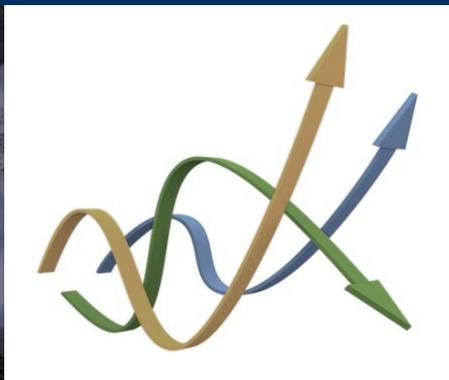




Wine Intelligence Compass 2015-16

Strategic planning tool to understand the global wine market attractiveness

VI International Wine Marketing Seminar
Fondazione Edmund Mach
San Michele all' Adige
November 2015



An introduction to Wine Intelligence: Connecting wine businesses with knowledge and insight



“Not everything that can be counted counts.....

...and not everything that counts can be counted“

Albert Einstein

Wine researchers...what are our skills?

- In-depth knowledge of:

1. Wine consumers around the world

1. Producers and association needs

1. Legal dependencies and market regulations

1. Wine production global trends

1,100+
wine related
projects
over the past
12 years

270+
clients worked
with over the
past 12 years

+35
markets
studied

Our clients: different needs and culture, big and small



Our clients: different politics involved



**How to do
business
better in the
global wine
markets**

1. INFORMATION & KNOWLEDGE

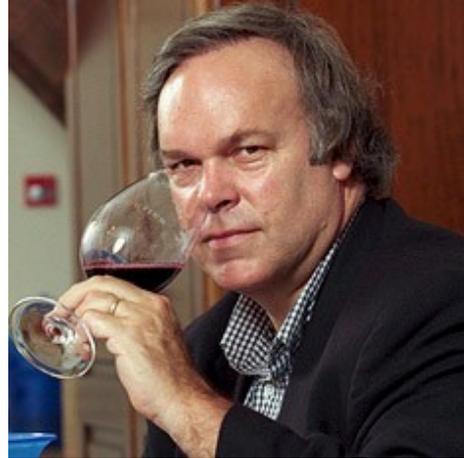
“It is a capital mistake to theorize before one has data. Insensibly one begins to twist facts to suit theories, instead of theories to suit facts.”

Sir Arthur Ignatius Conan Doyle, British writer

Every humans' job: answering questions

1. Trust your gut feeling

2. Trust experts



3. Trust the supernatural

4. Do some research!



Parker's 2004 predictions

- Wine web will go mainstream: Yes both online and offline
- World bidding for top wines: Yes, but now China's bubble exploded...
- France will feel the squeeze: Yes
- Corks will come out: A bit, but not in emerging markets, very slow in USA
- Spain will be a star: Is my Spanish colleague's dream..
- Malbec will be a hit: Outside USA?
- California's Central Coast will rule USA: Apparently not
- Southern Italy will ascend: Apparently yes
- Unoaked wine will find an audience: Yes
- Value will be valued: Absolutely yes
- Diversity will be the word: Yes
- Distribution will be revolutionised: Slower progress than expected

Conducting research

- We're all researchers...
 - ...when we take a different route in the car to see if it's faster
 - ...when we choose a bottle of wine
 - ...when we ask our friends for advice
 - ...when we post pictures on Facebook
 - ...when we need to understand how to invest our limited resources



Question : Where to invest and why?



Question: What information do we need?



Test



1

Which wine market is bigger?
(1000 9L cases)

UK

China

Germany

1

Which wine market is bigger?
(1000 9L cases)

UK	China	Germany
3	2	1
123,000	151,000	226,000
	<i>31,000</i>	<i>130,000</i>

Source: IWSR 2015 – consumption data for 2014

2

Which country has a greater number of wine drinkers?

UK

China (imp)

Germany

2

Which country has a greater number of wine drinkers?

UK

2

39 (78%)

China (imp)

3

38 (4%)

Germany

1

45 (69%)



**There are more people living inside
this circle than outside of it.**

3

Which state has the highest corruption index?

