EU wine sector competitiveness: Global wine trends and outlook

By Lulie Halstead, CEO Wine Intelligence

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European Commission for Agriculture and Rural Development

Cultural differences between typical EU and New World companies

	EUROPE-BASED PRODUCERS	SOUTHERN HEMISPERE-BASED PRODUCERS
Asset	Vineyard and production **capacity**	The **brand**
Measure of growth	Acquiring **more capacity**	Opening up **new markets** for the brand
Measure of expansion	Buying wineries in new source-countries/regions	Creating or buying new brands
Measure of performance	**Bottles** per year	**Market share** in key markets
Respondent priorities during interviews	**Increasing distribution** to soak up production capacity	Which markets offer most brand **opportunity and profitability**
And one shared priority…	Which are the markets where we can make money?	

Wine Intelligence global market classification*

TRADITIONAL ESTABLISHED	MATURE ESTABLISHED	HIGH GROWTH ESTABLISHED	EMERGING	NEW EMERGING
Wine producing countries with high residual per capita consumption, but stable or declining	Markets with strong historical growth which is tailing off	Markets where wine is becoming a mainstream product and is experiencing above-trend growth	Markets where wine is experiencing rapid growth from a relatively low base	Markets where wine is still a relatively new an unknown beverage
Argentina	Australia	Canada	Angola	India
Croatia	Denmark	USA	China	Malaysia
France	Ireland	New Zealand	Brazil	Nigeria
Georgia	Belgium	Finland	Hong Kong	Taiwan
Germany	Netherlands	Norway	Mexico	Thailand
Italy	UK	Sweden	Poland	UAE
Portugal	Switzerland		Russia	
Spain	Japan		Singapore	
			South Africa	
			South Korea	

EU key export markets inside the EU**

EU key export markets outside the EU

*Source: Wine Intelligence

**Base on volume exports volume figures 2008 - 2011 - ©Copyright - The WSR 2012

Understanding subconscious behaviours is useful to support our complex category

Category complexity
Range of SKUs

Social complexity
Wine's role in the social environment

Situational complexity
Appropriateness of wine for different occasions

Product complexity
Variability of style, vintage and variety etc.

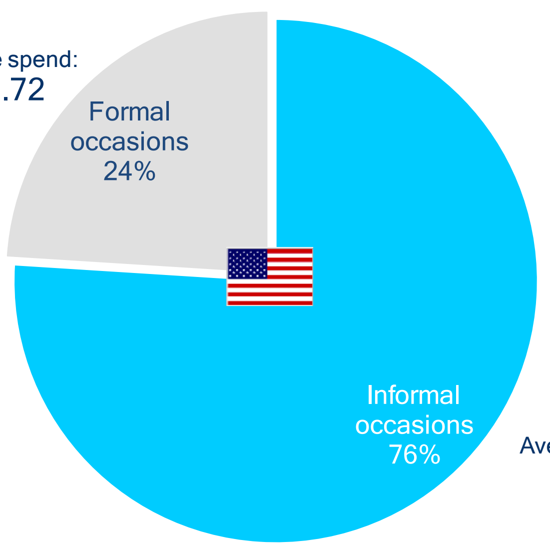
Importance of every-day wine drinking

VS

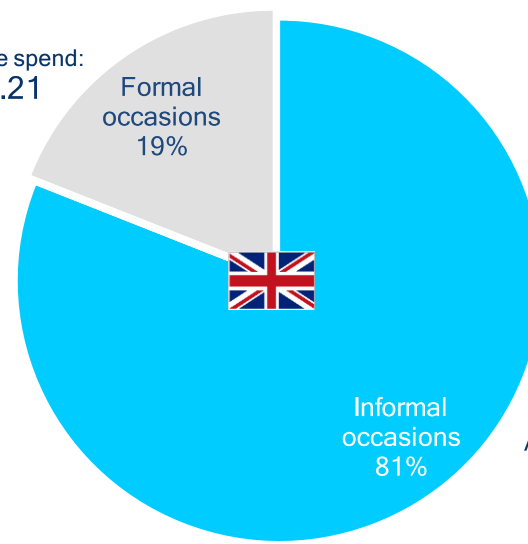
Off trade- Informal vs. formal occasions

Base=All USA and UK regular wine drinkers (n=2,047 and n=603)

