

Online Drinks Retailing - UK - April 2010

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What is this report about?

This is a new UK report looking at the growing market and consumer demand for buying alcoholic drinks online. This has been particularly popular for wine, and has the potential to take off for other drinks.

Online alcohol sales have grown exponentially in the past five years and in 2009 the market was worth £745 million, with strong growth expected to continue. It has become an increasingly important sales channel for alcohol specialists, particularly with the decline of their high street sales, in the face of supermarket competition. The supermarkets have been more ambivalent about encouraging a channel which is less profitable than their in-store set-up. However, rising consumer demand and appreciation for the benefits of online drinks shopping mean that it is likely to become a key sales channel for alcohol in the years ahead.

What have we found out?

- The investment potential of the online drinks market is highlighted by the market having doubled in size over the past five years, going from a niche £370 million in 2005 to £745 million in 2009.
- As with the in-store market, online supermarkets benefit from the convenience of consumers being able to purchase alcohol as part of their overall grocery shop, meaning supermarkets account for two thirds of all alcohol sales made online.
- However, online offers a much-needed growth opportunity for the struggling off-license/drinks specialist sector, which has been unable to compete with supermarket stores on location and convenience.
- To continue its rapid growth, this market needs to win over the hearts and minds of 20 million UK adults who claim to have no intention of shopping for food/drink online. That, only 3 million of them have actually ever tried it, shows that it is their perception more than actual negative experience which is putting them off.
- This prejudice is particularly apparent in the heavier drinking over-45 population, but those who trial it show more appreciation of its benefits than their younger counterparts, especially not having to carry heavy bags and that the whole experience being more hassle-free.
- The main barrier to people buying alcohol online is a preference to handle the drinks they buy, with over half citing this as something which puts them off. This illustrates what an emotional attachment people have to in-store shopping as rationally you can tell little from the quality of wine by holding it, unlike fresh goods such as fruit and vegetables.

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