Brazil

China

Russia

3

Which state has the highest corruption index?

Brazil

3

China

2

Russia

1

Source: Transparency International 2014

4

Who has more Starbucks (exc USA)?

4

Who has more Starbucks (exc USA)?

- 1 China
- 2 Canada
- 3 Japan
- 4 UK
- 5 South Korea

2. STRATEGY

“If you’re entirely comfortable with your strategy, there’s a strong chance it isn’t very good”

Roger L. Martin, Canadian Thinker Author Advisor Speaker



How can we combine information and knowledge into a strategy to prioritise the investments in the global wine market?

Measuring market attractiveness

- The market classification combines **economic** measures with **wine market potential** measures to determine total **market attractiveness**

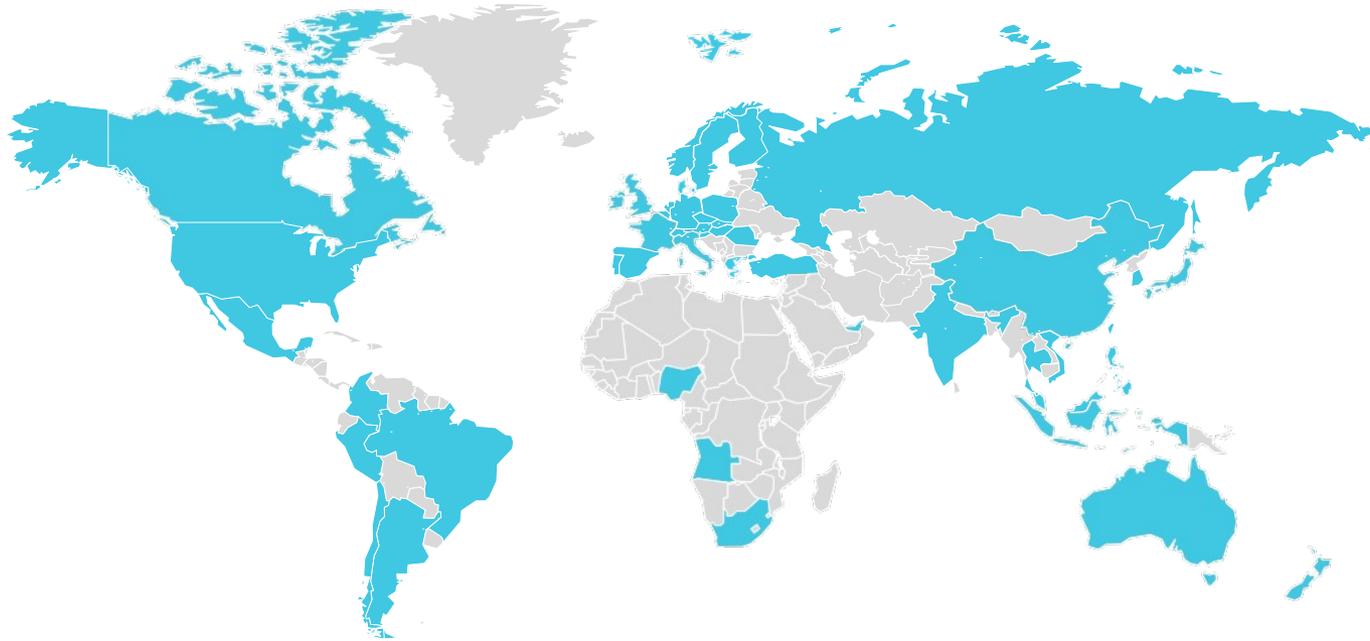
Economic measures

- Adult population size
- GDP per capita & trend
- GNI per capita
- Purchasing power parity
- Unemployment rate
- Corruption index
- Globalization measure (no. of Starbucks + no. of McDonald's per capita)

Wine market measures

- Wine market volume & trend
- Imported wine volume & trend
- Per capita consumption & trend
- Wine market value & trend
- Wine market unit price
- Wine drinking population and potential growth
- Market accessibility

50 markets analysed



Angola
Argentina
Australia
Austria
Belgium & Luxembourg
Brazil
Canada
Chile
China
Colombia

