Lulie

HALSTEAD

WINE & SPIRITS
BUSINESS STRATEGY

CONSULTANCY.EDUCATION.
INTERIM LEADERSHIP.
BOARD ADVISORY.

Julie HALSTEAD
WINE & SPIRITS BUSINESS STRATEGY

IWSR

WSET

GÉRARD BASSET FOUNDATION

KEDGE BUSINESS SCHOOL

MIB Trieste School of Management

University of South Australia

The Fladgate Partnership

tales of the COCKTAIL NEW ORLEANS

Session 1:
Why market orientation drives sustainable profit growth

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Global macro trends

Wine will continue to be enjoyed and consumed

	Global wine volume (9ltr cases)	Global wine retail value (US$)
2019	3.15 billion	$198 billion
2023	2.69 billion	$202 billion
2028	2.53 billion	$202 billion

Source: IWSR

1. India and the US will be key value beverage alcohol growth drivers to 2028

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India and the US will be key value TBA (total beverage alcohol) growth markets (adding US$15bn in incremental value by 2028)

TBA growth axis continues to shift towards developing economies – Brazil, China, Mexico, South Africa and Spain – are expected to add a combined incremental US$17bn to 2028

Source: IWSR

2. Post pandemic inventory overload impact continues in 2024

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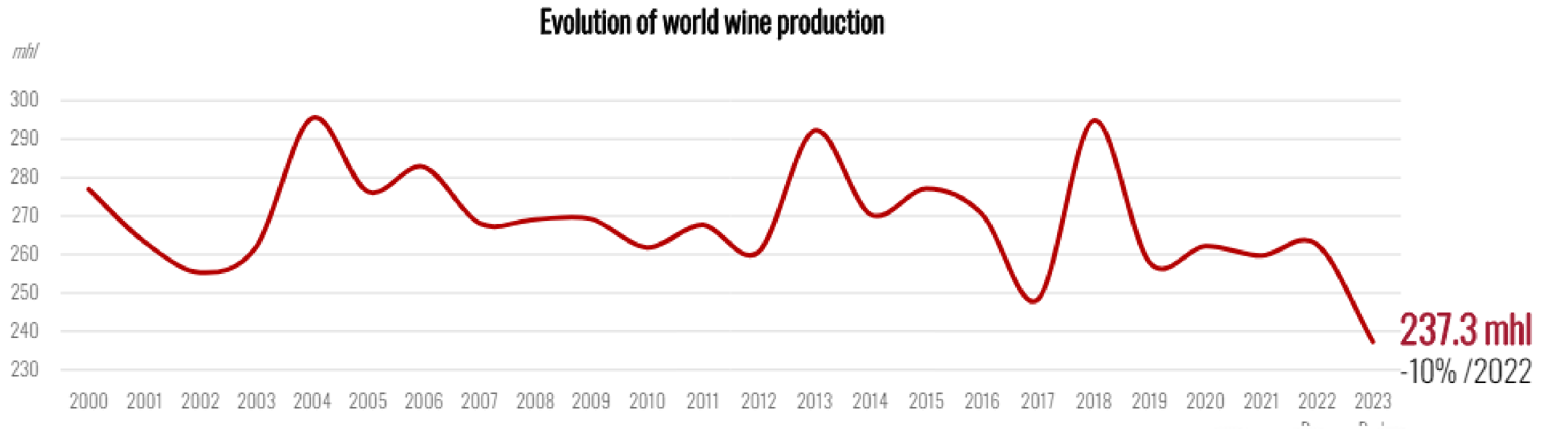
TBA is forecast to be flat (0.4% volume and value) in 2024, with recovery from 2025 onwards

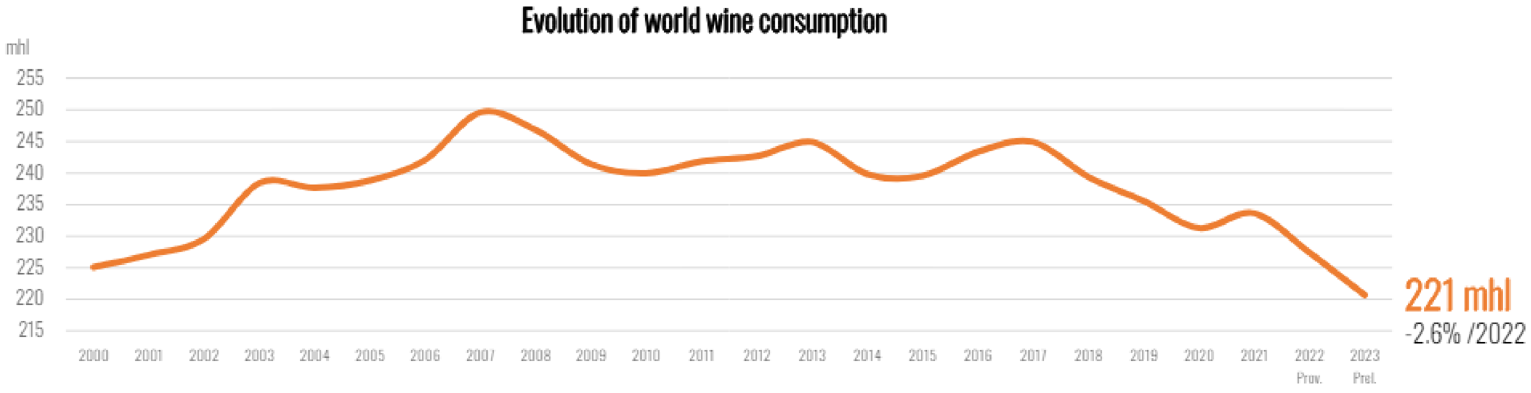
Source: IWSR

3. Global wine moving to equilibrium: both lower production and consumption

Wine Production

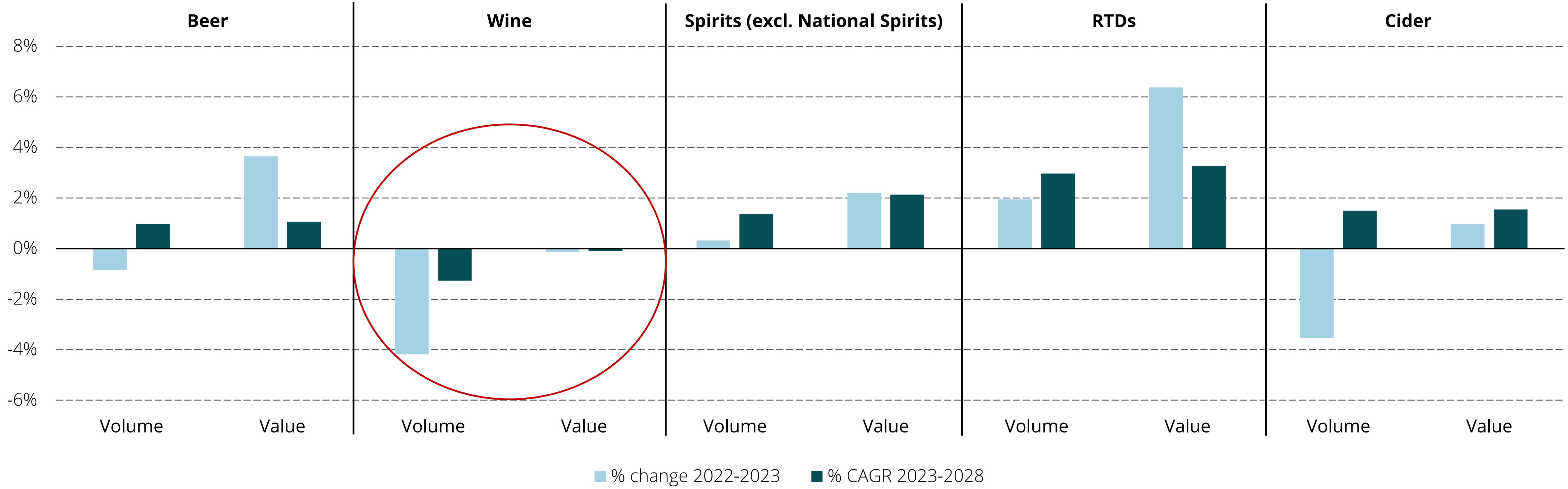


Wine Consumption



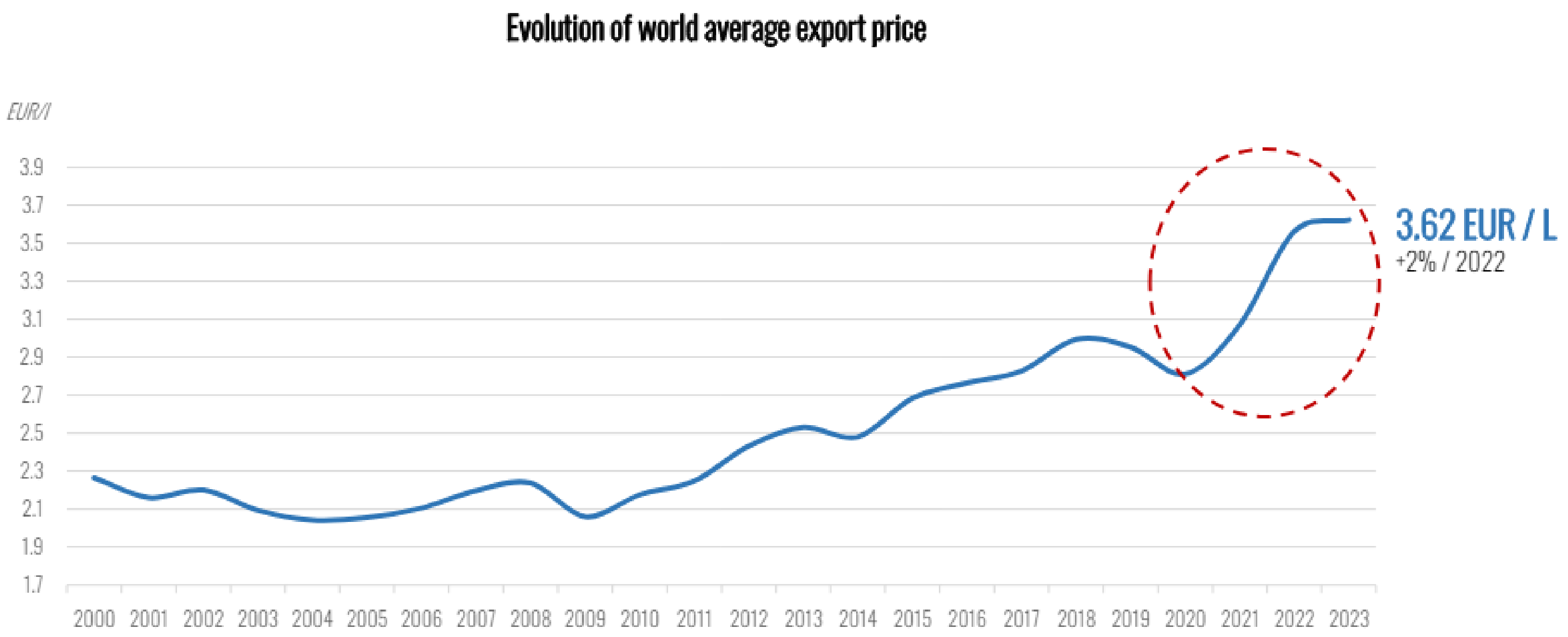
Global TBA volume down -1%, whilst value up 3% in 2023

Volume and value comparison – top line categories
% change 2022–23 and CAGR forecast 2023-2028