US

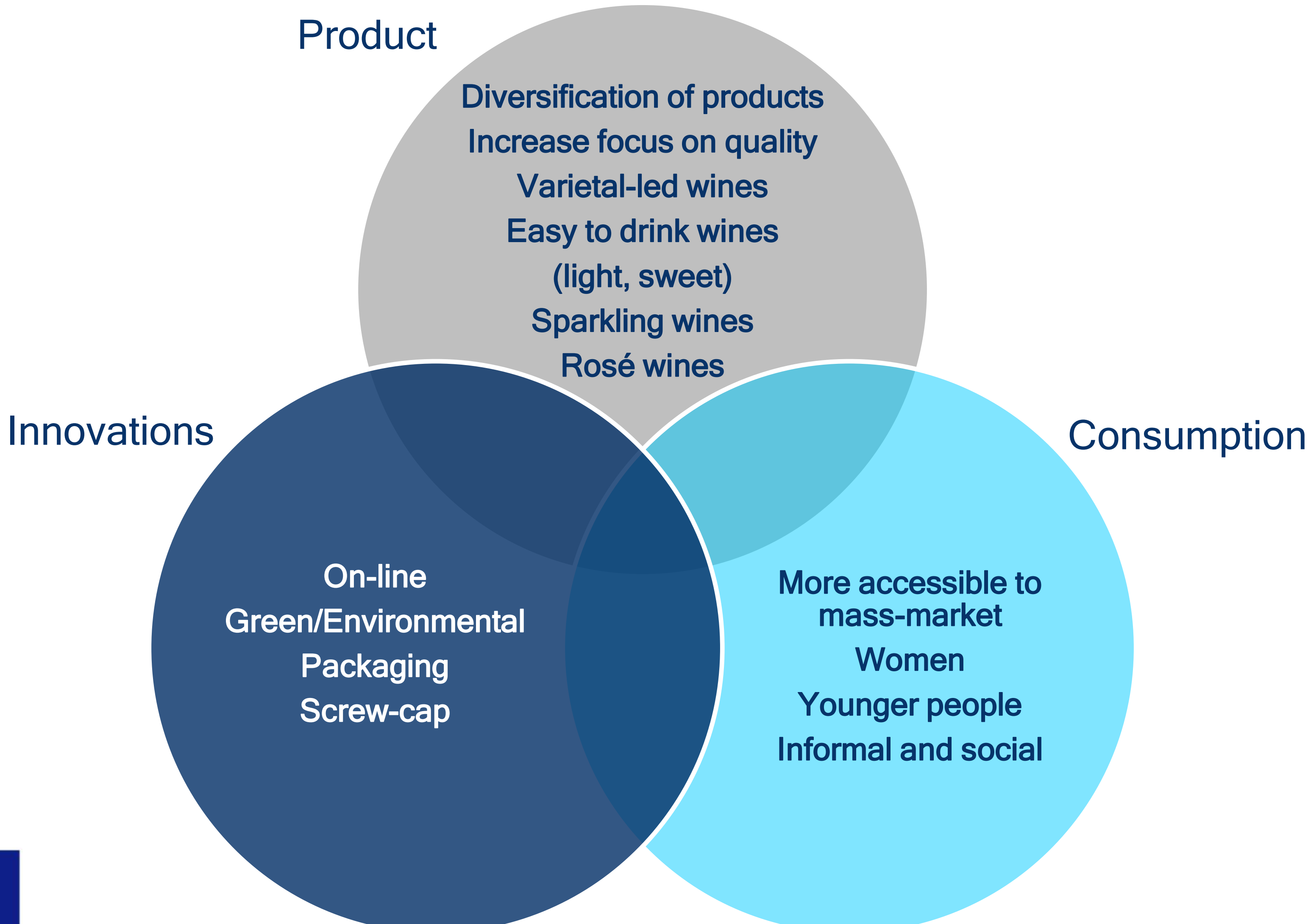


UK

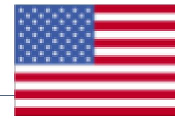


Sources: Wine Intelligence, Vinitrac© USA March 2011, n=2,047 USA regular wine drinkers.
Vinitrac® UK, January 2011, n=603 UK regular wine drinkers

