

Retail Prices of Whiskies in the USA, European Union and Switzerland

Whisky is one the best selling spirits in the world. During these last years, there has been a change in the attitude of the consumer towards whiskies, as the interest in single malt Scotch whiskies has increased. According to the Statistical Report 2004 of the Scotch Whisky Association (SWA), the six major markets during 2004 for Scotch whisky were France, USA, United Kingdom, Spain, Thailand and Germany. With the globalisation, widespread internet access and on-line whisky shops, consumers have access to almost any market and can easily compare the retail prices in different countries. In this report, I will present the retail prices of different whiskies (“Standards” and “Premiums”) in the following countries: USA, European Union (Austria, France, Germany, UK) and Switzerland. I compared the age-based pricing system of some single malt whisky brands, as there is most likely a correlation between the age of the whiskies and their prices.

Methodology:

The prices of 20 “Standards” and 21 “Premiums” single malts (see list in Table 1) have been collected from 6 UK, 3 US, 1 French, 1 Austrian, 3 Germans and 4 Swiss on-line whisky retailers between February 9 and 11, 2006. The names of the whisky retailers have been blinded to avoid any legal issues.

The whiskies have been selected to represent most Scotch whisky companies.

Canada was initially planned to be included, but since it is a market where the state has a monopoly on alcohol, as in Sweden, it has not been included in this study.

Between US and Europe (EU and Switzerland), there are two major differences: 1) the volume of the bottles is 750 ml (75 cl) in the US vs 700 ml (70 cl) in Europe and 2) European retail prices included Value Added Tax (VAT) but not in the US (State Tax; the US equivalent of VAT). The difference of volume is roughly equivalent to the taxes. Therefore I haven't done any correction to the US prices.

Disclosure: The prices observed during thr period 9-11 February 2006 may be subject to changes and/or special promotions.

<u>Standards (Original Bottling, 70 cl)</u>	<u>Premiums</u>
Aberlour 10	Aberfeldy 25
Ardbeg Ten	Ardbeg 1974 Single Cask
Bowmore 12	Ardmore 1990 Gordon McPhail
Bruichladdich Fifteen 2nd	Balblair 1966 OMC Douglas Laing
Bunnahabhain 12	Balvenie Thirty
Dalmore 12 (70 cl)	Ben Nevis 1986 Cadenhead
Edradour 10	Benriach over 20
Glenfarclas 10	Benromach 25
Glenfiddich 12 Special Reserve	Bowmore 1989 CS
Glenmorangie 10	Brora 1982 Rare Malt
Laphroaig 10	Bruichladdich 1970
Littlemil 8	Glenfarclas 25
Macallan 18 Fine Oak	Glengoyne Ewan's Dram
Mortlach 16 F&F	Glenmorangie 30
Springbank 10	Highland Park 30
Talisker 10	Inchgower 1985 Adelphi
The Glenlivet 12	Isle of Jura 21
Tobermory	Laphroaig 30
Tomintoul 10	Mosstowie 1975 Duncan Taylor
Tullibardine 1993	Springbank 32
	Tomintoul 27

Table 1: List of Standards and Premiums single Scotch whiskies.

Currency conversion:

To compare all these prices, prices in the local currencies have been converted to British Pounds (£) using the exchange currency rate on www.xe.com on February 16, 2006. The conversion rate was as follows:
£1= US\$ 0.5745= € 0.685 = CHF 0.438

Results: Standards

A	Standard	Av. Price	Min	Max
	Aberlour 10	19.84	15.50	24.18
	Ardbeg Ten	26.29	20.54	31.59
	Bowmore 12	23.24	14.35	26.99
	Bruichladdich Fifteen 2nd	36.40	30.75	42.51
	Bunnahabhain 12	25.68	20.99	30.22
	Dalmore 12	24.03	17.11	26.75
	Edradour 10	29.75	26.64	32.88
	Glenfarclas 10	21.40	15.76	25.84
	Glenfiddich 12	21.47	16.43	26.99
	Glenmorangie 10	23.24	14.89	28.47
	Laphroaig 10	22.50	17.11	29.43
	Littlemill 8	27.68	20.48	30.41
	Macallan 18 Fine Oak	65.73	54.73	74.66
	Mortlach 16 F&F	36.31	31.99	44.52
	Springbank 10	29.35	24.99	38.98
	Talisker 10	27.60	21.22	38.61
	The Glenlivet 12	21.51	15.74	27.00
	Tobermory	22.39	18.37	30.22
	Tomintoul 10	23.99	19.11	28.47
	Tullibardine 1993	26.71	24.90	29.38