4. Continued 'premiumisation' in wine

International Trade in Wine

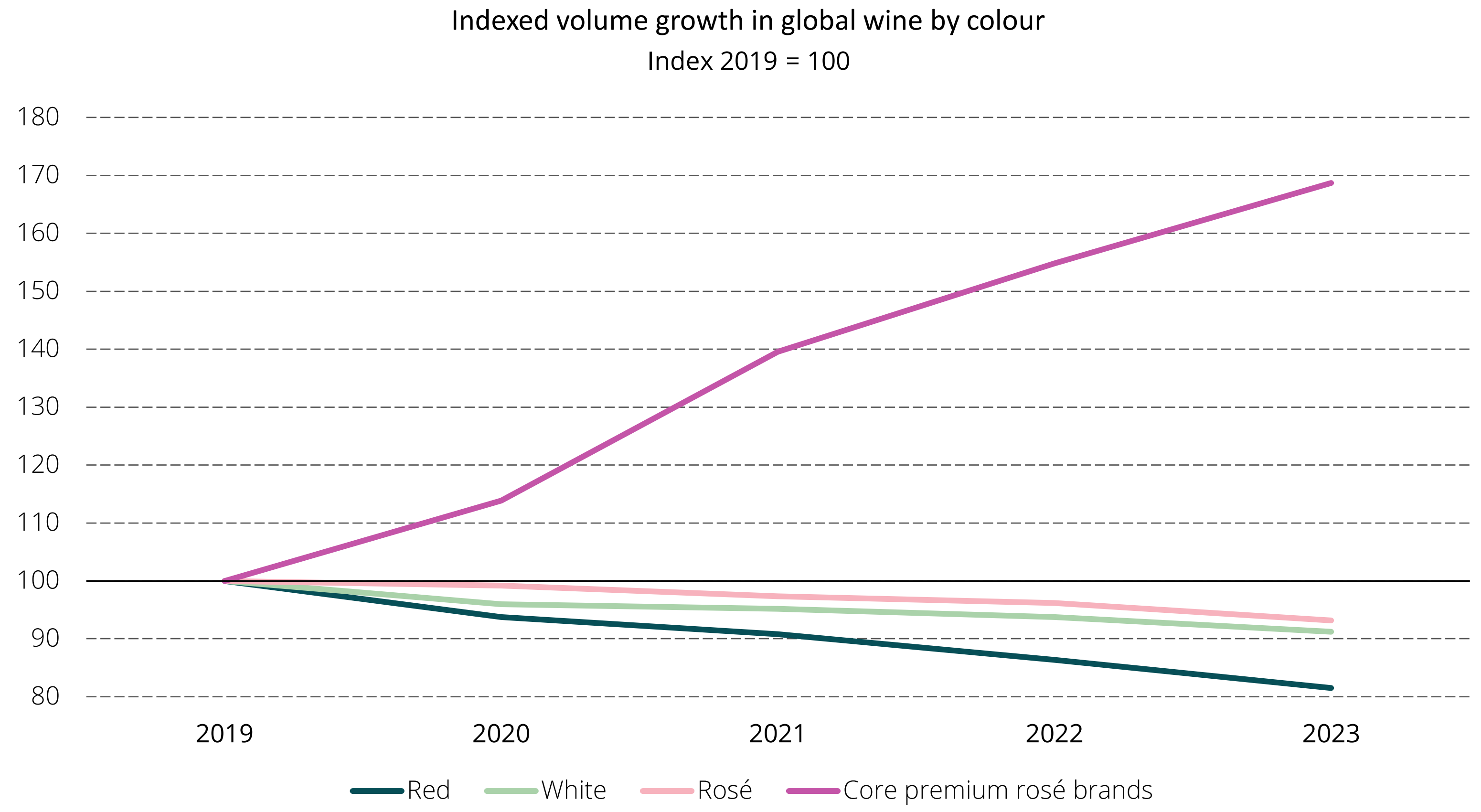


The average world export price of wine in 2023 peaked at **3.62 EUR/L**, the **highest ever recorded**. This represents **a significant increase of 29% since 2020**. This rise in prices primarily stems from higher costs incurred by producers, importers, and distributors, a **direct consequence of global inflationary pressures.**

OIV 100

Premium rosé: countering the decline in wine

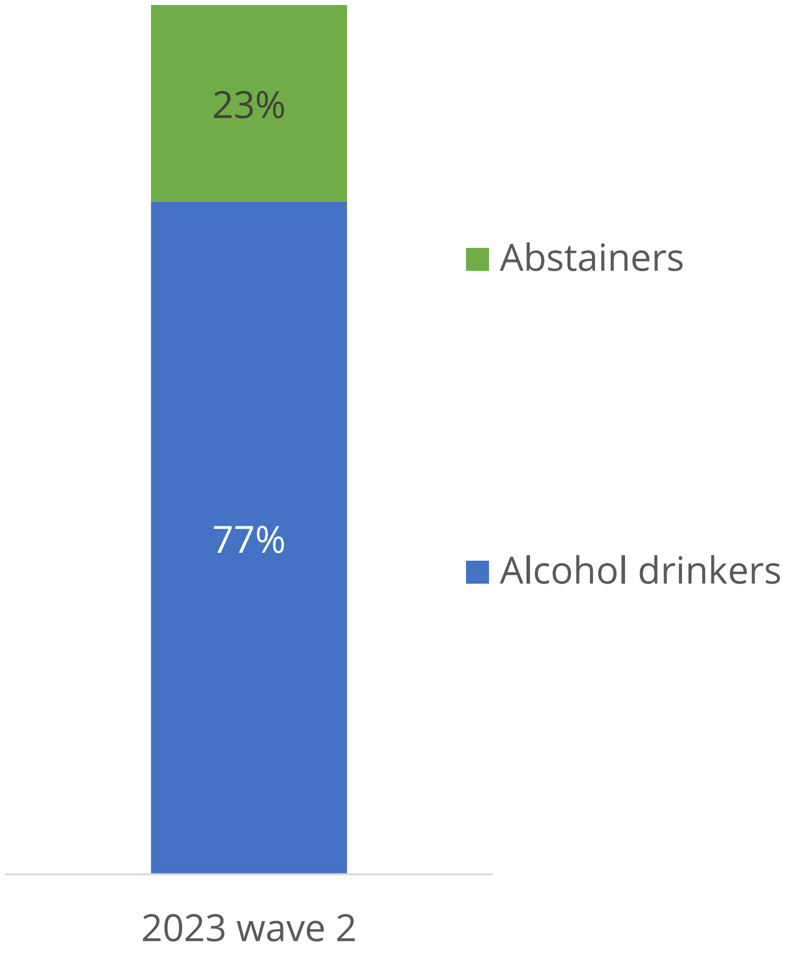
US, UK and Australia are key markets for premium rosé brands



5. Continued moderation of alcohol consumption

% alcohol drinkers vs. abstainers

amongst adult LDA population

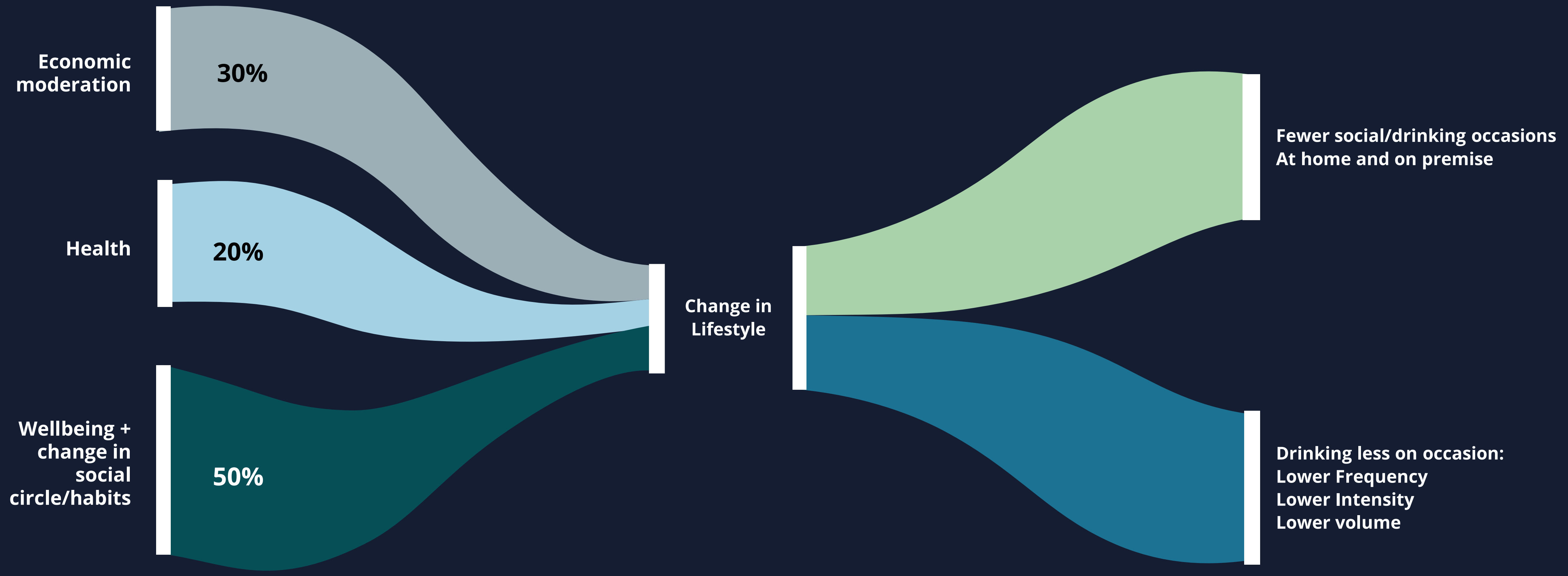


	% abstainers amongst adult LDA population
Brazil	21%
UK	18%
India	29%
US	30%
Canada	25%
Australia	23%
Japan	44%
Germany	24%
Mexico	15%
China	9%

Base: LDA+ adults, n>1,096 per market across 15 key markets, September 2023

Bevtrac data: consumer rationale for moderation

Lifestyle adjustments brought by post-covid era as well as macroeconomic factors are shaping new consumption patterns



Base: Drinkers

What is the purpose of business?

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To create long-term value

To provide employment

To generate profit

To contribute to society & the community

How do we generate profit?

What is the most important function in your business to drive profit to 2030?
(Rank from #1 - #7)

- ❑ Sales
- ❑ Finance
- ❑ Viticulture
- ❑ Wine making
- ❑ Marketing
- ❑ HR
- ❑ Procurement

How do we generate profit?

By solving problems and meeting the needs of customers and consumers through our products or services

Wine business success to 2030

	Never 1	Occasionally 2	Sometimes 3	Often 4	Always 5
If we educate our consumers, they will buy more of our products					
Our winemaking team decides which products to produce					
Our sales team set our prices					
Our marketing team primarily supports our sales team					
Our business decisions are led by market information					
We systematically & continuously monitor market trends					
We invest in understanding the needs of our target market					
We meet regularly with people from across the organisation to review market opportunities & risks					
We have good communication between departments regarding market information					
Customer feedback is systematically collected & used to improve our products & service					
We systematically collect information about our competition					

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Businesss orientation

Product orientation

Sales orientation

Market orientation

Businesss orientation

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Product orientation

- Our primary focus is on the wines we make
- We know our wines are fantastic
- We don’t need consumer feedback
- Marketing is there to get our consumers to love our great wines
- The product is king

Businesss orientation

Sales orientation

- We care most about sales
- We don't need customer feedback
- The more wines we have the better
- Marketing is only there to support sales activities
- Revenue is king

Businesss orientation

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Market orientation

- We makes wines that our consumers want
- The wine consumer is king
- Our supply chain partners are a key source of insight
- Market understanding is important
- Competitor analysis is vital
- We test our wines with customers before we go to market

Coca-Cola DIAGEO

Wine business success to 2030

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	1 Never	2 Occasionally	3 Sometimes	4 Often	5 Always
If we educate our consumers, they will buy more of our products					★
Our winemaking team decides which products to produce					★
Our sales team set our prices					★
Our marketing team primarily supports our sales team					★

Product orientation | Sales orientation | Market orientation

Wine business success to 2030

	Never 1	Occasionally 2	Sometimes 3	Often 4	Always 5
Our business decisions are led by market information					★
We systematically & continuously monitor market trends					★
We invest in understanding the needs of our target market					★
We meet regularly with people from across the organisation to review market opportunities & risks					★
We have good communication between departments regarding market information					★
Customer feedback is systematically collected & used to improve our products & service					★
We systematically collect information about our competition					★

Product orientation | Sales orientation | Market orientation

What are the barriers to market orientation in wine ?

- Research is too expensive
- Not enough time to research - we need to sell
- Our opinion is best - we have professional experience
- Consumers don’t know what they want anyway
- We make great wines - that’s what matters most
- Marketing should only focus on PR & events

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CREATE. CHANGE.

‘Wineries need to take wine out of its self-imposed ghetto’

Robert Jospeh

‘The wine industry can be slow to embrace change, being steeped in tradition. Finding solutions often means making bold changes, which can be risky for any business

Mike Carter

What ‘needs’ does wine solve?