Czech Republic
Denmark
Finland
France
Germany
Greece
Hong Kong
Hungary
India
Indonesia

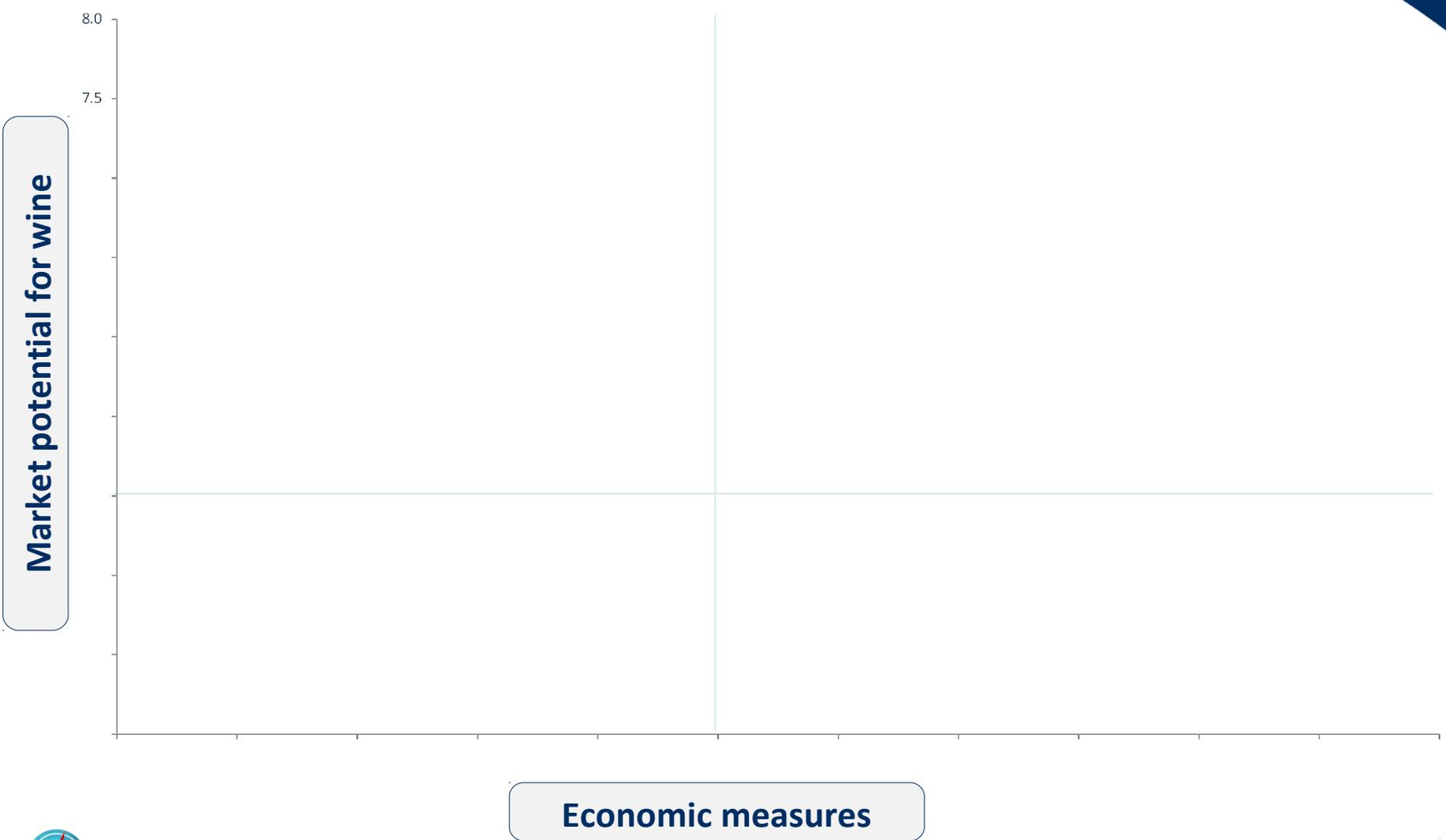
Ireland
Italy
Japan
Malaysia
Mexico
Netherlands
New Zealand
Nigeria
Norway
Peru