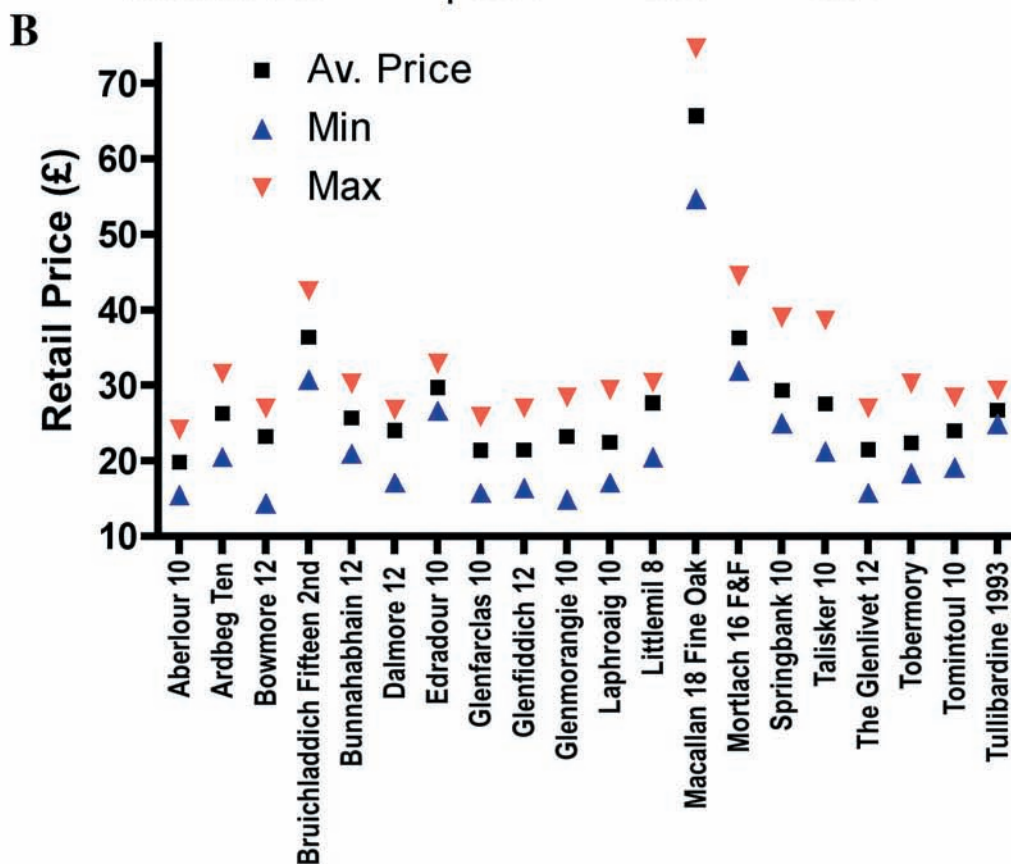


Table 2: A) The prices for all the listed single malts have been summarized by the minimal (Min.), maximal (Max.) and average observed price. The numbers in the “Standards” column represent the age (Year Old) of the whisky indicated on the label. B) Plot of the data from A).

As illustrated on Table 2, regardless of the location of the retailer, the differences are not negligible. For example, there is a 192% of difference in price between the cheapest and most expensive retailer or about £14.5 in absolute value for the Glenmorangie 10 Years Old (YO). For the most expensive single malt of this selection, the difference reaches £20. On the other hand, for some more confidential standard single malts such as the Tullibardine 1993, the difference is much lower, only £~5.