Status

Treat

Memory marker

Reward

Social signifier

Knowledge builder

Refreshment

We are not our consumers – and never will be

'Understand the behaviour and motivations of your customers and other folks whom you'd like to buy your wine. Do your research so you no longer have to guess'
Patrick Merill

Our world

The real world

Action #1:
Prioritise and invest in <u>true</u> consumer understanding

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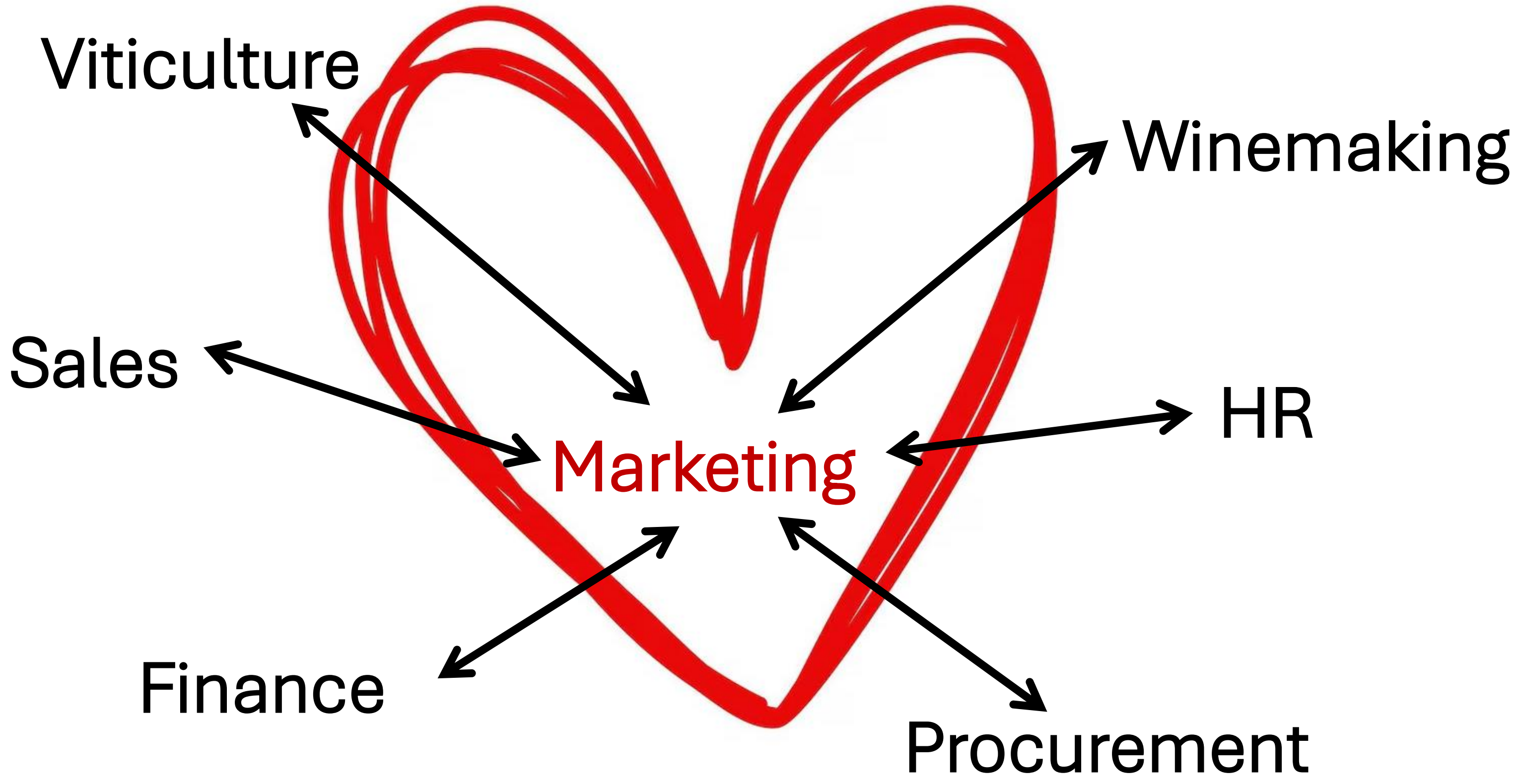
Primary	Secondary	Observational

✓ Free and easy to do
✗ Provides only a snapshot

Action #2:
Place market orientation at the heart of your organisation



Action #3:
Prioritise investment in strategic marketing skills

To be successful, companies need to ensure that all departments adopt and promote the market orientation approach, so that it becomes an integral part of the corporate culture

Session 2:
Global market trends and consumer demands

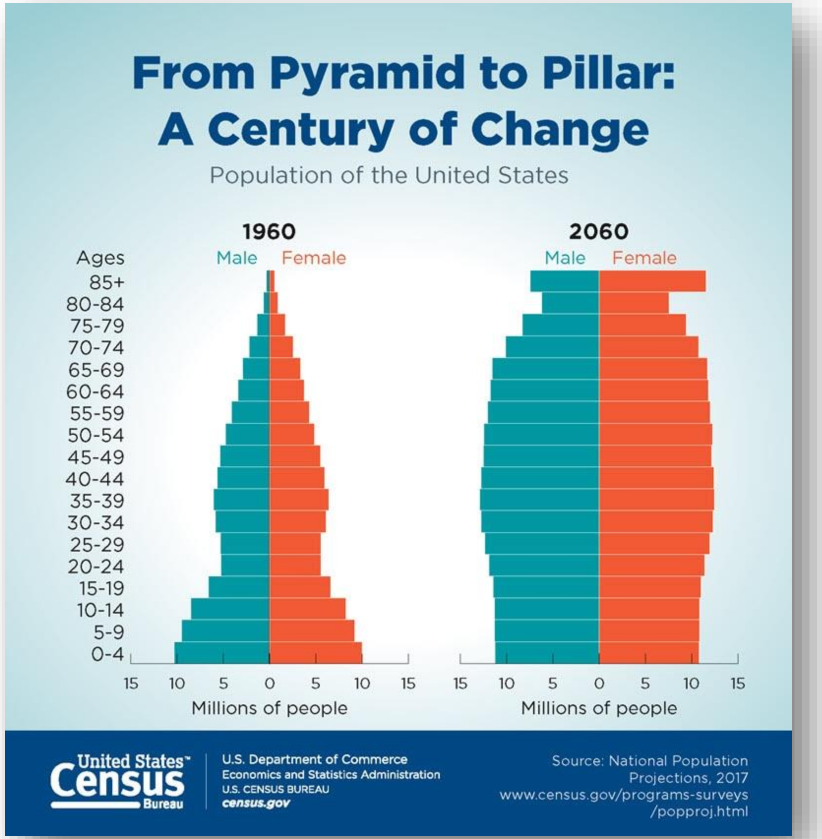
Key Consumer Trends in Wine to 2023

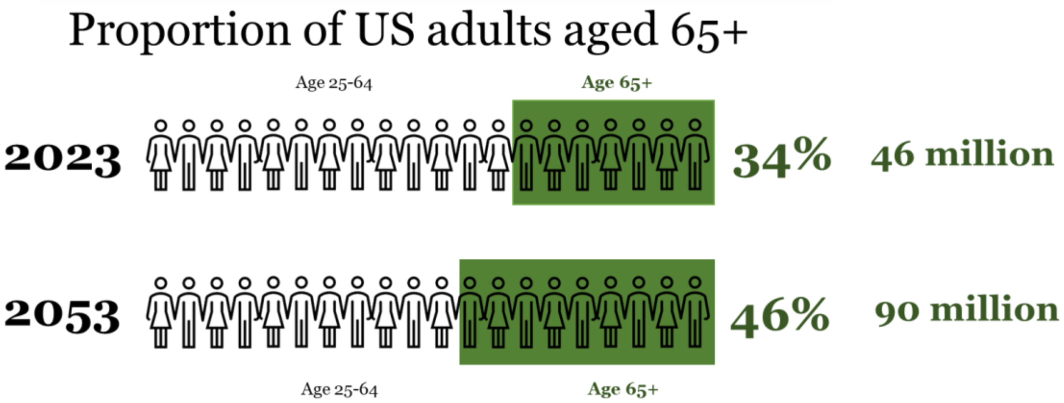
Demographics	Society	Consumption	Taste
Ageing active population	Social cause support	Health & wellness focus	Refreshment
Household diversity	Environmental focus	Social media consumption	Blurring boundaries

Ageing active population

In mid-2020 there were 1.7 million people in the UK aged 85 years+ (2.5% of the population)

By mid-2045, this is projected to have nearly doubled to 3.1 million (4.3% of the population)
(ONS, UK Gov)





Sources: US Census Bureau, Congressional Budget Office 2023

Ageing active population

Monthly+ wine drinking participation rates by age cohort: USA

	2010	2024
18-24	36%	24%
25-34	33%	32%
35-44	33%	36%
45-54	31%	34%
55-64	33%	34%
65+	33%	37%

18-24: Population of regular wine drinkers decreased from 5.0M in 2010 to 4.3M in 2024

65+: Population of regular wine drinkers up from 12.9M in 2010 to 21.0M in 2024

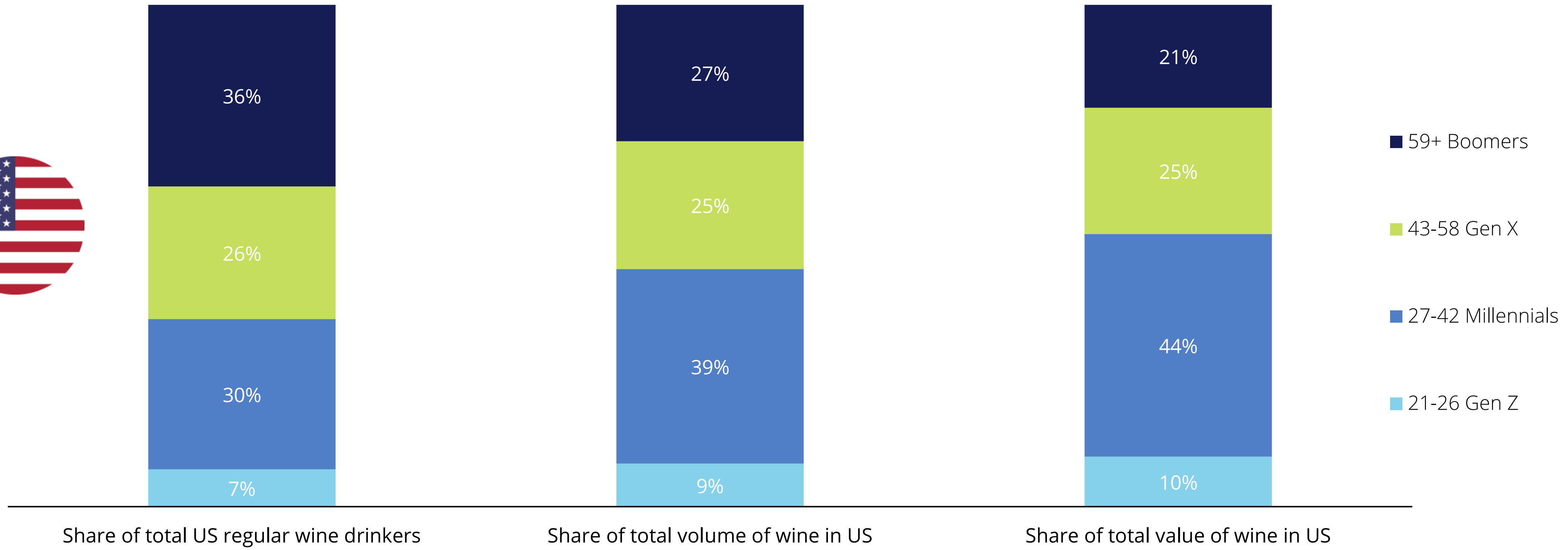
Base = those who drink wine at least once per month n>1,000

Source: IWSR Drinks Market Analysis

Ageing active population

Market sizing: Age

Percentage of each age group amongst regular US wine drinkers



Base: All US regular wine drinkers (n=4,025); Source: Vinitrac® US, February 2024 (n=4,025) US regular wine drinkers

Ageing active population

Monthly+ wine drinking participation rates by age cohort: UK

	2010	2024
18-24	48%	31%
25-34	56%	47%
35-44	54%	49%
45-54	55%	54%
55-64	62%	65%
65+	63%	70%

Population of regular wine drinkers up from 5.9M in 2010 to 8.5M in 2024

Base = those who drink wine at least once per month n>1,000

Source: IWSR Drinks Market Analysis

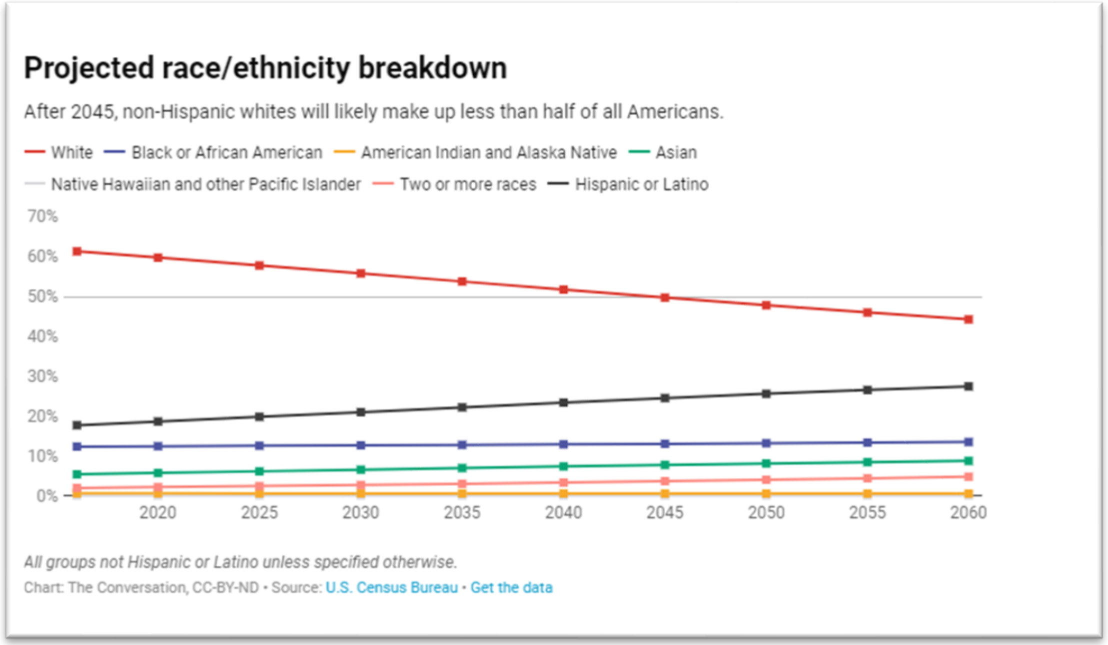
Monthly+ wine drinking participation rates by age cohort: Japan

