

Buying Wine On a Dime

By DAVID KESMODEL

A year ago, Rick Jelovsek regularly paid \$20 or more for a bottle of wine at retailers near his Johnson City, Tenn., home. But after stock-market declines shaved 20% off the value of his retirement accounts, he began choosing bottles in the \$12 range.

“I’m making sure I’m going down in price, and I’m double-checking that it’s either [rated] a good wine or I’ve gotten a recommendation,” says the 64-year-old retired physician, who recently enjoyed a bottle of Spanish wine, Borsao Tres PicosGarnacha, for less than \$12.

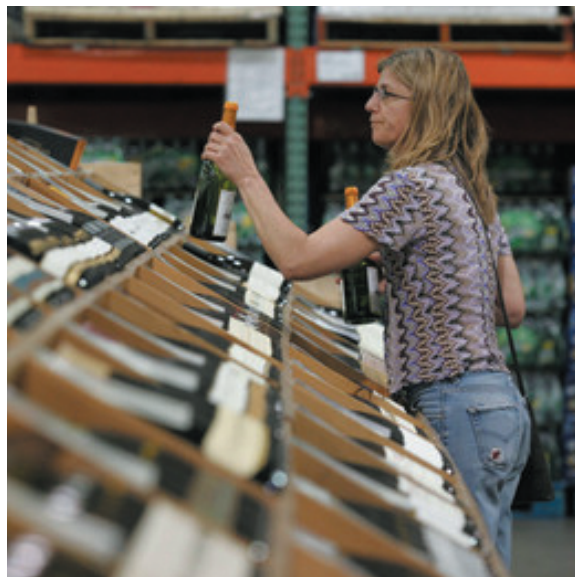
As recession grips the country, drinkers are discovering fine wines on a beer budget. The wine industry is less vulnerable to the downturn than other sectors, but total U.S. wine sales rose less than 1% by volume last year, the slowest rate this decade, according to Jon Fredrikson, an industry consultant with Gomberg, Fredrikson & Associates in Woodside, Calif. The downturn is most acute in restaurants, where total wine sales fell 10% to 12% last year as Americans dined out less, Mr. Fredrikson says. “Consumers have reined in their spending and are looking for value,” he says.

Moderately priced wines are drawing healthy sales. According to market-research firm Information Resources Inc., which tracks wine sales in food, drug and mass-merchandise outlets, sales of wines in the \$11-to-\$20 range increased 8% in dollar terms in the 52 weeks through Jan. 25. By contrast, sales of wines costing more than \$20 rose a mere 1.6%, compared with 11% and 26% in the two previous periods, respectively.

The ample supply of quality wines for \$10 to \$20 has left some upscale wines, such as expensive Cabernet Sauvignon from California, collecting dust on store shelves. Still, thrifty consumers must be selective. “There are great values in the \$10 to \$15 range,” says Lisette Sehlhorst, co-owner of the Wine Merchant, a Cincinnati retailer. “I also think there are a lot of junk wines in that range.”

The prices mark a trend toward less-expensive varietals, such as Malbec wines from Argentina and the red wines from the Rioja region of Spain, and away from more expensive wines from other regions, such as high-end French wines, according to wine merchants and industry analysts.

There are bargains for high-end wines as well. Richard Rey, 45, an insurance-industry employee in Franklin, Mass.,



A variety of wines are available in the \$10-to-\$20 range, but thrifty consumers must be selective. Reuters.

recently bought some Cabernet Sauvignon from California at a local wine store for \$80 that was normally priced at \$100. The owner indicated the wines weren’t selling much, so “he was giving me these great buys,” he said.

The shift in consumer demand is creating concern among high-end winemakers and prompting some to revisit their strategies. Cameron Hughes, chief executive of San Francisco’s Cameron Hughes Wine, which buys surplus wine from high-end producers and sells it inexpensively under its own labels, says he knows of several winemakers looking at retooling their business model to offer wines in the \$9-to-\$12 range. “A sea of change” is under way, he says.

The economic tumult has been a boon for large winemakers offering many bottles in the range of \$8 to \$15. For instance, wines made by E. & J. Gallo Winery posted 15 of the top 25 increases in sales volume for U.S. wines sold in food outlets last year, according to Mr. Fredrikson. Gallo, a closely held company based in Modesto, Calif., declined to comment.

In the end, retailers are recognizing they can get some good deals for customers. At Woodland Hills Wine Co., a wine merchant in Woodland Hills, Calif., the store’s wine buyers cut back on inventory last year and are now buying wines selectively. Recently, for example, they negotiated with a distributor “sitting on a boatload” of a well-regarded Argentine wine, Achaval-FerrerQuimera 2006, and offered it to customers for \$29 a bottle, down from \$40 previously, says wine buyer KajStromer. “We probably sold two pallets worth of wine in a week,” he says, “so people are responding as long as they know they are getting a bargain.”

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