Key world wine consumption trends



Country and region of origin in key markets

		
1. Grape variety	1. Grape variety	1. Country of Origin (88%)
2. Promotional offer	2. Reco by Friend or Family	2. Region of Origin (83%)
3. A brand I'm aware of	3. A brand I'm aware of	3. Reco by Friend or Family
4. Country of origin (59%)	4. Promotional offer	4. Back label
5.Reco by Friend or Family	5.Reco by shop staff	5. Quality indicators
6. Region of Origin (51%)	6. Country of Origin (48%)	6. Signs / comments on shelf
7. Recommended by shop staff	7. Region of origin (46%)	7. Traditional labels

Source: Wine Intelligence, Vinitrac® Global Mar'11, n≥1,000,
% who stated the statement to be 'important or very important' when choosing a bottle of wine

Relative importance of key choice cues

Relative importance of brand and price ↓

Relative importance of country and varietal →

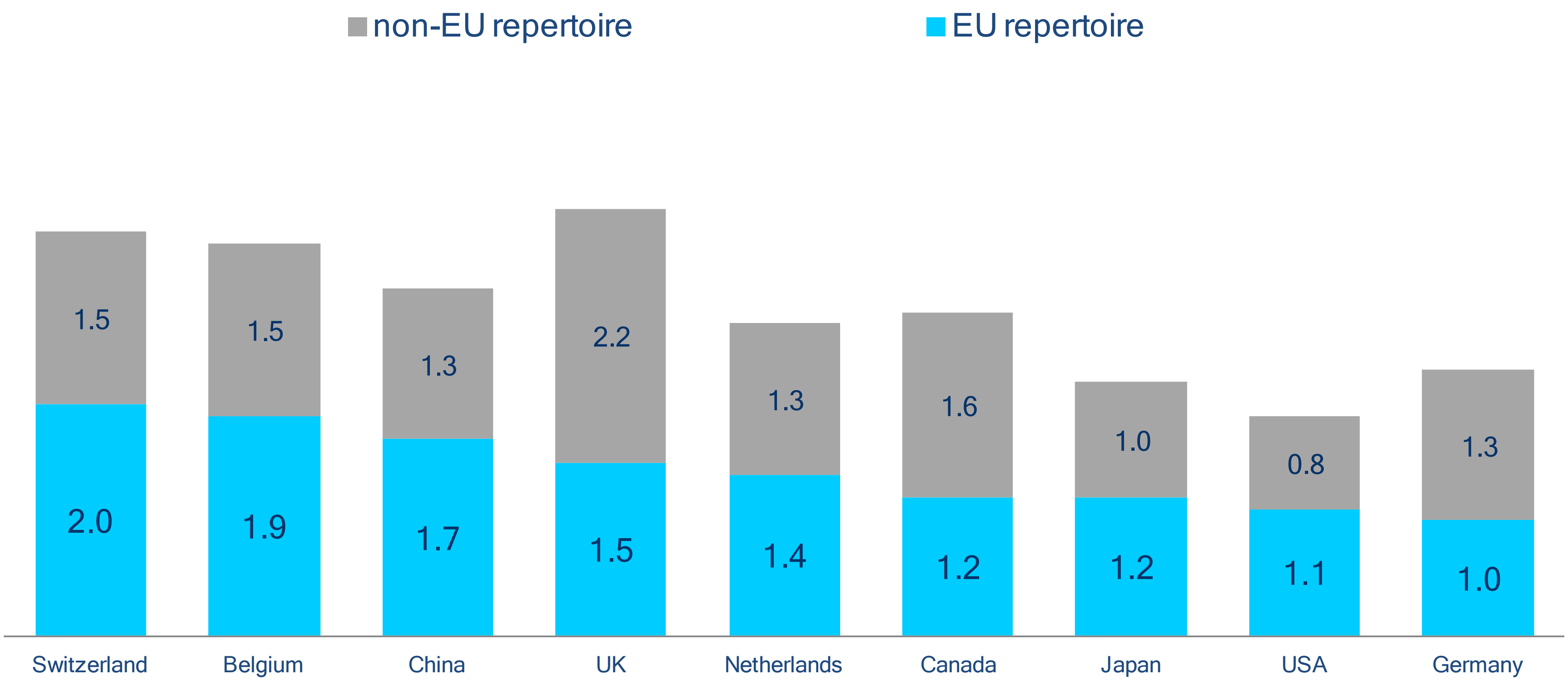
	Country of origin	Varietal
Brand	Finland Switzerland Germany Russia	Sweden Belgium Australia Norway US Canada
Price	Brazil Japan Denmark* Netherlands* China	UK Australia