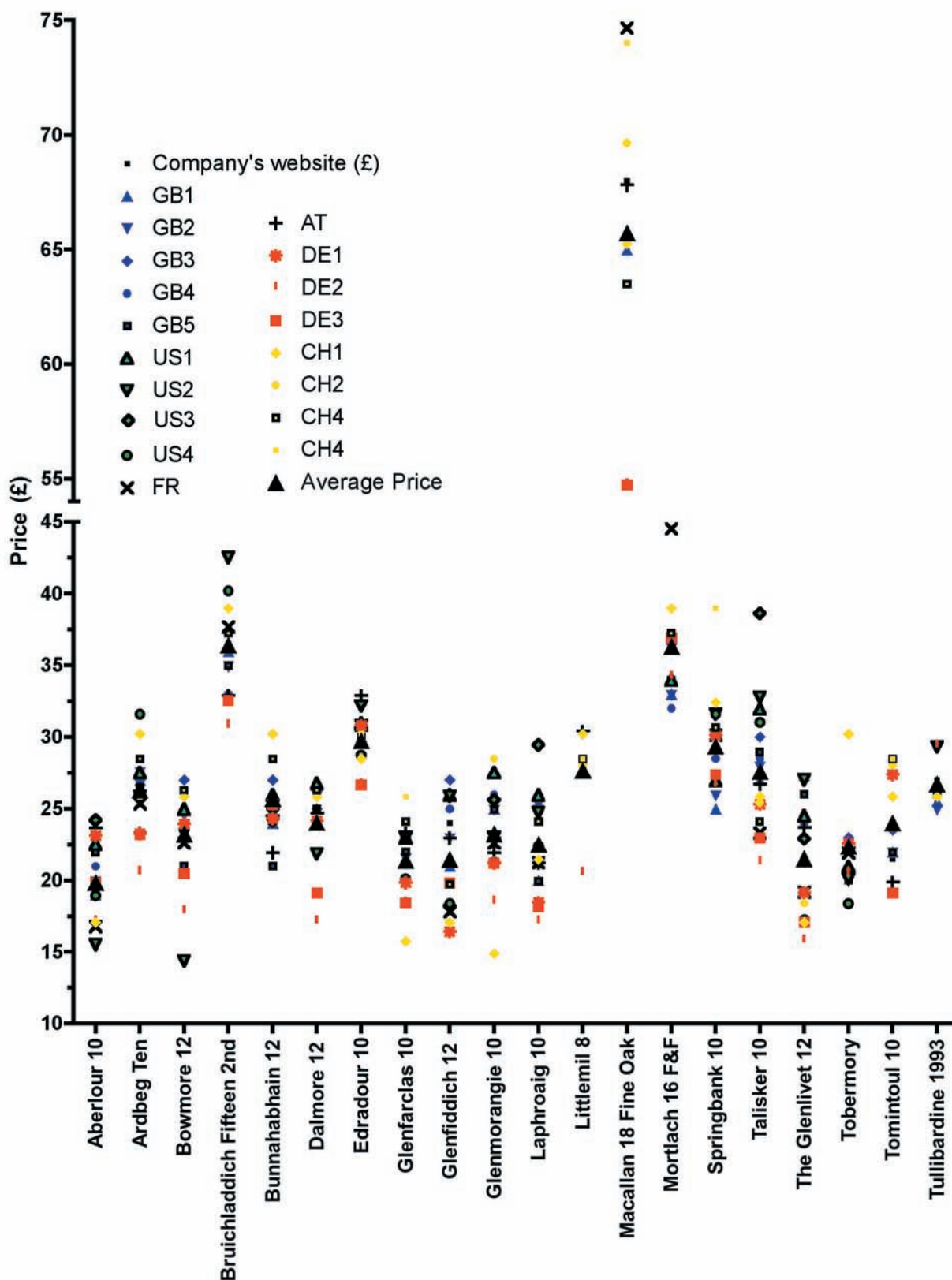


Figure 1: Graphical representation of the prices for single malt by brand and by whisky retailer. GB= Great Britain, US= USA, FR= France, AT= Austria, DE= Germany and CH= Switzerland.

When we look more closely at the prices of single malts and list them by retailer and country (see Figure 1 or for more details, Annex 2), the German shops are almost always in the lower range of the price and the US in the upper part, with some exceptions like the shop US2 proposing the Bowmore 12 YO at £14.39 (US\$ 24.99) or an Aberlour 10 YO for £2 more (£ 1.15). Prices in United Kingdom (UK) and France are in the middle, while Austrian prices are slightly below and Swiss prices fluctuating quite a lot. Also, one can observe that some shops present constantly lower prices than their other counterparts in the same country (e.g., DE2 is cheaper than DE1 or DE3).

Premiums:

The list of Premiums include bottlings from independent bottlers. Since Premiums whiskies are expensive, the selection of whisky retailers proposing them are at times limited. Nethertheless, a similar analysis was performed and is presented here.

Whisky	Av. Price	Min	Max
Ardmore 1990 G&M	29.60	26.50	33.57
Balvenie Thirty	260.07	214.62	321.72
Benriach over 20	53.52	40.42	72.39
Benromach 25	62.50	50.90	76.40
Bowmore 1989 CS	51.54	47.88	58.60
Brora 1982 Rare Malt	74.75	61.58	82.78
Bruichladdich 1970	136.76	125.00	160.00
Glenfarclas 25	64.42	51.38	77.50
Glengoyne Ewan's Dram	101.67	100.00	105.00
Glenmorangie 30	192.60	178.00	210.98
Highland Park 30	188.39	176.00	209.80
Inchgower 1985 Adelphi	64.66	61.75	69.20
Isle of Jura 21	51.94	39.66	65.70
Laphroaig 30	214.71	137.87	258.42
Springbank 32	231.35	180.00	387.79
Tomintoul 27	58.68	49.00	100.54