	2011	2024	
20-24	19%	26%	Population of regular wine drinkers up from 1.4M from 2011 to 1.6M in 2024
25-34	32%	18%	
35-44	37%	18%	
45-54	45%	23%	
55+	44%	29%	Population of regular wine drinkers down from 19.4M in 2011 to 15.3M in 2024

Base = those who drink wine at least once per month n>1,000

Source: IWSR Drinks Market Analysis

Household diversity



’Racial minorities are the primary demographic engine of the nation’s future growth, countering an aging, slow-growing and soon to be declining white population’

US Census Bureau

Household diversity

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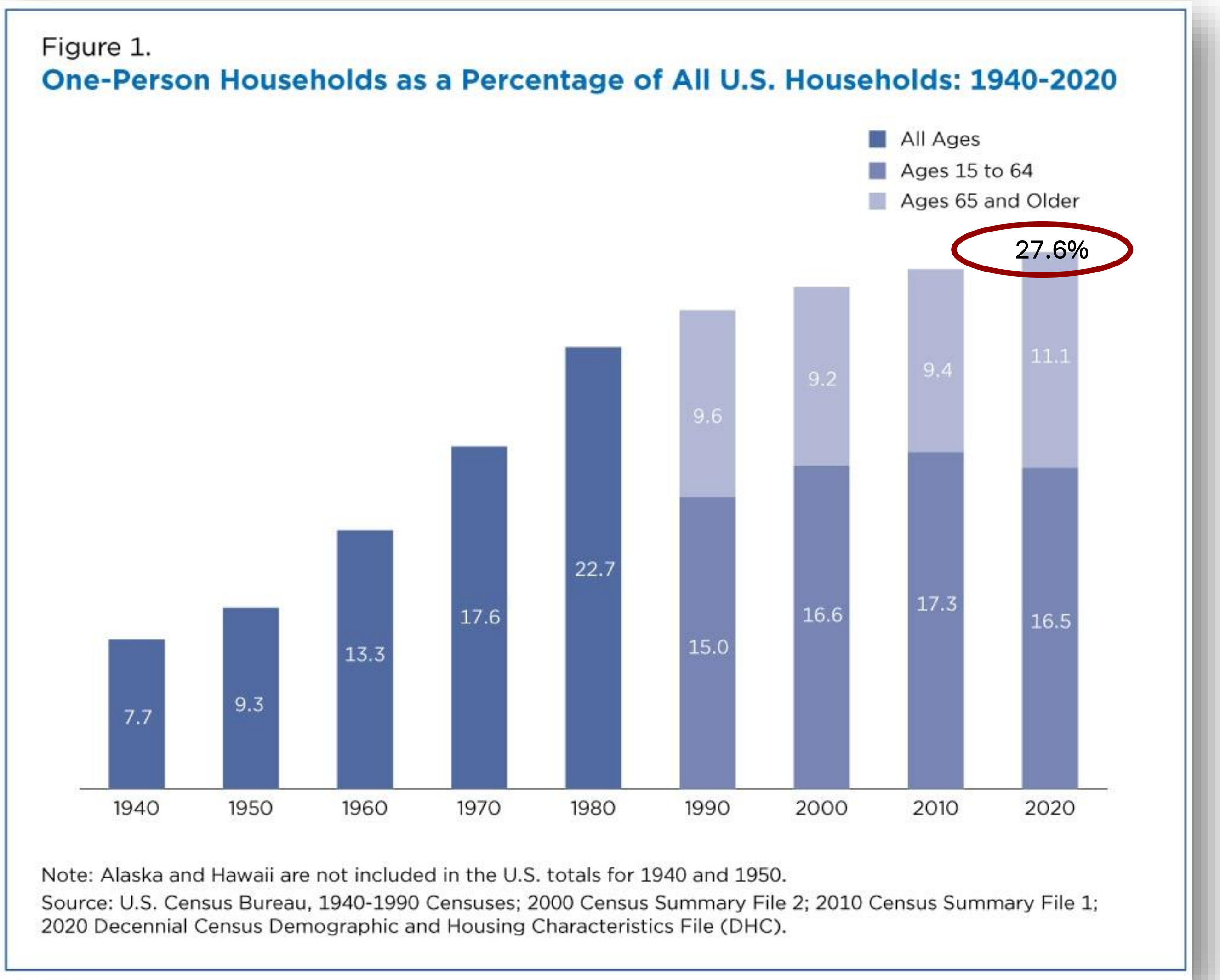

One-person households (those living alone) accounted for almost 1 in 3 (30%) of UK households in 2022

Source: ONS, UK Gov

Household diversity

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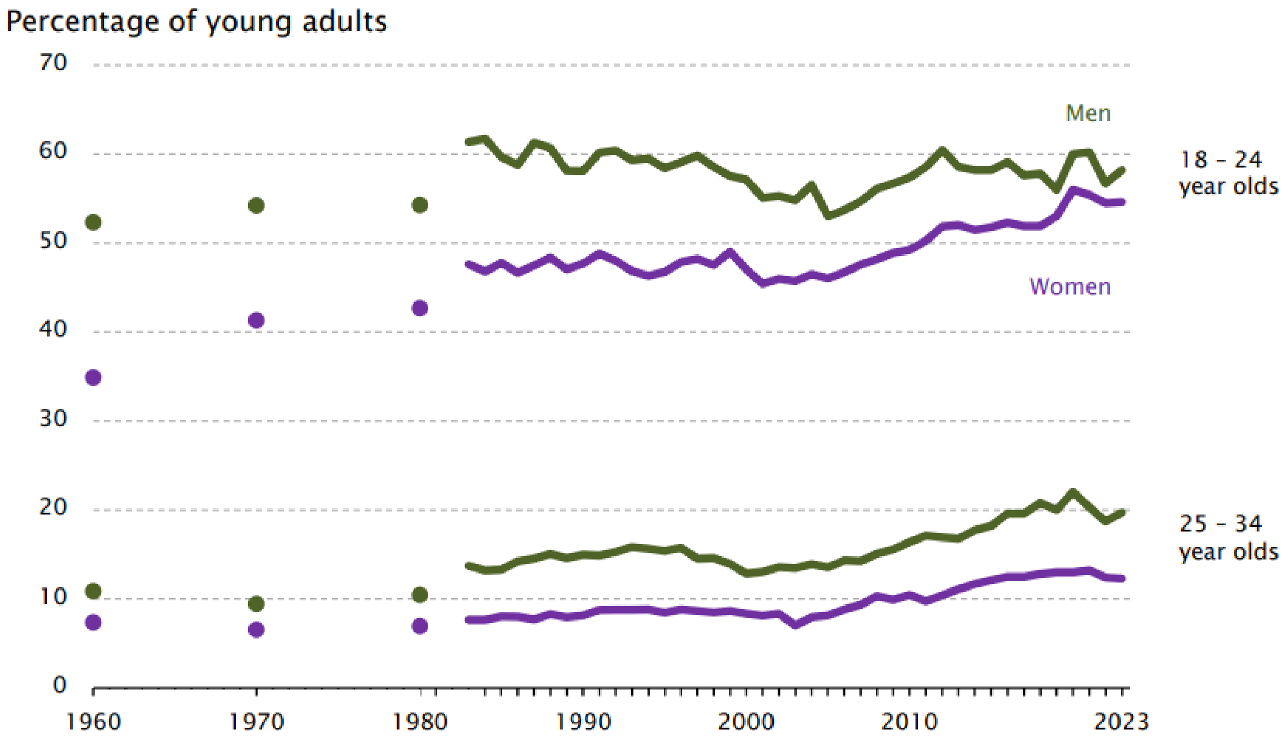
Young adults living in the parental home

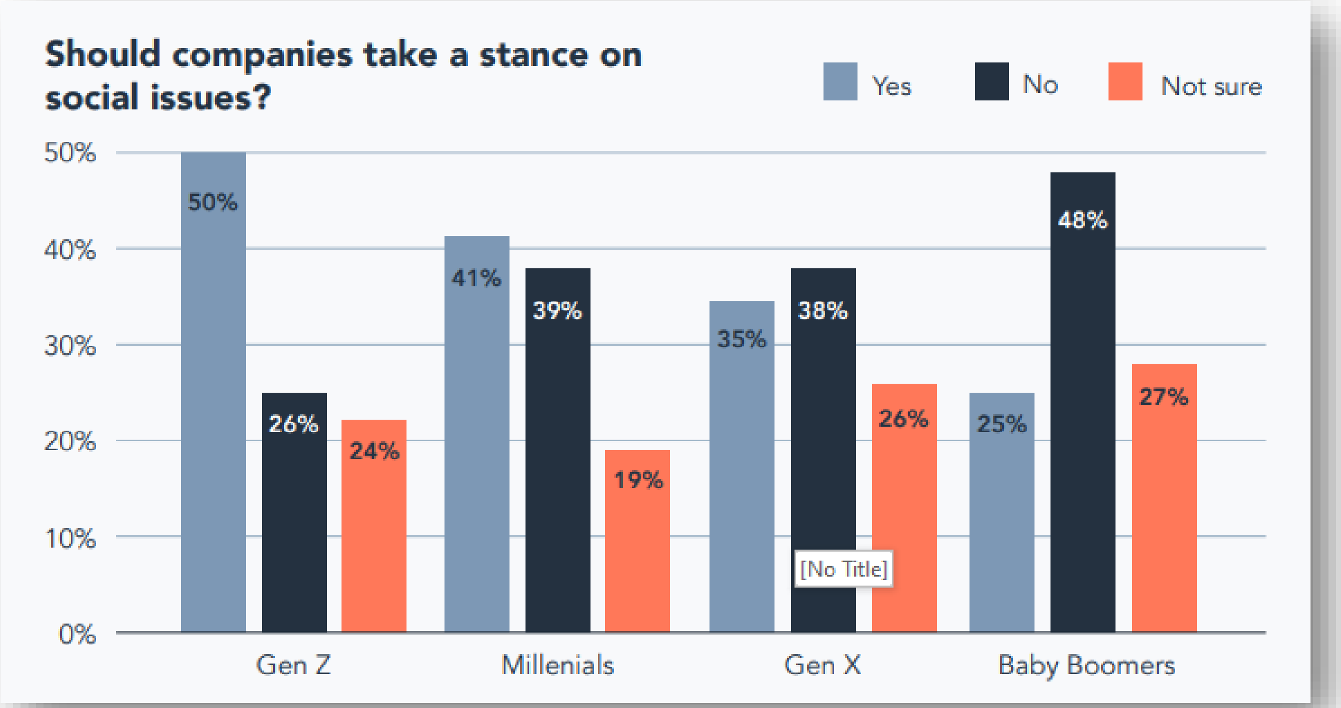


Source: U.S. Census Bureau, Decennial Censuses, 1960 to 1980, and Current Population Survey, Annual Social and Economic Supplements, 1983 to 2023.

Note: Unmarried college students living in dormitories are counted as living in group quarters in decennial data but as living in their parental home in CPS data.

United States Census Bureau | U.S. Department of Commerce U.S. CENSUS BUREAU census.gov

Social cause support



Source: Brand Watch / Hubspot, The State of the US Consumer, 2023

'Consumers increasingly expect brands to have not just functional benefits but a social purpose.

