appears to have this well covered. Of course there are the expected offerings; Amontillado, Olorosso and Palo Cortado but beyond this are the extremely exciting, premium wines such as Del Duque, Matusalem and Apostales. It is unlikely that such wines will ever achieve huge volumes, but while they are more expensive they still represent incredible value for money in terms of complexity and age. The Matusalem, for example, is aged for a minimum of 30 years in solera before release. As with the Tio Pepe, there are few wines in the world that can offer this proposition of age, complexity and consistency for such a reasonable price. Therefore, such bottles are unlikely to find their way into the average shopper's trolley but the on-trade might provide the key to unlocking the off-trade market. By offering a premium range, Gonzalez Byass can capture the market for diners who want to treat themselves to a special bottle either in a restaurant, or subsequently at home, who previously would have had to choose wine as there was no fortified option available.

It seems then that there are interesting times ahead for the Sherry industry. While the old markets are, almost quite literally dying off, there has never been higher consumer demand for all things Spanish. There is no reason Sherry shouldn't be part of this, but people and their palates will need to be educated. As such, the off-trade can play a part with in store tastings etc, but the off-trade will be vital. The public might need to be persuaded to try dry Sherry, particularly as a table wine, and restaurant or bar staff are perfectly placed to provide this opportunity. As the figures for Tio Pepe seem to show, when viewed in the context of improving on-trade sales it cannot be doubted that there is considerable potential for these dry Sherries going forward. Indeed once firmly established in the on-trade the off-trade can, and must, surely follow.

---

<sup>2</sup> Nielsen Drinks Market Syndicated Overview 14.05.11, Nielsen GB Offs 12wk £ Value w/e 11.06.11 & Nielsen GB Offs 12 wk & MAT% value change w/e 11.06.11