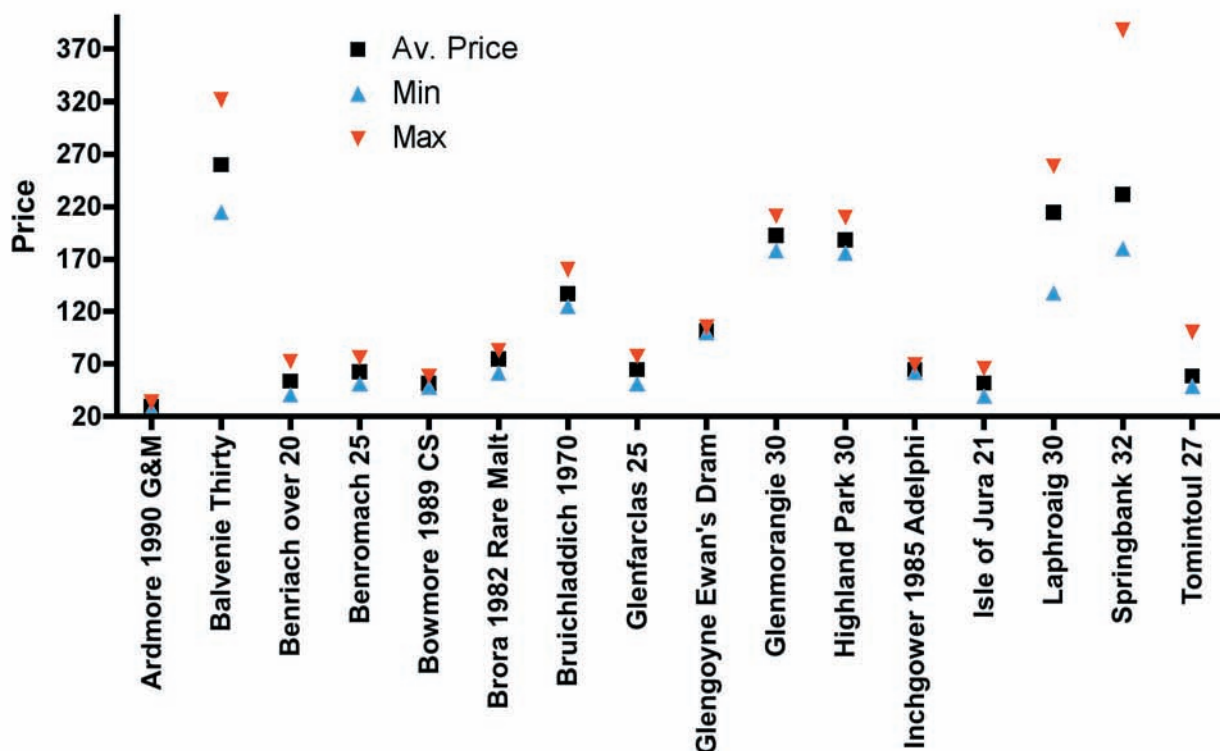
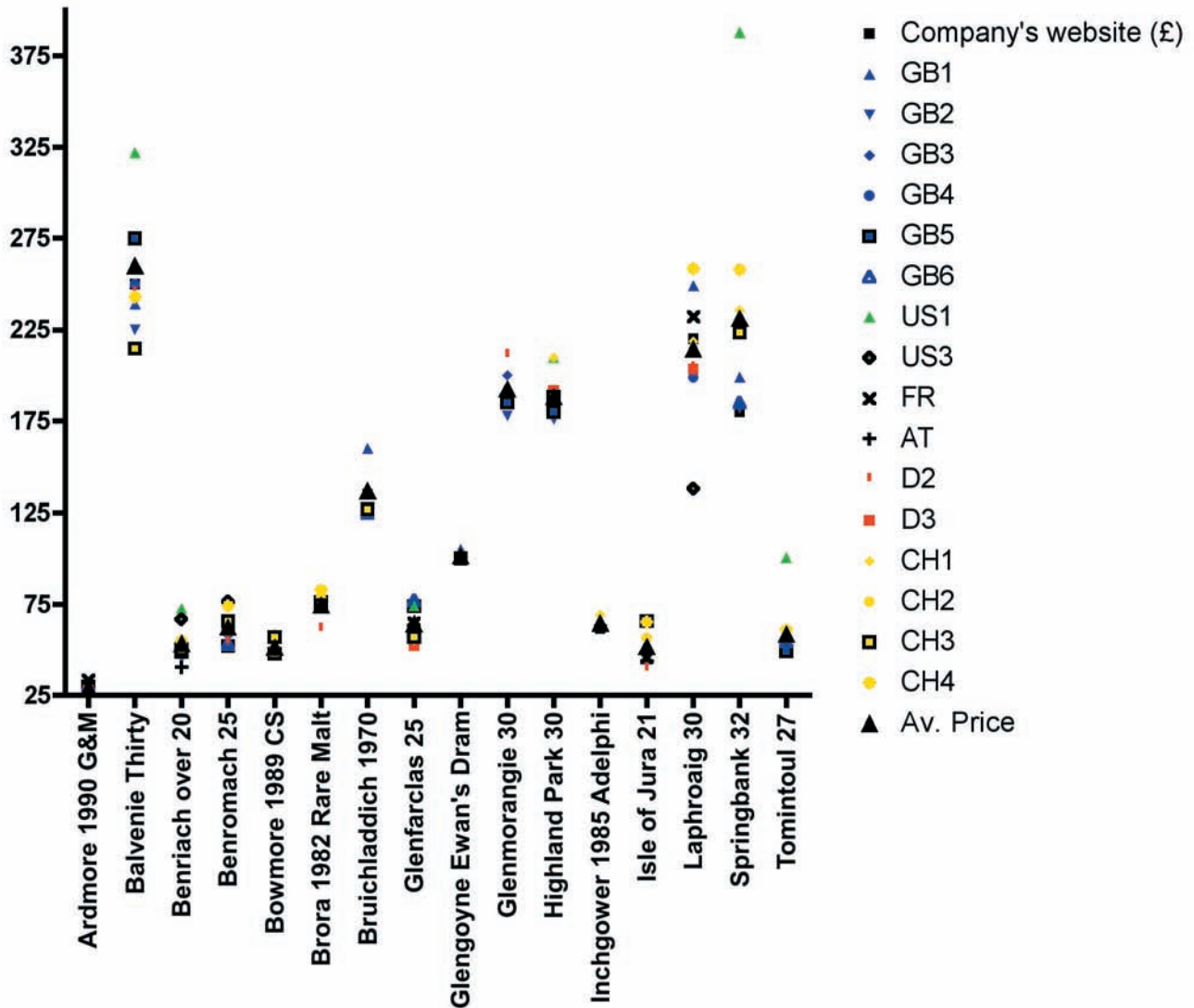


Table 3 (previous page): The prices for all the listed Premiums single malts have been summarized by the minimal (Min.), maximal (Max.) and average observed price. The numbers in the “Whisky” column represent the age (Year Old) of the whisky indicated on the label or the year of distillation. CS= Cask Strength, G&M= Gordon &McPhail.