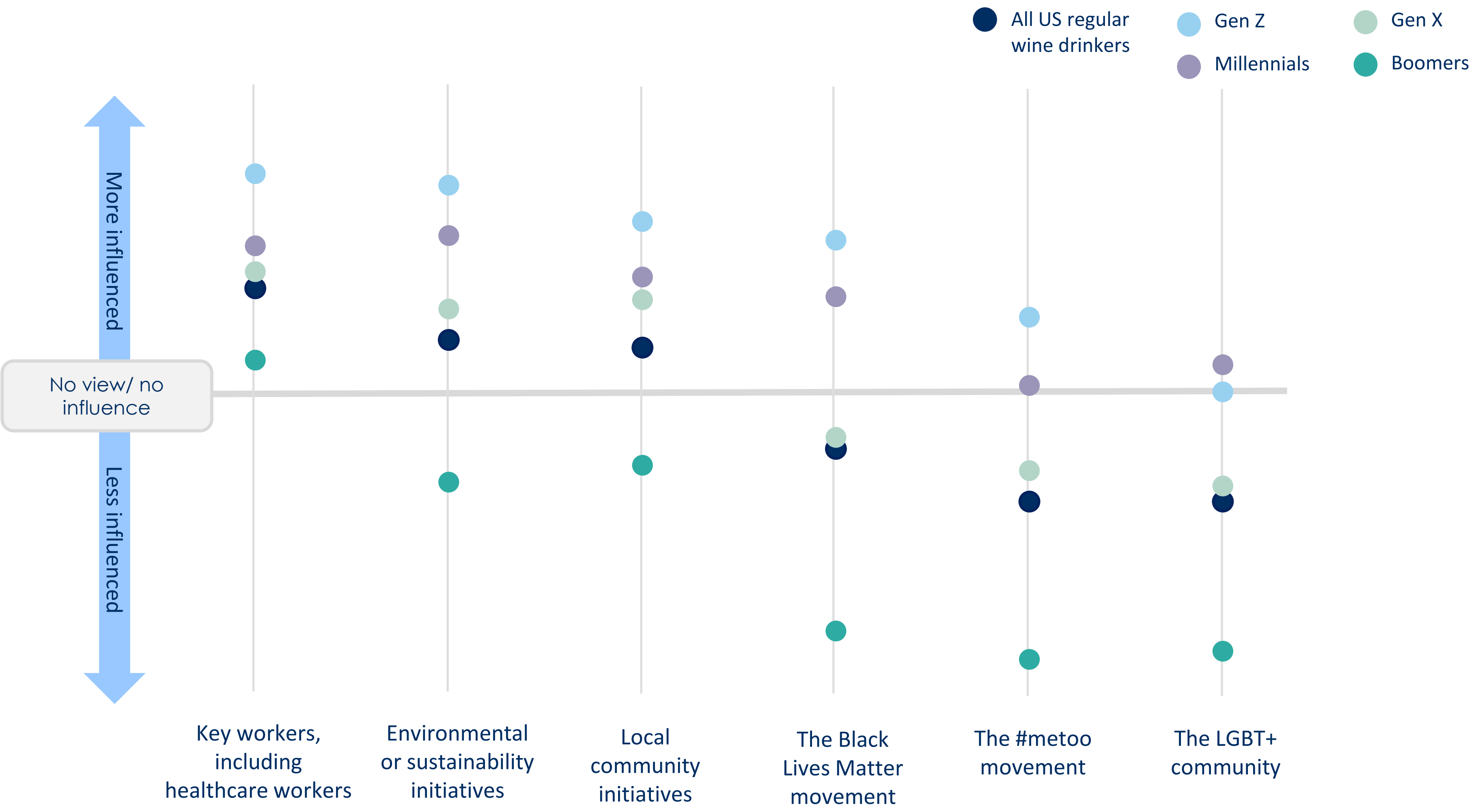
Brands increasingly use social purpose...and that's all well and good when it works. But missteps are common, and they can have real consequences'

HBR: Competing on Social Purpose

Social cause support

Attitudes to businesses: August 2020 – by age cohorts

Index: Extent to which purchase decisions are influenced by business supporting the following

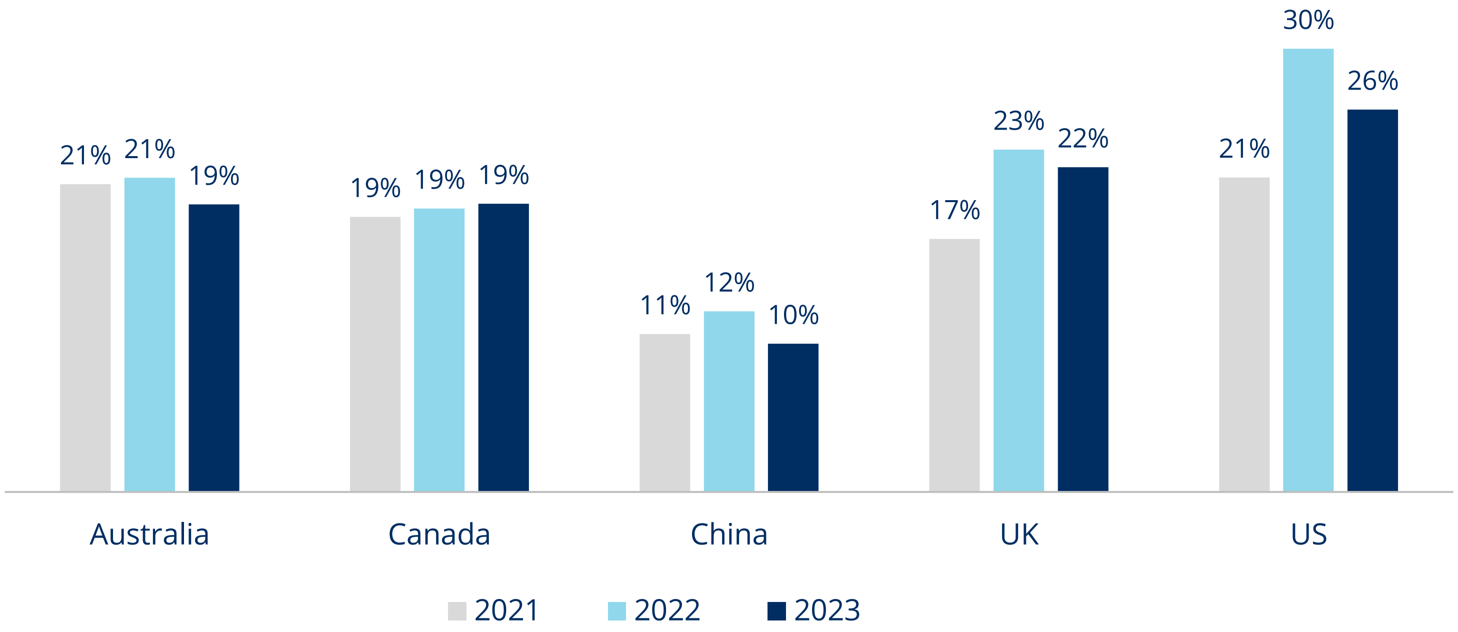


Source: Wine Intelligence Vinitrac® US, Aug '20 (23rd July 2020 – 13th August 2020), n= 2,000 US regular wine drinkers wine drinkers

Environmental focus

Proportion of RWDs in core markets that have a high connection to sustainability in wine choices

Base = All regular wine drinkers from Australia, Canada, UK and US and all Chinese urban upper-middle class semi-annual imported wine drinkers (n≥ 6,061)



Source: Wine Intelligence, Vinitrac®, Oct '21, (n=6,834), Oct '22, (n=6,254) Global regular wine drinkers from Australia, Canada, China, UK and US

Environmental focus

Global Alternative Wine Opportunity Index 2024

Base = Global regular wine drinkers (n≥15,300)

		Index score 2024	Score change		Rank change	
			vs 2022	vs 2023	vs 2022	vs 2023
1	Natural wine	**58.5**	5.6	4.8	=	=
2	Organic wine	**54.2**	4.8	3.7	=	=
3	Sustainably produced wine	**49.5**	4.1	2.8	=	=
4	Environmentally friendly wine	**46.3**	3.0	1.8	=	=
5	Preservative-free wine	**43.2**	4.3	2.1	1↑	1↑
6	Fairtrade wine	**41.8**	2.1	0.1	1↓	1↓
7	Wine from a carbon-neutral winery	**40.7**	3.7	2.6	=	=
8	Sulphite-free wine	**37.5**	2.6	1.8	=	=
9	Pét nat (pétillant naturel)	**37.1**	4.0	3.2	=	1↑
10	Orange/skin-contact wine	**35.9**	4.4	1.5	1↑	1↓
11	Biodynamic wine	**34.6**	2.7	0.8	1↓	=
12	Vegan wine	**30.5**	3.0	0.5	1↑	=
13	Vegetarian wine	**29.5**	1.7	0.3	1↓	=

Note: The Opportunity Index scores might differ from 2023 report as the markets covered in 2024 have changed and Spain, France and Singapore are not included

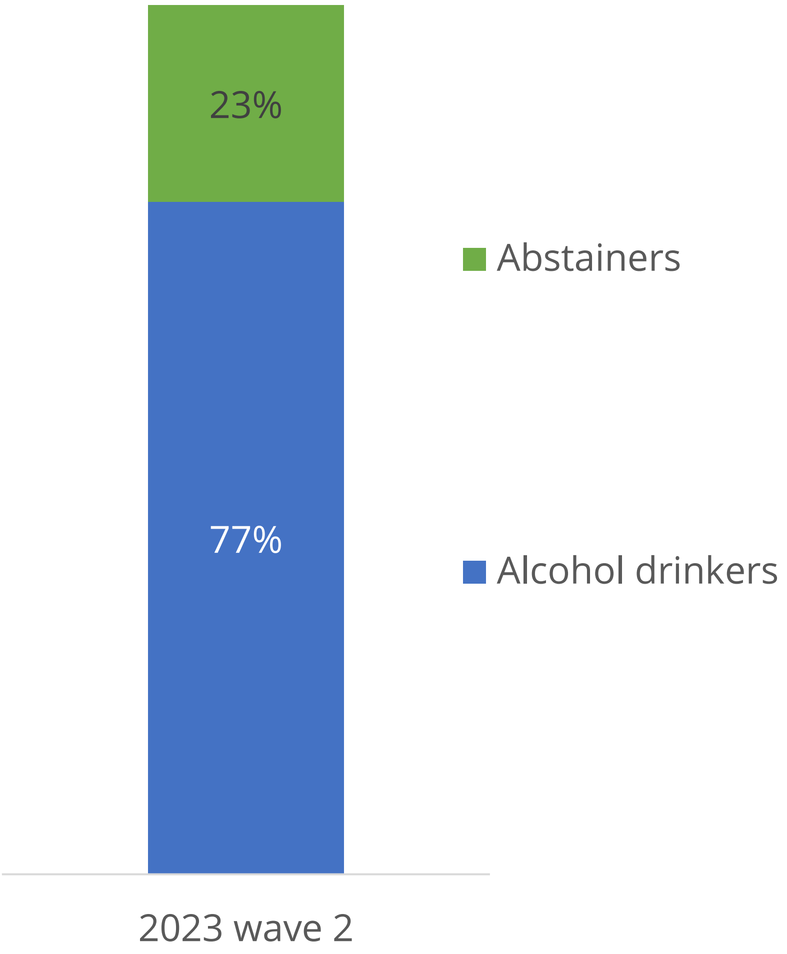
Numbers in green / red indicate an index score change of +2 or -2 compared to global average; ↑ / ↓ = Ranked higher / lower than previous wave(s)
Base = All regular wine drinkers (RWDs) (n≥15,300)
Source: IWSR, Vinitrac®, Oct 2021, Oct / Nov 2022, Oct / Nov 2023 (n≥15,300) RWDs from Australia, Brazil, Canada, Denmark, Germany, Ireland, Japan, New Zealand, Portugal, Sweden, UK and US, plus Chinese urban upper middle-class semi-annual drinkers of imported wine, Hong Kong semi-annual wine drinkers and South Korea semi-annual imported grape-based wine drinkers

Source: IWSR Wine Intelligence

Health & wellness focus

% alcohol drinkers vs. abstainers

amongst adult LDA population



	% abstainers amongst adult LDA population	% abstainers amongst Gen Z population
Brazil	21%	32%
UK	18%	31%
India	29%	37%
US	30%	29%
Canada	25%	25%
Australia	23%	31%
Japan	44%	60%
Germany	24%	35%
Mexico	15%	23%
China	9%	13%