Philippines
Poland
Portugal
Romania
Russia
Slovenia
Singapore
Slovakia
South Africa
South Korea

Spain
Sweden
Switzerland
Taiwan
Thailand
Turkey
United Arab Emirates
United Kingdom
United States
Vietnam



Results of Compass 2015-16 evaluation



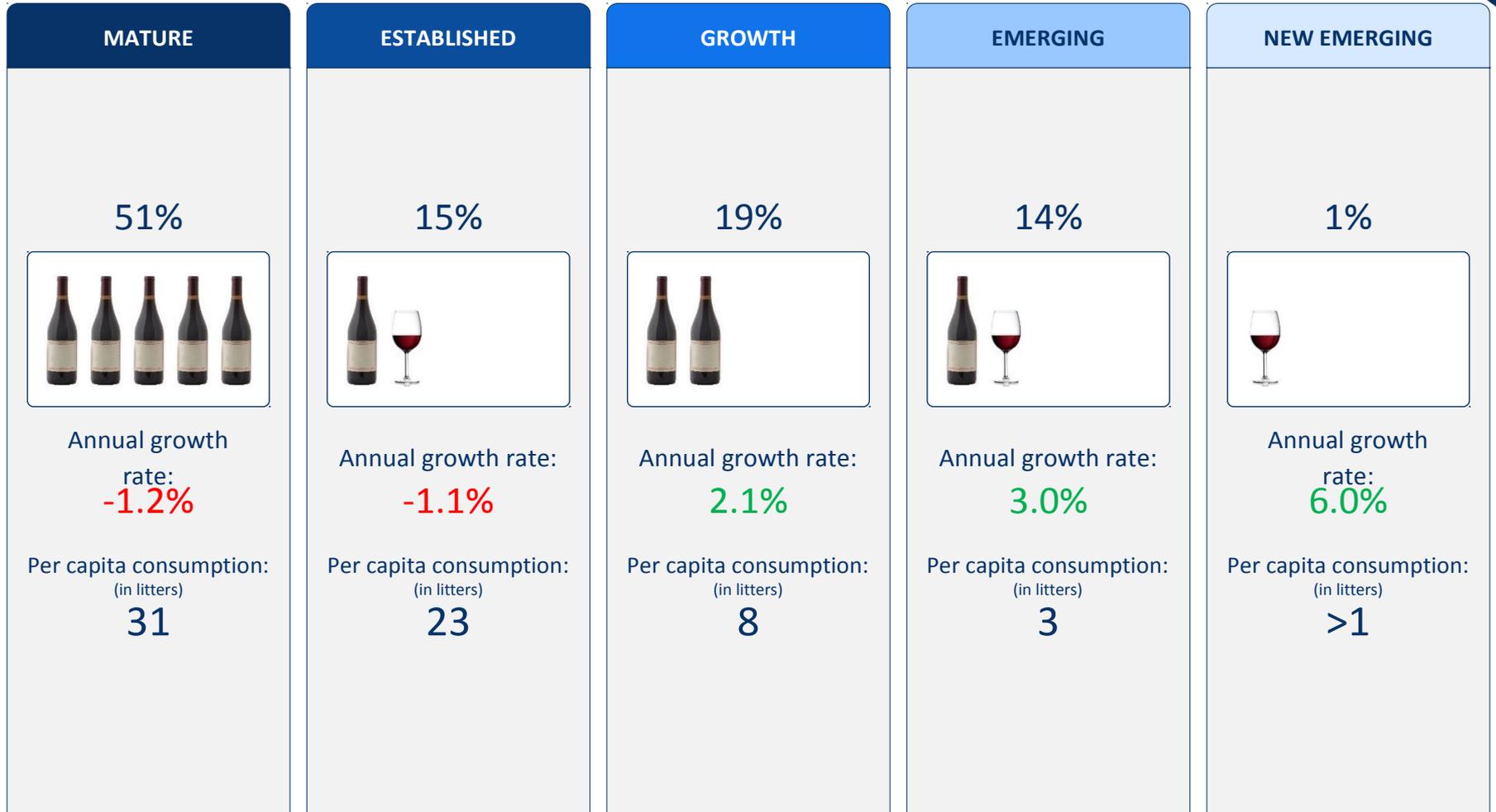
Results of Compass 2015-16 evaluation

Market		Market Attractiveness		
		High	Medium	Low
Market				

Five distinct groups with differing wine volumes, average growth rates and per capita consumption