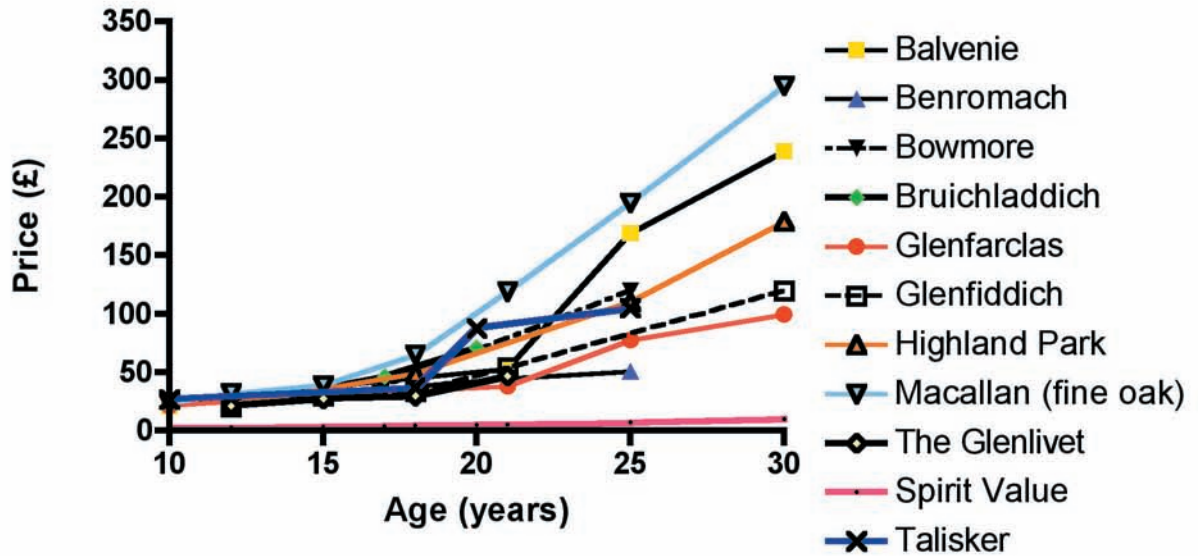
Again, as for the Standards, the percentage of difference between the cheapest and most expensive retailers are in the 200% price difference range (Springbank 32 YO, 215% or £208!! in absolute value). As a whole, the percentage of variability in the Premiums is lower than the Standards, but since the Premiums are priced much higher than the Standards, the absolute difference is significant (e.g., Balvenie 30 with £108 of difference between the Min. and the Max.). At the exception of the Laphroaig 30 YO and the Glenfarclas 25 YO, all US retail prices are above the European prices.



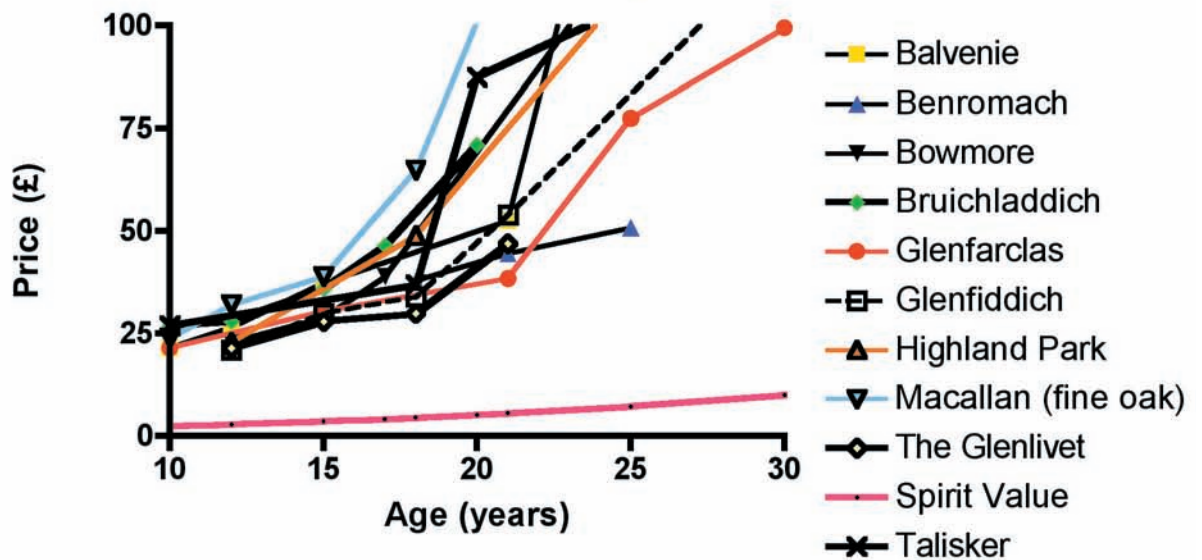
When looking at the prices of the Premiums versus the Standards, a few years of maturation does have a significant impact on the prices. In order to look more closely at this question, I decided to compare the prices of some single malt brands (see Table 4) and the impact of the number of years of maturation on the final price. In addition, since the cost of whiskies is not linearly proportional to the number of years of maturation, I decided to evaluate the value of the spirit through time, using a similar system as used when calculating the interests of money placed in a bank account. For the details of this estimation, please refer to Appendix 1.

From the graphics (from Table 4), it is quite clear that the older the whisky, the higher will its retail price be. Also, after 15 years of maturation, the prices start to increase quite dramatically, with some whisky brands significantly priced significantly higher than others (e.g., Macallan vs Benromach).