Base: LDA+ adults, n>1,096 per market across 15 key markets, September 2023

Health &
wellness focus

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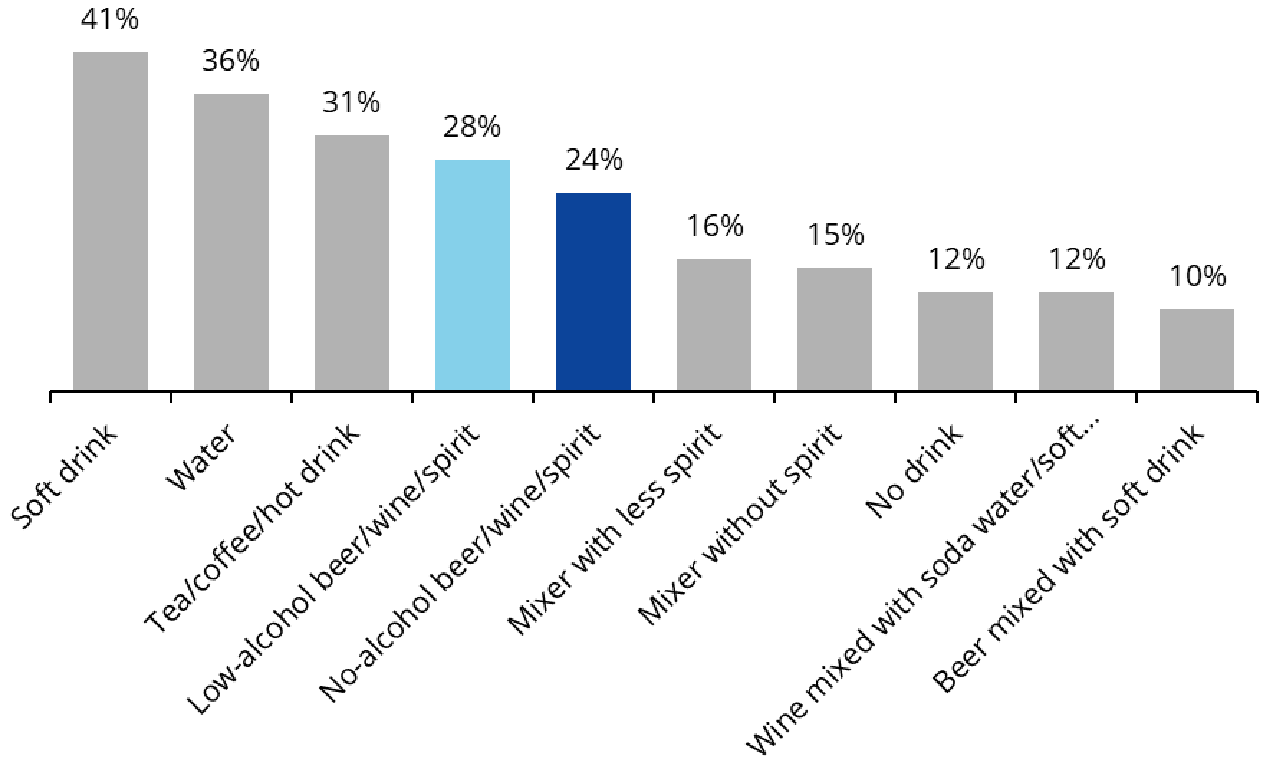
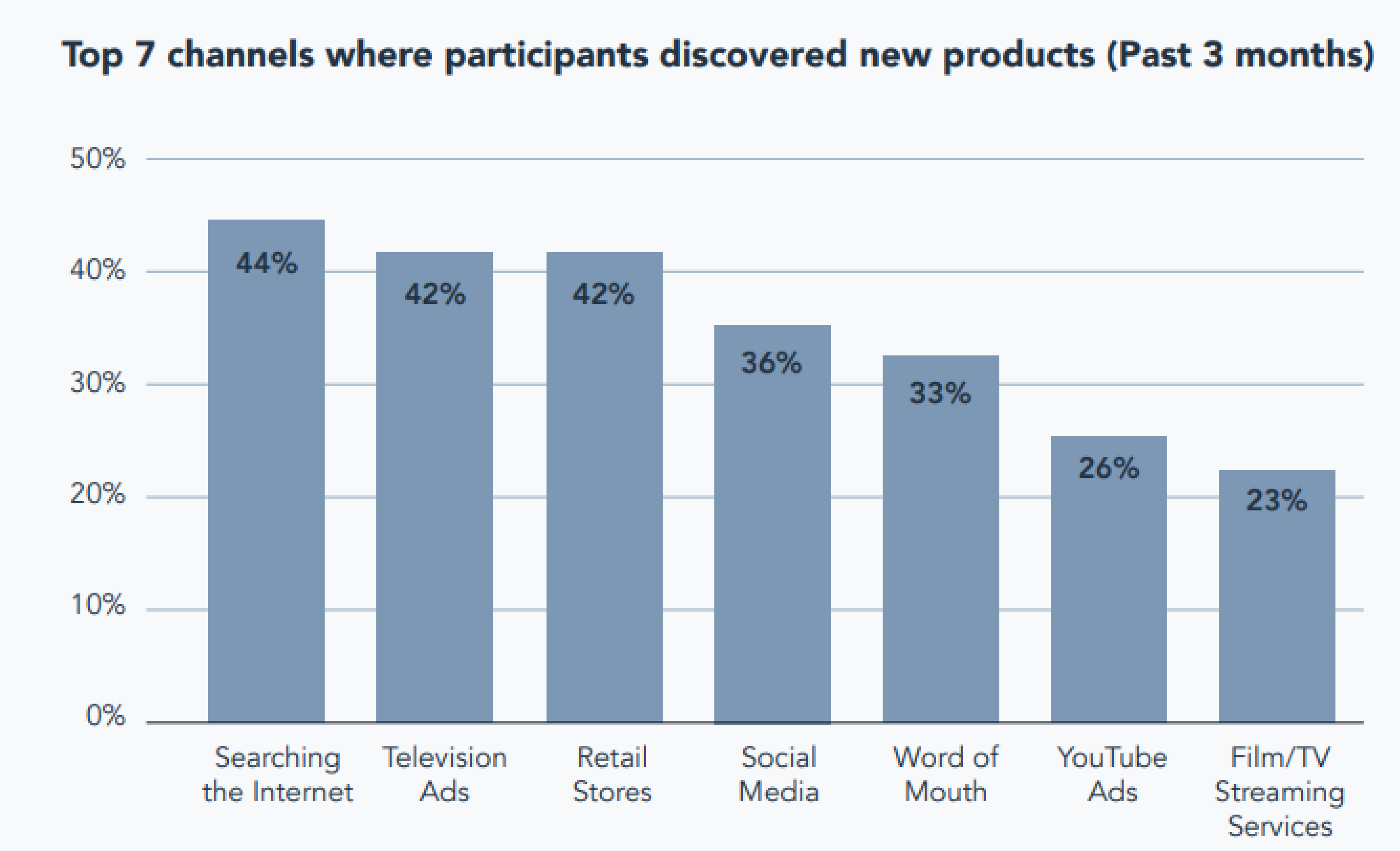
Q Last time you chose not to drink when you usually would have, what did you have instead?

Recent Moderation Strategies



Base: LDA+ adults, n> 1000 per market across 15 key markets, 2023

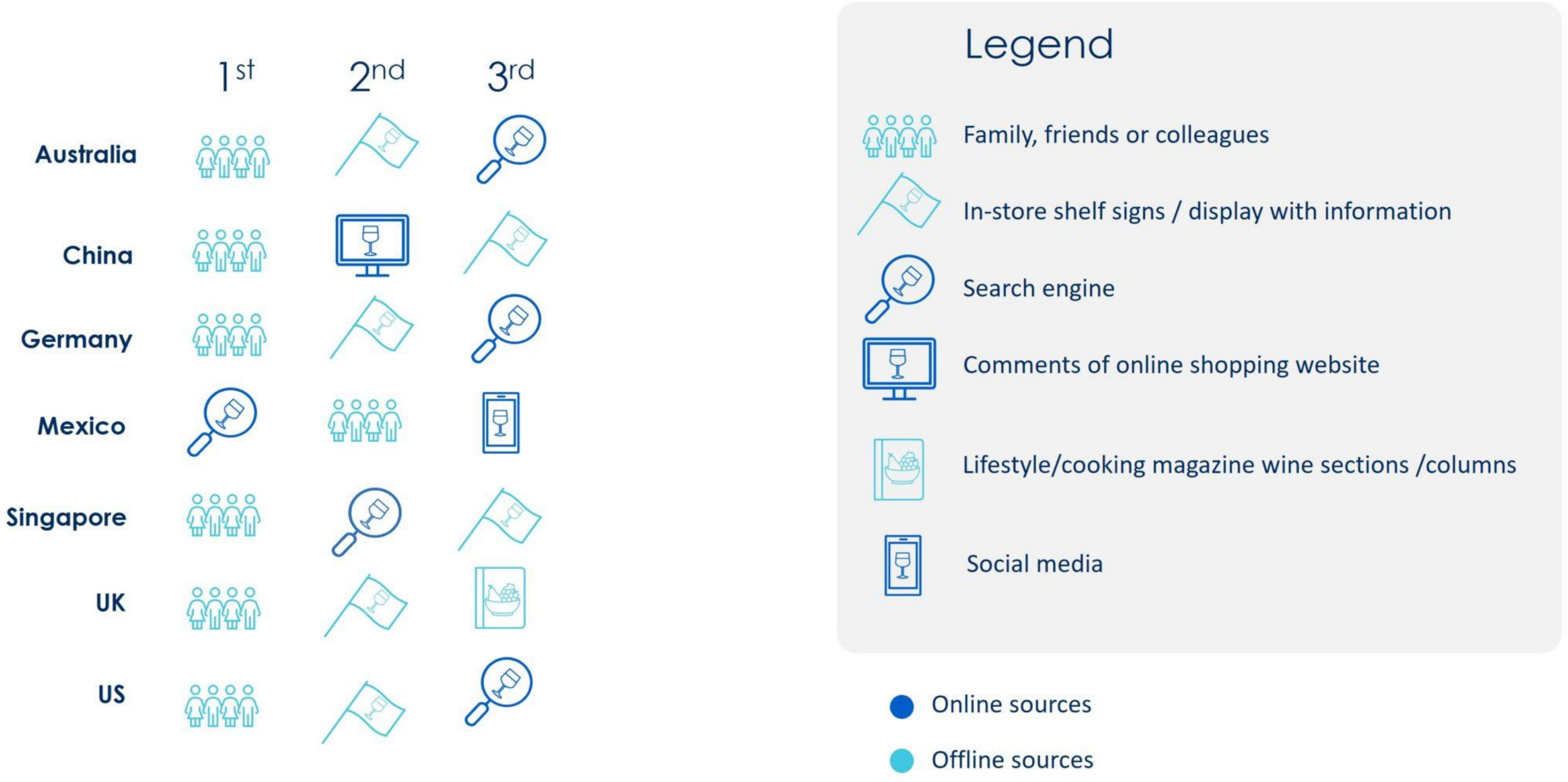
Social media consumption



Source: Brand Watch / Hubspot, The State of the US Consumer, 2023

Sources of wine information

Sources where respondents look for opinions or recommendations about wine "sometimes" or "often"
Base = Those who have bought wine online in the past 6 months



Source: Wine Intelligence Vinitrac® Global, October 2020, n>=703 wine drinkers in each market

Refreshment

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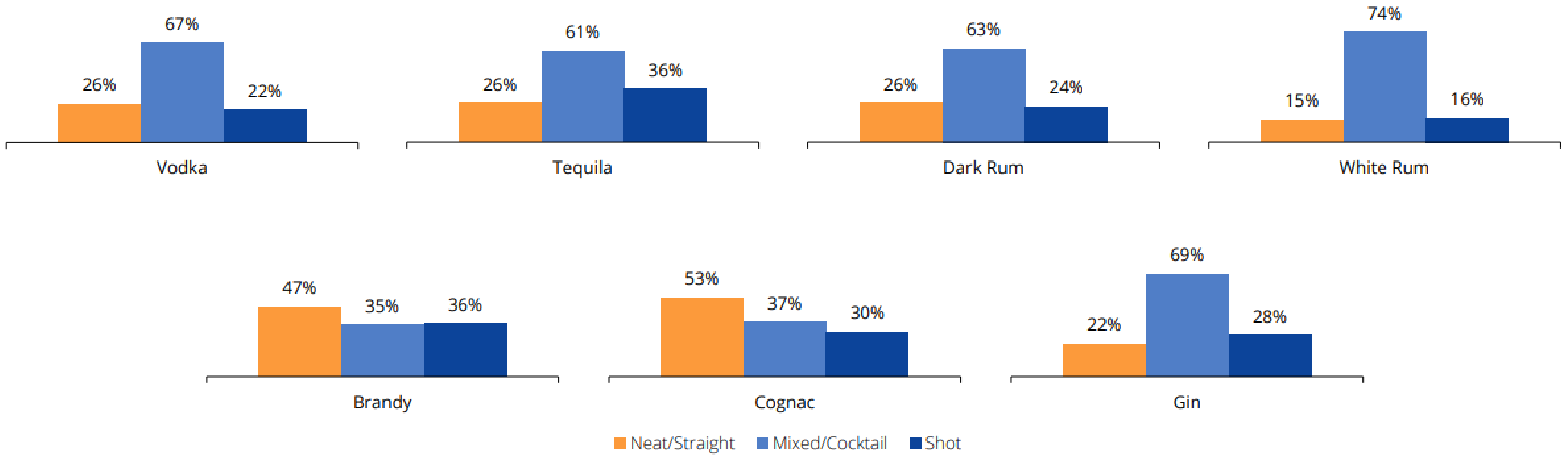
Global red wine production Global red wine consumption	-25% vs. peak in 2004 Down in Europe, up in USA (in last 20 yrs)
Global white wine production Global white wine consumption Key driver: Sparkling wine	+13% (vs. lowest level in 2002) Over-took red wine production in 2013 Production: Dominated in Italy – Prosecco Consumption: USA, Germany, the UK
Global rosé wine production Global rosé wine consumption	+25% (2001 to 2021) 8% of all wine Concentrated: UK, Germany, US & France

Source: OIV, 2023

Q Did you consume your last drink neat, mixed or in a shot?
Drinkers in the Named Category (%)



Base: Drinkers population

Blurring boundaries

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*This playful **spritz**, created in the South of France, is made by blending two thirds **Mirabeau** IGP **Rosé** with one third Fever-Tree Raspberry & Orange Blossom Soda.*