*Although brand is somewhat more important than promotions as a choice cue in Denmark and Netherlands, the relative importance of promotions is higher than in other markets and these markets have therefore been classified as price-driven markets

Proportion of non-EU vs. EU wines drunk, according to the consumer

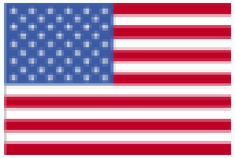
Country of origin consumption repertoire

* Average number of import countries from which wine is consumed per drinker in a 6 month period
Base=All regular wine drinkers per country



Source: Wine Intelligence Vinitrac® Mar'08-Oct'10 regular wine drinkers n>500 across all markets. Vinitrac® China March 2011, n=1,011, Chinesse upper middle class imported wine drinkers

Which countries of origin are important to consumers?

Markets	Core CoOs for consumers	CoOs in growth	CoOs in decline
	California / USA Australia France and Italy	Argentina (Malbec), Chile, Spain Greece (small base)*	Australia, France, Italy and Germany
	Australia + France SA, Spain, Italy and California	France and Spain	Australia, SA and California
	France and China	Australia, Italy, Chile	Germany, Portugal

Source: Wine Intelligence, Vinitrac® Global Mar'11, n≥1,000,
% who state they have drunk wine from this country
*a trend noted through trade interviews

What does France mean to Chinese consumers?

Top 10 associations with wine from France

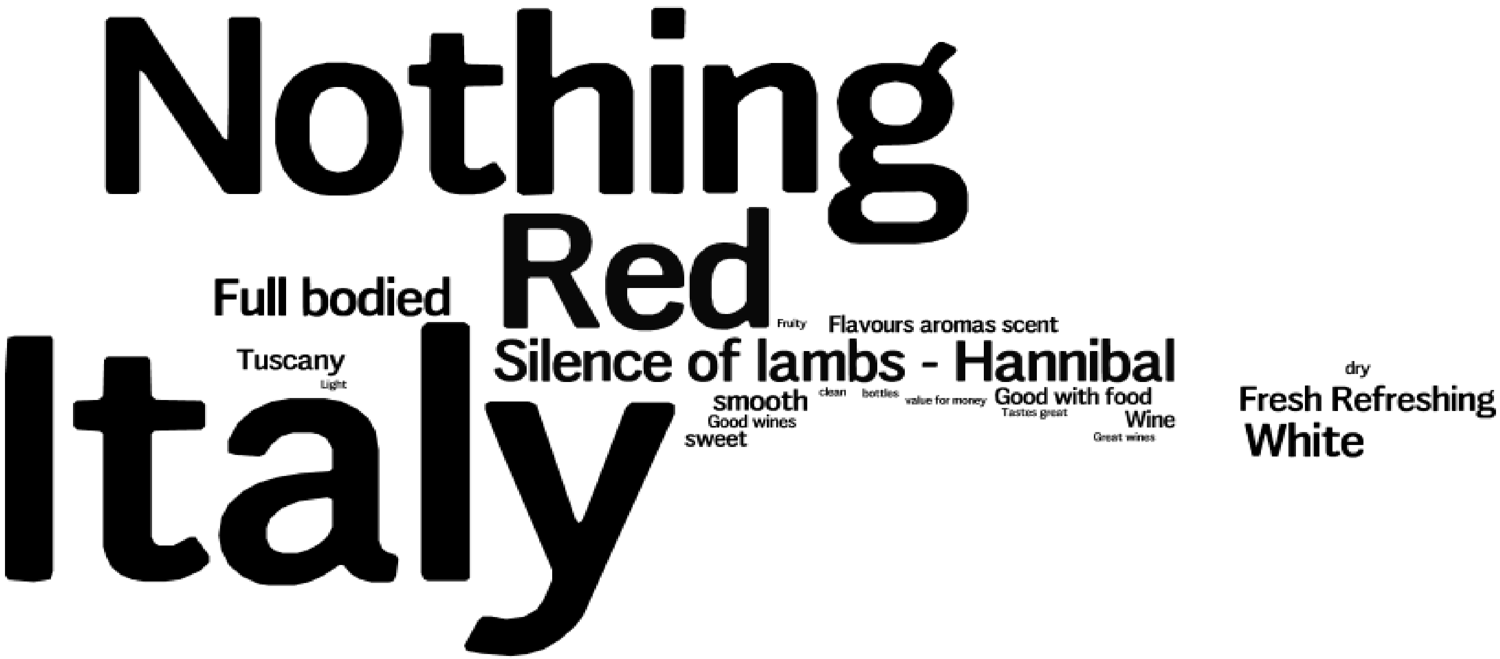
Size of word = frequency of answer given

vinitrac®

Source: Wine Intelligence Vinitrac® China Nov' 11,
n=1,101 Chinese urban regular imported wine drinkers