Single Malt Pricing



Single Malt Pricing



Age (years)	Balvenie	Benromach	Bowmore	Bruichladdich	Glenfarclas	Glenfiddich	Highland Park	Macallan (fine oak)	Talisker	The Glenlivet	Spirit Value
10	21.50			26.99	21.50			23.99	26.99		
12	26.50		22.99	27.99		20.99	22.99	32.00		21.49	
15	37.49		28.99	36.00	30.49	29.99		38.99		27.99	
17			38.99	46.49							
18		37.95									
20				71.00		33.99	48.99	64.99	36.99	29.99	
21	52.50	44.50			38.49	53.99		119.00	87.50	46.99	
25	169.00	50.90	120.00		77.50		110.00	195.00	105.00		
30	239.00				99.50	120.00	179.00	295.00			
40											

Table 4: Prices of some selected single malt Scotch whisky brands at different ages (below), plotted graphically. In the top graph, some brands are priced higher than the others (i.e., Macallan, Balvenie) and the chart on the bottom is a close-up of the upper chart to more easily identify the change of price between 15 and 21 YO. Spirit Value is the estimated value of the spirit contained in 1 bottle of whisky of 70 cl at a strength of 40% ABV.

Discussion:

Many conclusions can be drawn from the observations evaluated above and to make it simple, I will mainly focus on the following three aspects:

- 1) Prices of the Standards versus the Premiums single malt Scotch whiskies.
- 2) Price difference between the different countries.
- 3) What is the impact of the consumer?

1. Prices of the Standards versus the Premiums single malt Scotch whiskies.

When you want to buy a 10-16 YO single malt, you will have to pay between £20-35 and the price goes up to £50-70 for a 20-25 YO malt and £130-260 for a 30 YO whisky. Surprising or not?

If you look at an estimation of the “real” value of the spirit, a spirit aged 30 years is roughly 3 times more valuable than a 15 YO spirit (£10.04 vs £3.57). If we would follow this price progression, you would then expect to pay £60-75 for a 30 YO whisky. Nowadays, without exception, you will not find a whisky of that age for such a price. How come?

As indicated in the Scotch Whisky Association Statistical Report 2004 published in 2005, malt whisky represented 8.8% of the Scotch whisky sales volume (UK+Exports) and although no data are available regarding the percentage of the “Standards” amongst these 8.8%, one could assume that the 10-16 YO single malt Scotch whiskies represent 90% of that volume. Whiskies in that range are price-positioned, produced and widely available, therefore the competition is very fierce amongst the whisky producer as well as the retailers. Producers are fighting amongst each other and whisky shops are fighting against the superstores. As a result, the margin is very low for the different members of the trade to generate a profit by volume sales. Although the prices used in this report were exclusively obtained from whisky specialists, prices are similar to the superstore ones. As mentioned by one of the Diageo directors in a Newsletter of the Loch Fyne Whisky shop (www.lfw.co.uk), the Premiums are very important for the whisky companies, since they provide an appreciable margin. Even though, the value of whiskies increases exponentially with time, the price tag of the Premiums is significantly superior to this estimation, meaning thus more benefits for the distillers. Since Premiums are produced in the range of a few hundred or thousand litres in total per year and that they are sometimes more luxuriously packed than the Standards, these extra costs as well as the possible deterioration of whiskies with age (e.g., whiskies getting too woody) only results in a few pounds extra in the end. In any case, these additional costs are not sufficient to explain the price difference observed. In practice, retailers calculate their margin as a percentage of the paid price by the producer/manufacturer. As the starting price is higher, the final price will be higher, all in proportion higher than the intrinsic value of the spirit. For a whisky specialist, the Premiums are very important as they generate a comfortable profit, they are produced in limited quantities, so there is less competition, and finally they can position themselves on the market and attract the whisky enthusiasts.

From Table 4, we can see that companies might have different pricing strategies, such as illustrated by The Macallan and Highland Park which are owned by the Edrington Group Ltd. Highland Park is situated on the remote Orkney Islands, where energy supplies are more expensive than in the mainland and produces 2'000'000 litres of spirit per year, while The Macallan is situated in the heart of the Speyside and produces 5'500'000 litres of spirit per year. In conclusion, the pricing strategy of some products is not necessarily linked to the manufacturing cost of the spirit, but to the image attributed (or that they want to give) to one brand.

For the last few years, a new category has emerged, the Super Premiums or Exclusives, such as The Dalmore 62 YO and Glenfiddich 1937. Those very limited whiskies have price in the £10'000+ category and are target the new rich Businessmen or rich Collectors. This does probably help to position single malts and whisky as (very) luxurious goods and to promote the image of the distilleries. There is then no more relation between the value of the spirit and the final price, only the price of the image and the rarity.

2. Price difference between the different countries.

With access to internet and online whisky retailers, comparing the prices of single malts is relatively easy. Ten years ago, when you wanted to buy a bottle of whisky, you visited a few whisky shops in your area and then you knew how much you would have to pay for your bottle (without considering the restricted choice). Now, you have the possibility to consult a few websites or some price-comparison website, to find the cheapest retailer and can order your whisky from almost any countries. Price comparison is straightforward, but ordering can be more difficult depending on the country or local regulations on alcohol and/or the customs taxes on spirits. In this report, by comparing the prices between the different countries, one could expect to see lower prices in the home market (UK) than in the other markets, where shipment costs should have some impact. This is not the case, because alcohol taxes are higher in the UK than e.g. in Germany, for example. Prices can be compared on the global scale, but every single whisky retailer or specialist only operates in one location in one country. Every different reseller is then subjected to different conditions, for example, running a shop downtown Boston (US) will be more expensive than running a similar business in a little German town in the countryside. Cost of manpower, local and state/government taxes are some examples of the differences that the whisky retailers will have to support. Comparing whisky prices might not seem fair, but the consumer does not always want to consider those aspects. So if you are in Europe or you plan a trip in Europe, it seems as if Germany would be one of the cheapest places to buy your supplies of whiskies. Why?