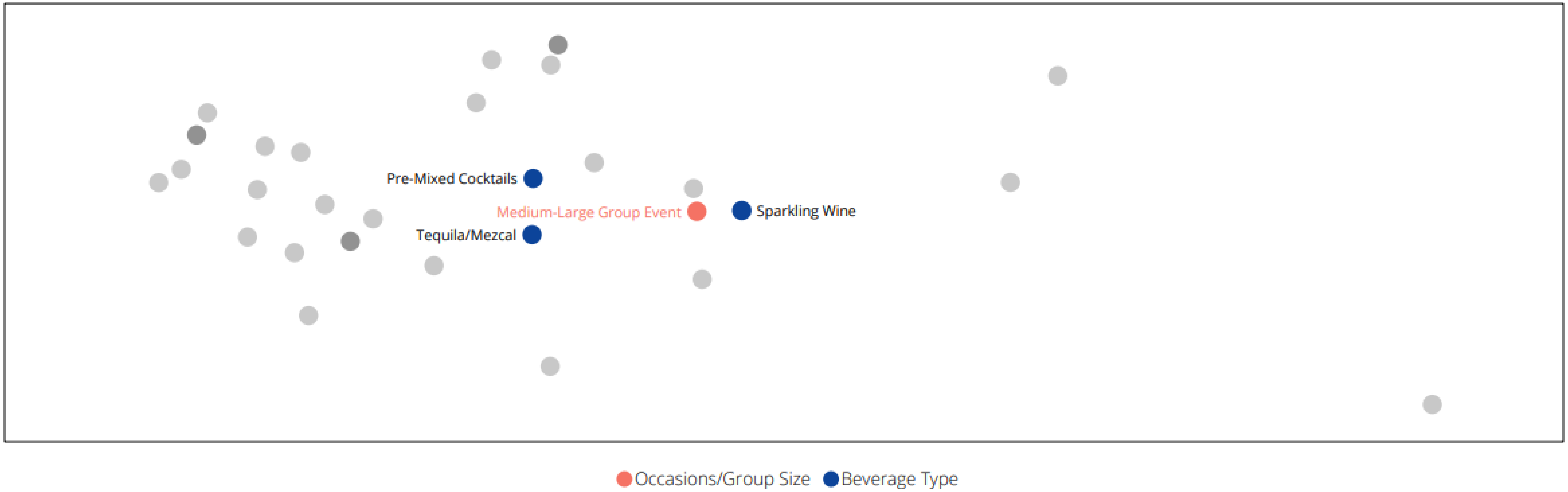
'We just heard from Nielsen that our Stella Rosa Pineapple & Chili wine became the number one best-selling new SKU wine of the year in the US'

Steve Riboli, CEO of Riboli Family Vineyards, 2024

Blurring boundaries

Connection Between Categories, Group Size and Settings

Correspondence Analysis*



Source: IWSR Drinks Market Analysis

Blurring boundaries

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Connection Between Categories, Group Size and Settings

Correspondence Analysis*

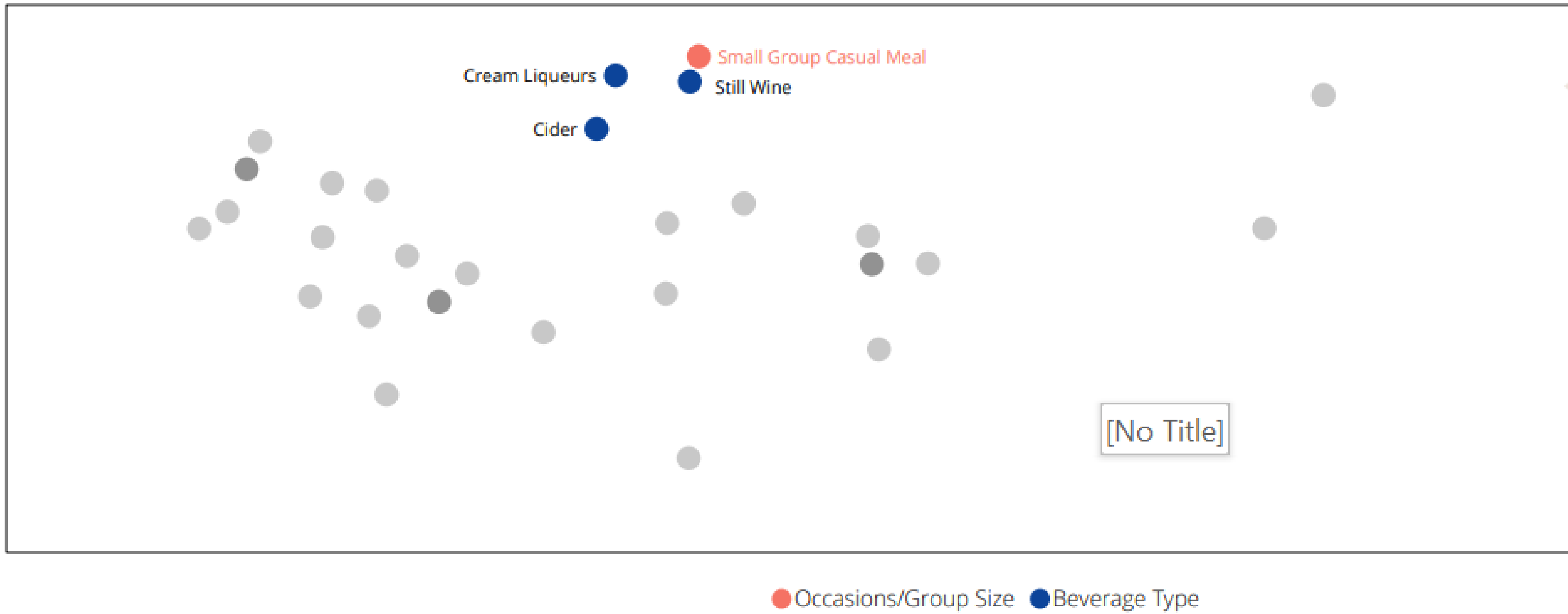
Base: Drinkers population. *Correspondence analysis measures the closeness of relationships between attributes. Note that the associations are not exclusive: most drinks can be consumed on most occasions, while some drinks are consumed more often in occasions where corresponding labels appear closer to each other. Group size definitions: Small = 1–2; Medium = 3–4; Large = 5+

Source: IWSR Drinks Market Analysis

Blurring boundaries

Connection Between Categories, Group Size and Settings

Correspondence Analysis*



"Although it's no surprise to see wine strongly correlated with food, red, white and sparkling accent foods differently; this creates an enjoyable experience for consumers, which builds a stronger connection. Cream liqueurs are a post-meal indulgence and consumed as a digestif"

IWSR Market Analyst

Base: Drinkers population. *Correspondence analysis measures the closeness of relationships between attributes. Note that the associations are not exclusive: most drinks can be consumed on most occasions, while some drinks are consumed more often in occasions where corresponding labels appear closer to each other. Group size definitions: Small = 1–2; Medium = 3–4; Large = 5+

Source: IWSR Drinks Market Analysis

Impact of Key Consumer Trends in Wine

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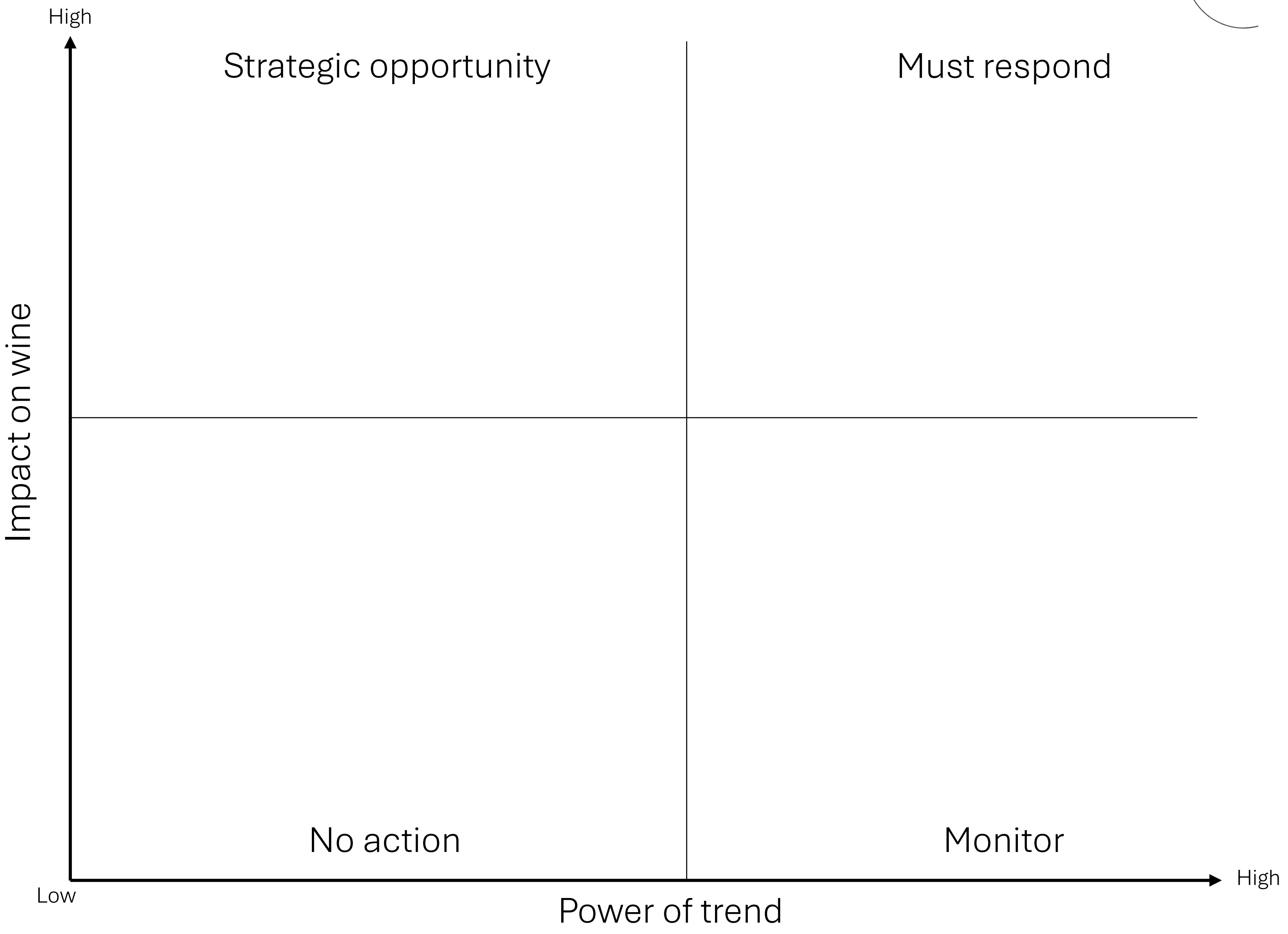
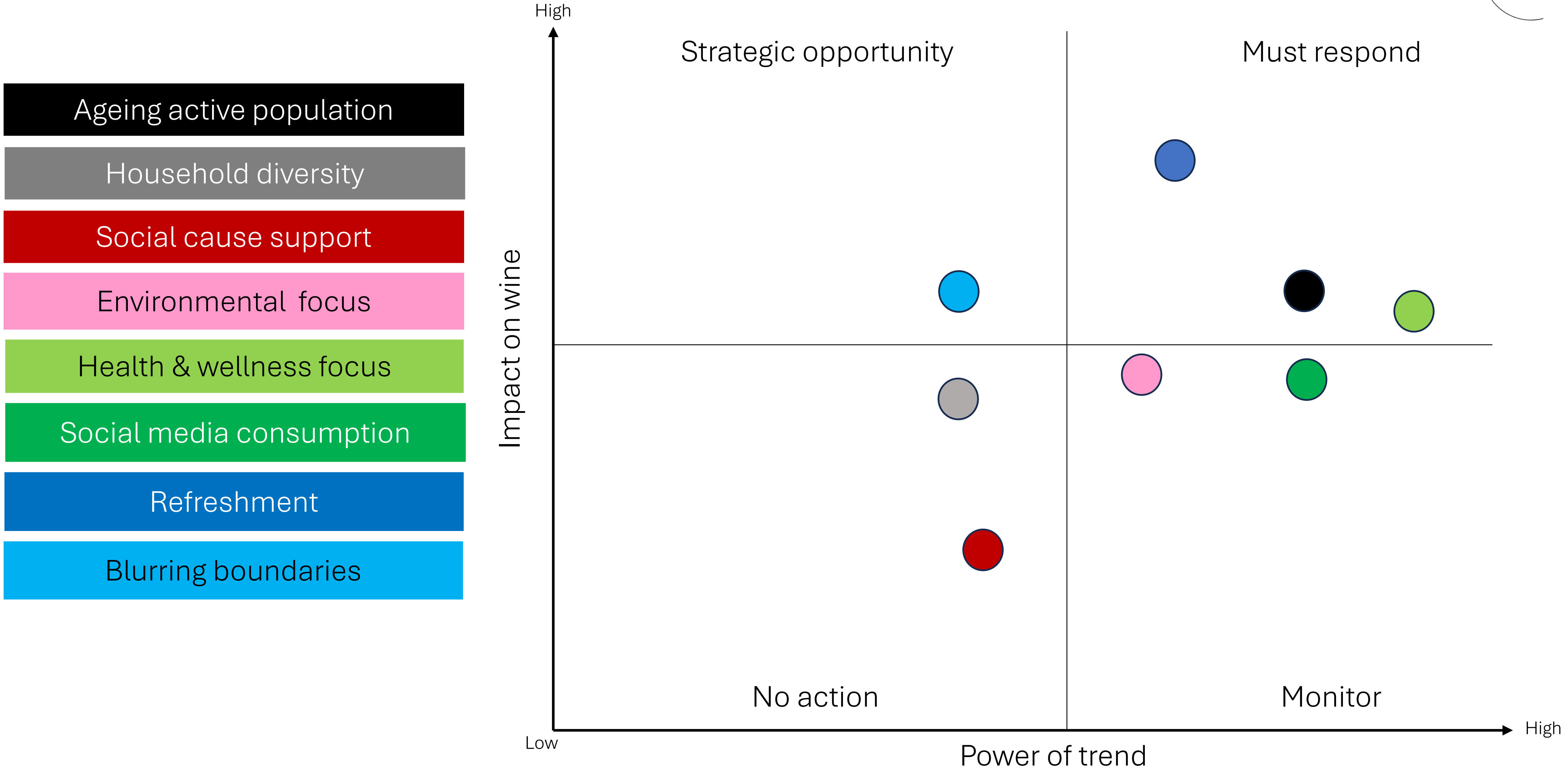
- Ageing active population
- Household diversity
- Social cause support
- Environmental focus
- Health & wellness focus
- Social media consumption
- Refreshment
- Blurring boundaries