Awareness doesn't often mean familiarity…

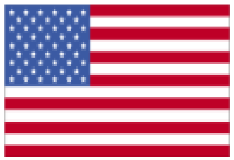
What first comes to mind when you think of **Chianti?**



Base: those who have heard of the region; the size of the word is related to the number of times it was mentioned

Source: Wine Intelligence, Vinitrac® UK Mar'11, n=1,016 all UK regulars wine drinkers

Imported wine regions can be associated with meaningful associations, starting with the country



What first comes to mind when you think of **Rioja?**

Base: those who have heard of the region; the size of the word is related to the number of times it was mentioned

Source: Wine Intelligence, Vinitrac® US Mar'11, n=1,006 all US regulars wine drinkers

Which varietals are important to consumers?

Markets	Core varietals	Trends
	Chardonnay Pinot Grigio Merlot Cabernet	⬆ Moscato* Malbec ⬇ Chardonnay is slight decline
	Chardonnay Sauvignon Blanc Pinot Grigio Merlot Cab Sauvignon Shiraz / Syrah	⬆ Chardonnay on the up ⬇ Cabernet Sauvignon, Shiraz + Pinot Noir showing decline

Source: Wine Intelligence, Vinitrac® Global Mar'11, n≥1,000,
% who state they have drunk wine from this country
*a trend noted through trade interviews

Thank you

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Appendix: Wine Intelligence global market classification

TRADITIONAL ESTABLISHED	MATURE ESTABLISHED	HIGH GROWTH ESTABLISHED	EMERGING	NEW EMERGING
Decreasing volume and value trend	Stable or decreasing volume and value trend	Longer term growth trend in total market volume/value	Generally significant growth, but from small base in terms of market volume and value	Typically significant growth, but from marginal base and risk of fluctuation
Decreasing per capita consumption from high base	Stable or decreasing per capita consumption from high base	Range of per capita consumption levels prevalent	Low per capita consumption rates for wine	Negligible per capita consumption rates across the adult population as a whole
Some shift away from dominance of domestic production	Broad range of countries/regions of origin	Broad range of countries/regions of origin, often changing or developing	Narrow range of countries of origin/wine styles	Limited wines distributed and available
Shift from 'table/bulk wine' to premium bottled wine	Wine often considered drink of choice by many adults in the population	Wine often considered drink of choice by many adults in the population	Market dominated by domestic wine/spirits	Limited wine drinking culture

SOURCE: Wine Intelligence

Wine Intelligence

Company Background

Who we are & what we do

We are a family-owned and managed business dedicated to supporting wine businesses worldwide - creating value through strategic advice, branding & research

We offer a range of marketing, strategy and research services as well as ready-to-purchase reports, all aimed at helping wine businesses make more profitable business decisions

Where we work

Our main office is in London and we also have dedicated country managers or country-based associates in:

Argentina
Australia
Brazil
China
France
Germany
Italy
South Africa
Spain
USA

Wine Intelligence: what we do

Wine Intelligence helps clients in the wine industry to make evidence-based decisions. We support our clients with a range of topics, including brand audits, packaging assessments and market entry strategy.

Service areas

Primary & secondary research	Strategic advice
Brand and product development	Syndicated reports

Research methodologies

We employ research experts qualified in a broad range of methodologies, including:

- Trade interviews
- Qualitative consumer research (focus groups, accompanied shopping, IDIs etc.)
- Quantitative consumer research (Vinitrac® online survey)

Lulie Halstead

Lulie Halstead
Chief Executive

Lulie is an experienced wine industry practitioner and leading wine marketing academic.

Prior to co-founding Wine Intelligence, she developed expertise in the wine industry in importing, marketing, retailing and new business development.

She is an established marketing academic, focusing on wine consumer behaviour, and is a full member of the Market Research Society and frequently speaks at industry and academic conferences around the world.

She is an expert in both quantitative and qualitative research.