Excise duties on spirit is one major price component on whiskies, as well as the Value Added Tax (VAT). As you can see from the Table 5, Germany benefits from a moderate excise duty on the spirits as well as a favorable VAT, and this might contribute to the price difference.

EU State	AT	FR	DE	UK
€ per HPLA	1000	1450	1303	2876
VAT	20%	19.6%	16%	17.5%

Table 5: Tax rate on spirits in the EU in January 2006 and VAT rates in Europe. Source: <http://www.europeanspirits.org>, FEP. HPLA= Hectolitre of pure alcohol.

In France, like in Austria, the number of online whiskyshop is extremely limited, thus reducing the impact of the competition. In Germany, the number of online shop is relatively high, at least as high as in UK.

What about the US?

The US prices tend to be higher than in Europe, with some exceptions like for the Aberlour 10 sold by the shop US1 for \$26.99 (£15.5) reaching the lowest price observed during the conduct of this analysis. Oversea shipment and specific bottling (75 cl vs 70 cl in Europe) are factors that can explain the price difference. On the other hand, the difference in price for the Premiums between the US and Europe is difficult to justify on such basis (e.g. Springbank 32YO sold for \$675 (£387) in the US and £180 through the Springbank webshop). Exports of goods and spirit is always difficult to the US and with the additional requirements from the US government during these past few years, shipping whiskies to the US can be very difficult. To avoid such problems, some companies are sending bulk shipment of whiskies and bottle them in the US. For the whisky specialists, it might be very complicated to obtain these Premiums whiskies, which are sought after by the customers. Therefore, these specialist shops have to work with specialized companies and all the administrative costs will significantly increase the final price of the product. I have met a few US whisky retailers in Scotland buying large amounts of whiskies for their US customers.

3. What is the impact of the customer?

The customer can easily compare the prices of whiskies via internet. All the whisky shops are one-click away and one can choose and change of whisky retailers whenever one wishes to. The customer has a lot of options open and within a same country or same community the customer can easily save a few pounds on a standard single malt and more than £100 on a Premium single malt. This is not negligible and I am con-

vinced that customers consult a few websites before buying an expensive bottle. Customers are, of course, always looking for the best bargain and hopefully, in a few years, the prices will be more homogenous.

Conclusion:

The customer is free to choose his whisky retailer and may change it whenever he wants. By comparing several whisky shops and by selecting the cheapest reseller, one can save quite some money. However, If you want to buy in another country, as a customer one should not forget about the customs restrictions as well as the shipping costs. With online whisky shops, there is no quality or few feedback systems to evaluate those retailers. Most of them are good and reliable and some might be less. This can be quite sensitive if you want to buy, for example, a Douglas Laing Port Ellen from a specific batch. Some retailers will ship a similar one if they run out of stock, since they consider the product equivalent. The whisky enthusiast might have a different opinion. The “standards” can be excellent and quality is not always a matter of Price. Premiums can be excellent, but not always flawless.

The consumer can compare prices and make his choice freely, but any cases, you should not forget the principal element: Enjoy your whisky!

Price is one element, but appreciating whisky is priceless!

Slainte!

Patrick ©21st March 2006

Corrected on the 27th March 2006

Appendix 1:

Calculation of the value of the spirit:

The estimation of the value of the whisky over time has been calculated following assumptions:

- The cost of a whisky barrel including its storage and the insurance for 10 years is 775 £ (www.bruichladdich.com).
- In one whisky bottle, there is 70cl of spirit at a strength of 40%.
- The volume of whisky in a barrel is estimated to 175 L.
- The Angel's share (evaporation) is 2%.
- After 10 years, the whisky is 51% ABV.
- After those ten years, storage costs are £20 per annum or 0.11£ per bottle per year.
- The annual depreciation (e.g., loss of whisky by evaporation, money immobilised) corresponds to an annual interest of 6%.

Taxes, cost of transportation and bottling are ignored.

- The following software is used to make the calculations:

<http://www.moneychimp.com/articles/finworks/fmfutval.htm>.

- After 10 years, the value of the spirit in a whisky bottle correspond to £2.40

Detail of the calculation: $\frac{£775}{175 \text{ L}} = £4.43$ per L of Spirit at 51% or £3.47 per L of spirit at 40%
-> 2.40 per 70 cl of spirit at 40%.