MATURE	ESTABLISHED	GROWTH	EMERGING	NEW EMERGING
Traditional producers. Volumes declining	Strong historical growth, have reached potential	Wine becoming mainstream	Growth from low base	Wine new but growing fast

Five distinct groups with differing wine volumes, average growth rates and per capita consumption



Five distinct groups with differing wine volumes, average growth rates and per capita consumption

MATURE	ESTABLISHED	GROWTH	EMERGING	NEW EMERGING
Traditional producers. Volumes declining	Strong historical growth, have reached potential	Wine becoming mainstream	Growth from low base	Wine new but growing fast

Current mind-set



Wine Intelligence global market classification

MATURE	ESTABLISHED	GROWTH	EMERGING	NEW EMERGING
Traditional producers. Volumes declining	Strong historical growth, have reached potential	Wine becoming mainstream	Growth from low base	Wine new but growing fast
<p>Markets</p> <ul style="list-style-type: none"> Germany (2) France (15) Austria (16) Italy (20) Chile (29) Spain (31) Argentina (33) Hungary (34) Portugal (37) Romania (39) Greece (42) Slovenia (46) 	<p>Markets</p> <ul style="list-style-type: none"> United Kingdom (4) Switzerland (5) Australia (8) Norway (9) The Netherlands (10) Sweden (12) Denmark (14) Belgium & Luxembourg (21) New Zealand (22) Finland (30) Ireland (35) 	<p>Markets</p> <ul style="list-style-type: none"> United States (1) Japan (3) Canada (7) Hong Kong (11) South Africa (41) 	<p>Markets</p> <ul style="list-style-type: none"> China (6) South Korea (13) Singapore (17) Russia (18) Poland (19) United Arab Emirates (23) Brazil (25) Mexico (26) Czech Republic (27) Taiwan (28) Slovakia (32) Colombia (38) Peru (43) Angola (50) 	<p>Markets</p> <ul style="list-style-type: none"> Malaysia (24) Turkey (36) India (40) Vietnam (44) Philippines (45) Thailand (47) Indonesia (48) Nigeria (49)

Wine Intelligence global market classification

MATURE	ESTABLISHED	GROWTH	EMERGING	NEW EMERGING
Markets where wine has reached its potential with stable or declining volumes	Markets with strong historical growth which is tailing off	Markets where wine is becoming a mainstream product and experiencing growth	Markets where wine is experiencing growth and shows potential from a relatively low base	Markets where wine is still a relatively new and unknown beverage, but showing potential
<p>Markets</p> <p>Germany (2) France (15) Austria (16) Italy (20) Chile (29) Spain (31) Argentina (33) Hungary (34) Portugal (37) Romania (39) Greece (42) Slovenia (46)</p>	<p>Markets</p> <p>United Kingdom (4) Switzerland (5) Australia (8) Norway (9) The Netherlands (10) Sweden (12) Denmark (14) Belgium & Luxembourg (21) New Zealand (22) Finland (30) Ireland (35)</p>	<p>Markets</p> <p>United States (1) Japan (3) Canada (7) Hong Kong (11) South Africa (41)</p>	<p>Markets</p> <p>China (6) South Korea (13) Singapore (17) Russia (18) Poland (19) United Arab Emirates (23) Brazil (25) Mexico (26) Czech Republic (27) Taiwan (28) Slovakia (32) Colombia (38) Peru (43) Angola (50)</p>	<p>Markets</p> <p>Malaysia (24) Turkey (36) India (40) Vietnam (44) Philippines (45) Thailand (47) Indonesia (48) Nigeria (49)</p>

