

On-Premise Report: The Texas Wine Market

A closer look at what makes this dynamic market so unique.

Liza B. Zimmerman

Liza B. Zimmerman is a San Francisco-based wine writer and consultant. She also served as managing editor of *Market Watch*, associate editor of *Supermarket News* and associate editor of *Wine Enthusiast*.



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EQUIDISTANT FROM THE East and West coasts, Texas has always marched to its own drum. Residents are proud of their heritage and slow to forget the days when the state was its own republic. The density and pride of this region's inhabitants often make it seem more like a country than a state. I don't think the flag of many other states can be found flying in as many places as that of Texas.

Texas has been growing fairly consistently in population since 2000, according to the **U.S. Census Bureau**, and the state is refining its tastes. What was once primarily a land of beer drinkers is warming up to wine at a fast and furious pace. The state is home to several of the country's largest cities and is blessed by a buoyant economy, both of which continue to make it a key market.

"The economy is strong and is boosted by the influx in population and the growth of the oil industry," said **Alan Dreeben**, a partner in the Dallas-based **Republic National Distributing Company** (RNDC). The distributor is one of the largest in Texas and does business in 20 states and Washington, D.C.

"The overall economic climate is still healthy in Texas. And that would bode true for all major metro markets," said **David Jabour**, president of the Austin-based 53-location **Twin Liquors** independent with the bulk of its locations in Central Texas.

STRONG WINE SALES

A strong economy also translates into sales of more and better quality wine sales. "We are definitely seeing strong wine sales and better quality products," confirmed **James Kramer**, vice president of beverage operations at the Houston-based **Landry's Restaurants Inc.** The group has 26 restaurant concepts with 182 locations that serve wine. Kramer has solid understanding of statewide trends as Landry's has locations all over the state and in 30 states total. "The wine lists we have now have more depth than [they did] years ago," he said.

Total wine consumption in Texas is up from 31.68 to 32.51 million gallons in 2005 compared to 2006, according to **Adams Wine Handbook 2007**. Per capita consumption was also up from 2.10 to 2.12 gallons as was the number of legal drinking age residents in the state in the same period of time, according to Adams. All three figures are promising for the Texas wine market.

The grocery chain wine market has also fared well at the same time. Supermarket table wine sales in the state were up by 12.8 percent to \$333.5 million in the one-year period ending Dec. 15, 2007, according to **The Nielson Company**. In that same period, wine sales in supermarkets in the rest of the country increased by only 7.7 percent to \$4.5 billion.

The encouraging sales climate is



derived from both increased interest and knowledge among residents as well as better trained servers, according to Landry's Kramer. One of the more promising trends he noted is the fact that Landry's and its other flagship brands, which offer everyday, accessible dining, are selling more wine by the bottle than ever before. Well known and familiar restaurants are often the touchstone for changes in a market; and a chain like Landry's, which is large and respected in its home state, is not a bad indicator of the changes afoot in Texas.

LOCAL PRIDE LEADS TO STRONG MARKET

Texas has always been a unique market because Texans have such a strong sense of place. They are among the few people who often say they are from Texas rather than the United States when they travel abroad (so do many people in my hometown of New York).

"Texans are very nationalistic," concurred Dreeben.

"There's a tremendous amount of state pride in the state of Texas," agreed **Matthew Scott**, director of operations at the Dallas-based **Abacus** restaurant. He also oversees the wine list for three **Jasper's** locations in other Texas markets.

Pride of provenance and ever-improving quality have led to a strong market for local wines. Texans, according to Dreeben, are "very supportive of Texas viticulture."

Bear Dalton, fine wine buyer at **Spec's**, a Houston-based retailer with 56 locations located primarily in the Houston area, added that "there are folks that buy and drink a lot of wine because it is Texas wine." He added that it has also certainly helped that the quality of the local wines has been steadily improving. "The old standbys are making better and better wine every year," he added.

TRADITIONAL CHOICES

That same pride and conservatism may also lead Texans to make more traditional wine choices than others might outside their state. According to Spec's Dalton, "red Bordeaux, especially Left Bank and California Cabernet, are a huge deal." These wines could easily be viewed as the more traditional or simply classic choices.

"Texas is conservative. Mostly men buy these high-priced wines," added Dalton, many of whom may be in conservative professions such as law, medi-

cine and high tech. "Bigger markets like Dallas and Houston seem to gravitate to [classic choices such as] cult California Cabs," agreed Abacus' Scott.

Testament to that fact, Kramer added that "we do really well with Cabernet across the properties." And Abacus' Scott concurred that "the Cab section is the biggest section no matter what I do." This may be due to the state's macho image and its fame for being a meat eating paradise. The Texas market is "heavily oriented around the steakhouses and the fact that it's such a carnivorous market," said **James Moll**, corporate fine wine buyer for **Centennial**, a Dallas-based retail operation with 38 area locations.

The state's traditional bent can also affect how foreign wines are received. "The backlash against France was as severe here as anywhere in the country. We still have customers that won't drink French wine," said Dalton. It is an issue rarely discussed in most other states these days.

The state is even home to 37 dry counties, which date back to Prohibition, according to **Roy Hale**, program specialist at the Austin-based **Texas Alcoholic Beverage Commission**. "Most are located in East and far West Texas," he noted. Three petitions are currently in play to allow alcohol into three currently dry counties, a factor Hale attributed to population change and movement. "People are moving from cities that were wet, and they are bringing their drinking patterns with them."

However, not everywhere in the state is so conservative. Most people I spoke to described Austin as the state's most unique market. This state capital is home to a major university and the state's burgeoning technology community, and unlike other, more traditional cities, has consistently shown an interest in eclectic and well-priced wines. "The propensity to try new things is greater in Austin," said Jabour.

WHOLESALE MIGHT

Texas has a strong old boy network which has been dominated by local professionals, often part of families, who have been working together for years. It is often less transient than New York or parts of California. I have heard

many times how comfortable suppliers, restaurateurs and retailers feel doing business with each other because they have a long history of collaboration.

This work climate has made the state a natural home for several successful, family-run retail operations. Their existence and continued growth in the market have been a boon to the state's fine-wine industry. Jabour said he believes that the strength of the fine-wine business for local retailers also stems in part from the fact that "you don't have liquor in grocery stores in Texas." It's a legal choice which contributes to stabilizing the good, solid independents, according to Jabour.

The state has historically been dominated by a handful of large wholesalers who have always operated in all the state's major markets. Unlike other key markets, such as California and New York that have a fine-wine market driven in part by small, Indie wholesalers, Texas has always had a unified feel and modus operandi. "It's pretty seamless as a market and as a state," noted Abacus' Scott. "There's a lot of synergy and cross over."

"You have five really important markets in one state. And all the big wholesalers are in all the big markets," said Spec's Dalton. "Wholesalers that work in Texas tend to be statewide. There are very few left that do just one market." Large wholesaler operations with big territories are not new to this state although their existence is becoming the standard in many markets as the independents get snapped up like flies.

In my annual visits to Texas, primarily to attend the **Texas Package Store Association's** annual show in the sweltering heat of summer, I have always found the state more cohesive than any market I have ever been in. Try to imagine the majority of suppliers and retailers getting together to talk shop for three days in one place in New York or California, and you will understand how impressed I was with this gathering and the people who make it happen in the fine state of Texas. **wbm**

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gw@go-2usa.com

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