Result:

Years	Value (£)
10.	2.40
12.	2.83
15.	3.57
17.	4.14
18.	4.45
20.	5.14
21.	5.51
25.	7.23
30.	10.04
40.	18.81

Standard	Company's site (£)	GB1	GB2	GB3	GB4	GB5	GB6	US1	US2	US3	FR	AT	D1	D2	D3	CH1	CH2	CH3	CH4	Av. Price	
Aberlour 10	20.00	18.99	19.90		20.99	21.95	22.50	15.51	24.19	18.95	16.78	23.63	23.12	17.12	19.80	17.08	17.08			19.85	
Ardbeg Ten	26.99	26.99	27.50	26.99	26.99	26.50	27.50	25.85		31.59	25.35	23.29	23.26	20.54	23.22	30.22			28.47	25.84	26.30
Bowmore 12		22.99	24.50	26.99	24.99	20.99	24.95	14.36		23.55	22.61		23.94	17.80	20.48	25.84	25.84	26.28	25.84	23.25	
Bruichladdich Fifteen 2nd	36.50	36.00	34.90		32.99	34.99		42.51		40.21	37.68	32.88		30.76	32.54	38.98	38.98	37.23	38.98	36.41	
Bunnahabhain 12		23.99	24.50	26.99	24.99	20.99	20.99	25.95	24.13	24.12	24.66		21.92	24.32	25.28	30.22	30.22	28.47	30.22	25.69	
Dalmore 12	25.90	24.99	25.90	24.99		24.99	26.75	21.83				24.66	24.15	17.12	19.11	25.84		26.28		24.04	
Edradour 10		29.99	28.50	30.99		29.99	30.95	32.17		28.72	30.83	32.88	30.79	26.65	26.65	28.47	28.47		30.22	29.75	
Glenfarclas 10		21.50	21.50	22.99		21.99	22.95	22.98		20.10		23.29	19.83	18.43	18.43	15.77		24.09	25.84	21.41	
Glenfiddich 12	23.99	20.99	22.90	26.99	24.99	25.95	25.95	25.85	18.19	18.38	17.81	22.95	16.43		19.80	17.08	17.08	19.71		21.47	
Glenmorangie 10	24.99	24.99	24.90		25.99	24.95	27.50	22.98	25.61	21.25	22.61	21.92	21.20	18.49	21.17	14.89	28.47			23.24	
Laphroaig 10	24.00	19.99	24.90		25.49	19.95	25.95	24.70	29.43	22.40	21.24	21.24	18.46	17.12	18.15	21.46	24.09	24.09		22.51	
Littlemill 8												30.41		20.48		30.22	28.03	28.47	28.47	27.68	
Macallan 18 Fine Oak	68.00	64.99									74.67	67.82		54.73	54.73	65.26	69.64	63.51	74.02	65.74	
Mortlach 16 F&F		32.99	32.90	36.50	31.99	33.99	33.95				44.53			34.18	36.92	38.98	38.98	37.23	38.98	36.32	
Springbank 10	25.99	24.99	25.90	29.99	28.49	26.99	26.95	31.60		31.59	30.14	30.14	30.14	26.65	27.37	32.41		30.66	38.98	29.35	
Talisker 10		26.99	27.89	29.99	28.49	28.95	31.95	32.75	38.61	31.02	23.29	26.72	25.31	21.23	22.95	25.84	25.40	24.09	25.40	27.60	
The Glenlivet 12		21.49	23.90	26.99	23.99	25.99	24.50	27.00	22.90	17.23	19.18	23.70	19.15	15.75	17.06	17.08	18.40		21.46	21.52	
Tobermory		20.99	19.90	22.99		19.99	20.95	20.11		18.38	21.92			22.57	20.48	30.22			30.22	22.39	
Tomintoul 10	21.50	21.98	21.90	23.50		21.95						19.87	27.37		19.11	25.84	28.03	28.47	28.47	24.00	
Tullibardine 1993	27.00	25.49	24.90			25.99		29.30						29.39		25.84	25.84			26.72	

	Company's site (£)	GB1	GB2	GB3	GB4	GB5	GB6	US1	US3	FR	AT	D2	D3	CH1	CH2	CH3	CH4	Av. Price	
Ardmore 1990 G&M			26.50			29.99	29.95			33.57			28.02						29.60
Balvenie Thirty	250.00	239.00	225.00		250.00	275.00		321.72				245.23				214.62	243.09		260.07
Benriach over 20			45.50	52.00		48.99		72.39	66.64	52.06	40.42			52.12		50.37	54.75		53.52
Benromach 25		52.99	50.90	58.00		51.99	52.95		76.40	65.76	60.97	54.73		74.02	74.02	65.70	74.02		62.50
Bowmore 1989 CS		48.99	49.50		49.99	47.95		58.60				47.88	49.25	54.75		56.94			51.54
Brora 1982 Rare Malt		73.50	72.90			75.99						61.58		78.40	78.40	74.46	82.78		74.75
Bruichladdich 1970	135.00	160.00					125.00									127.02			136.76
Glenfarclas 25		77.50	75.00			73.95	76.95	74.11	63.19	64.73	59.60	51.38	51.99	55.63	56.50	56.94			64.42
Glenfiddich 1970		100.00	105.00			100.00													101.67
Glenmorangie 30		189.00	178.00	200.00		185.00						210.98							192.60
Highland Park 30	179.99	179.00	176.00	179.00		179.95		209.69				190.43	191.73	209.80		188.34			188.39
Inchgower 1985 Adelphi	61.75													69.20					64.66
Isle of Jura 21		45.00	44.25	49.00						45.90	43.84	39.66		64.82	56.50	65.70	65.26		51.94
Laphroaig 30	220.00	248.99			199.00				137.87	232.22		204.13	203.38	218.56	258.42		258.42		214.71
Springbank 32	180.00	199.00	182.00				185.00	387.79						235.64		223.38	257.98		231.35
Tomintoul 27	49.95	49.00	51.00	54.00		49.50	54.60	100.54									60.88		58.68

All prices are in UK£ or converted to UK£