Applying the BCG matrix – Investment strategies

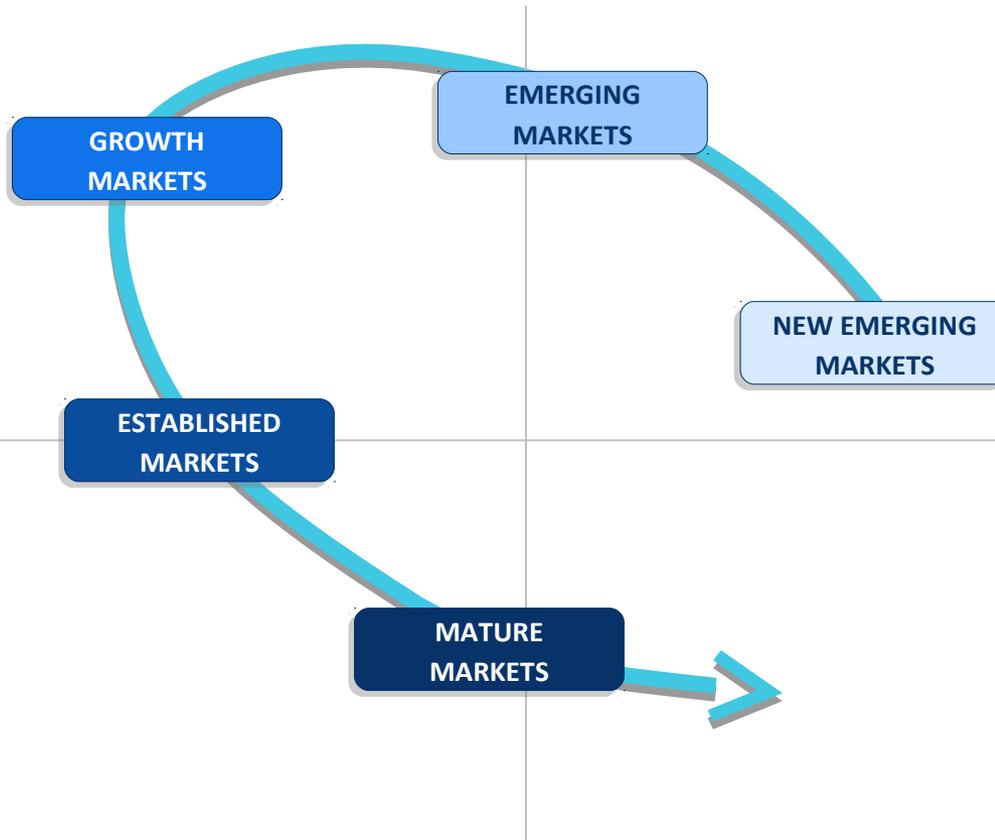
If we compare our model to the Boston Consulting Group matrix, the five market categories match up with the Question Marks / Stars / Cows / Dogs definitions.



Stars

investment strategy:

Invest and expect high returns



Question Marks

investment strategy:

Select a limited number of markets and penetrate with caution



Cash Cows

investment strategy:

Implement good pricing strategy and siphon off profits



Dogs

investment strategy:

Restructure the portfolio and invest only to meet specific needs

How Italy as a brand is doing in the top 5 wine markets?



- **Top 3 value and volume**
(source: IWSR 2015)
- **Top 3 in terms of % of people who have bought wine from a specific Country of Origin in the past 6 months**
(source: Wine Intelligence)





3. VISION & PEOPLE

“The key skills are confidence in your ability to follow your vision, the ability to listen to others and the art of delegation”

Richard Branson, founder of Virgin Group

Vision

People's / organizations **dreams** of what they want to be

People

The most important company's **“product”** and the first-line **Brand Advocates**

- Vision statements should:
 - Focus on aspirations
 - Rarely change or be altered
 - Not necessarily be limited to your specific industry sector or function
 - Consider the **PEOPLE** as the key elements of the business



So, how can we do business better in the global wine market?



So, how can we do business better in the global wine market?





impossible

Grazie!



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