Impact of Key Consumer Trends in Wine



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Session 3:
Developing effective products and brands

The Marketing Process in Market Oriented Organisations

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01 Understanding

Diagnostics: Understand your customers' needs, wants and drivers through research & segmentation

02 Strategy

Define measurable goals, building on targeting and positioning

03 Tactics

Execute strategy via brand, product, price and place (distribution)

04 Communication

Develop and execute integrated communications plan

Source: Lulie Halstead

How well do you know Gen Z wine consumers in the USA?

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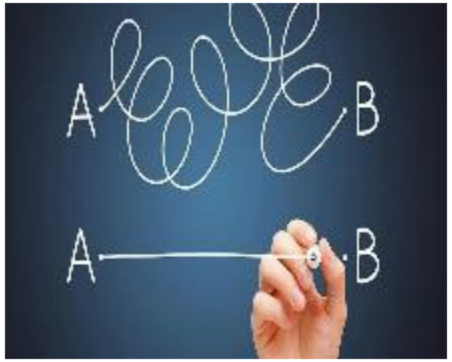
		Yes	No
1	More likely than others to drink craft beer		
2	More likely to drink wine with an informal meal in a pub / bar / restaurant		
3	More strongly influence by grape variety, country of origin and brand when choosing wine		
4	More likely to drink wine from Argentina		
5	More likely to drink wine from Chile		
6	More likely to drink Carmenère		
7	More likely to drink Malbec		
8	More positive towards screwcaps		
9	More likely to be positive towards ‘sweet and juicy’ red wines		

What is a brand?

A brand is both the physical features that identify products and the consumer perceptions, associations and expectations of that differentiated product

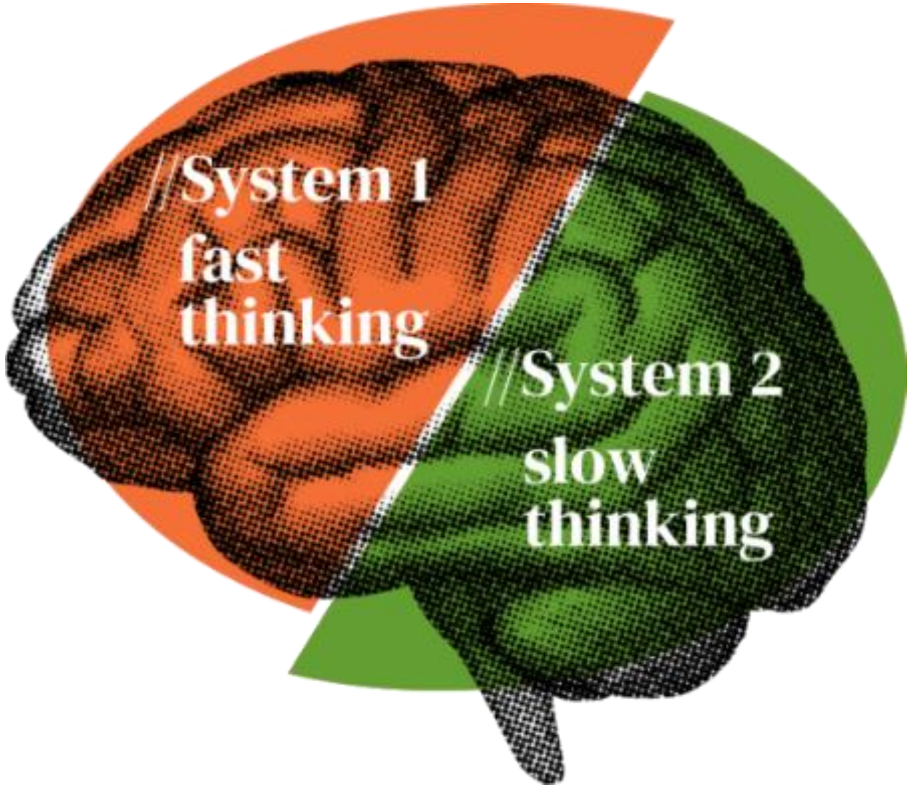


Short cut identifier

Reference builder

How do we assimilate information?

System 1:
Primitive, unconscious, instinctive effortless, automatic, fast & low energy



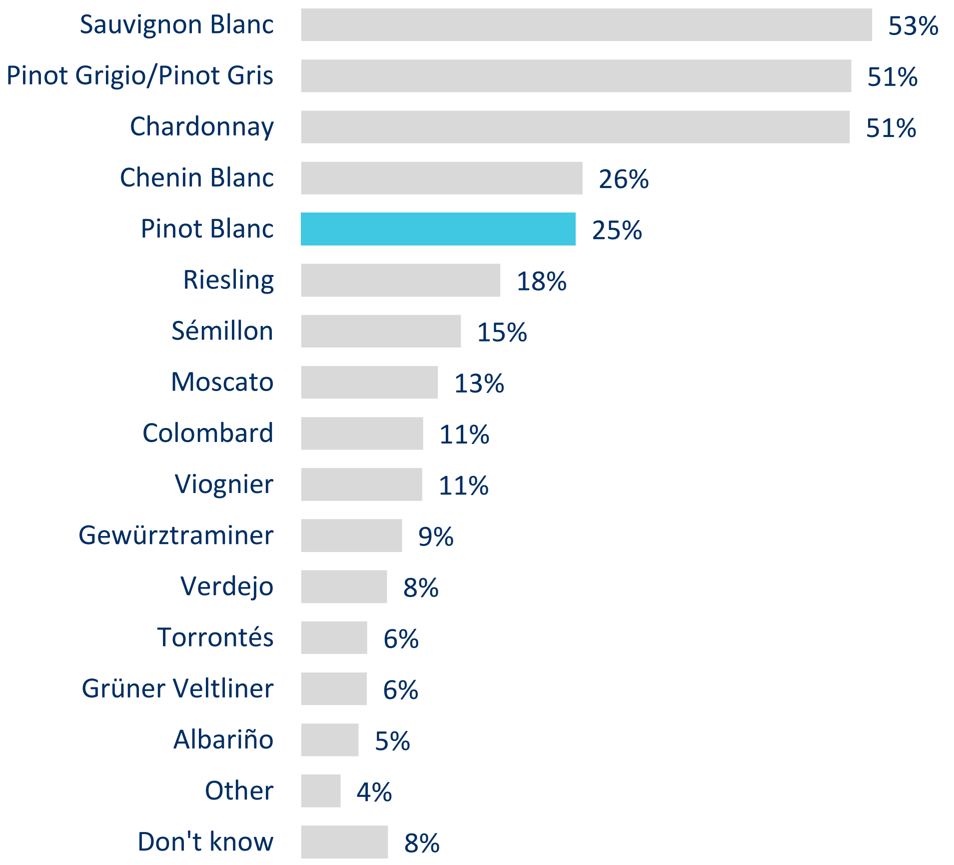
System 2:
Conscious, calculating, reflective, reasoned, slow & energy intensive

Kahneman, *Thinking Fast and Slow*

How well do our memories work?

White varietal consumption

% who have drunk the following varietals in the past 6 months
Base = All UK regular wine drinkers (n=1,005)



Source: Wine Intelligence, Vinitrac® UK, July 2016, n=1,005 UK regular wine drinkers

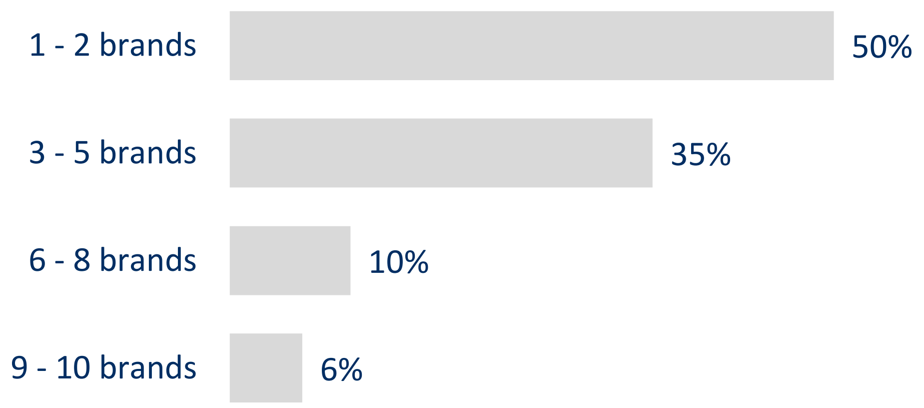
Awareness only or whole purchase funnel?

Julie
HALSTEAD
WINE & SPIRITS
BUSINESS STRATEGY

Unprompted

How many wine brands can US regular wine drinkers recall unprompted?

Base: those who recalled at least one brand

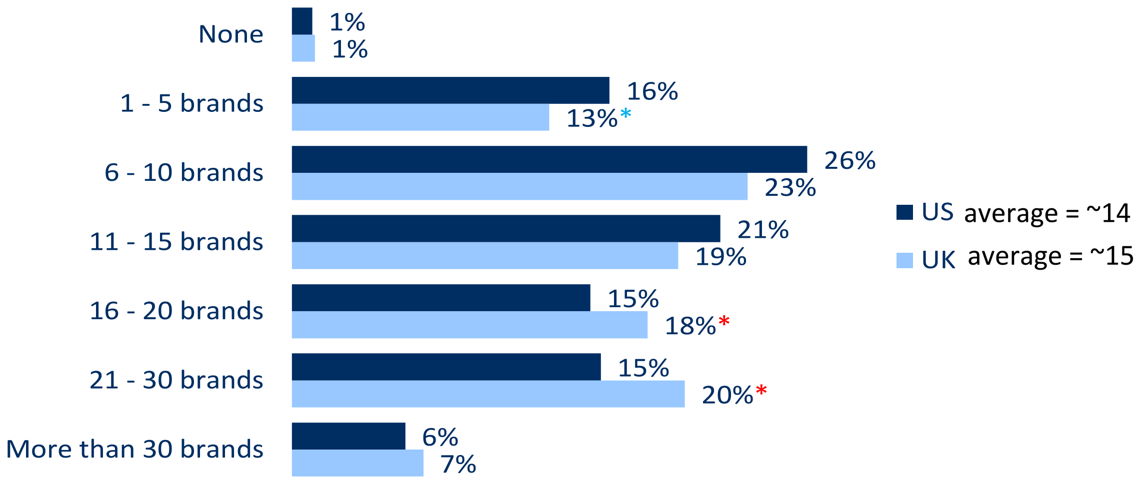


Source: Wine Intelligence, Vinitrac® US, July 2016, n=2,003 US regular wine drinkers

Prompted

Number of wine brands known by regular wine drinkers

From a total of 51 brands tested in the US, 52 brands in the UK



Source: Wine Intelligence, Vinitrac® UK, July 2016, n=1,005 UK regular wine drinkers; Vinitrac® US, July 2016, n=2,003 US regular wine drinkers

Awareness only or whole purchase funnel?

Differentiation versus Distinctiveness

‘60% brand success is distinctiveness’
Kantar

Source: Mark Ritson

Growth through differentiation AND distinctiveness

Lulie HALSTEAD WINE & SPIRITS BUSINESS STRATEGY

Differentiation

Ensuring your brand is perceived to be RELATIVELY different

…on associations that matter to your target consumers

…enough to influence purchase decisions

Distinctiveness

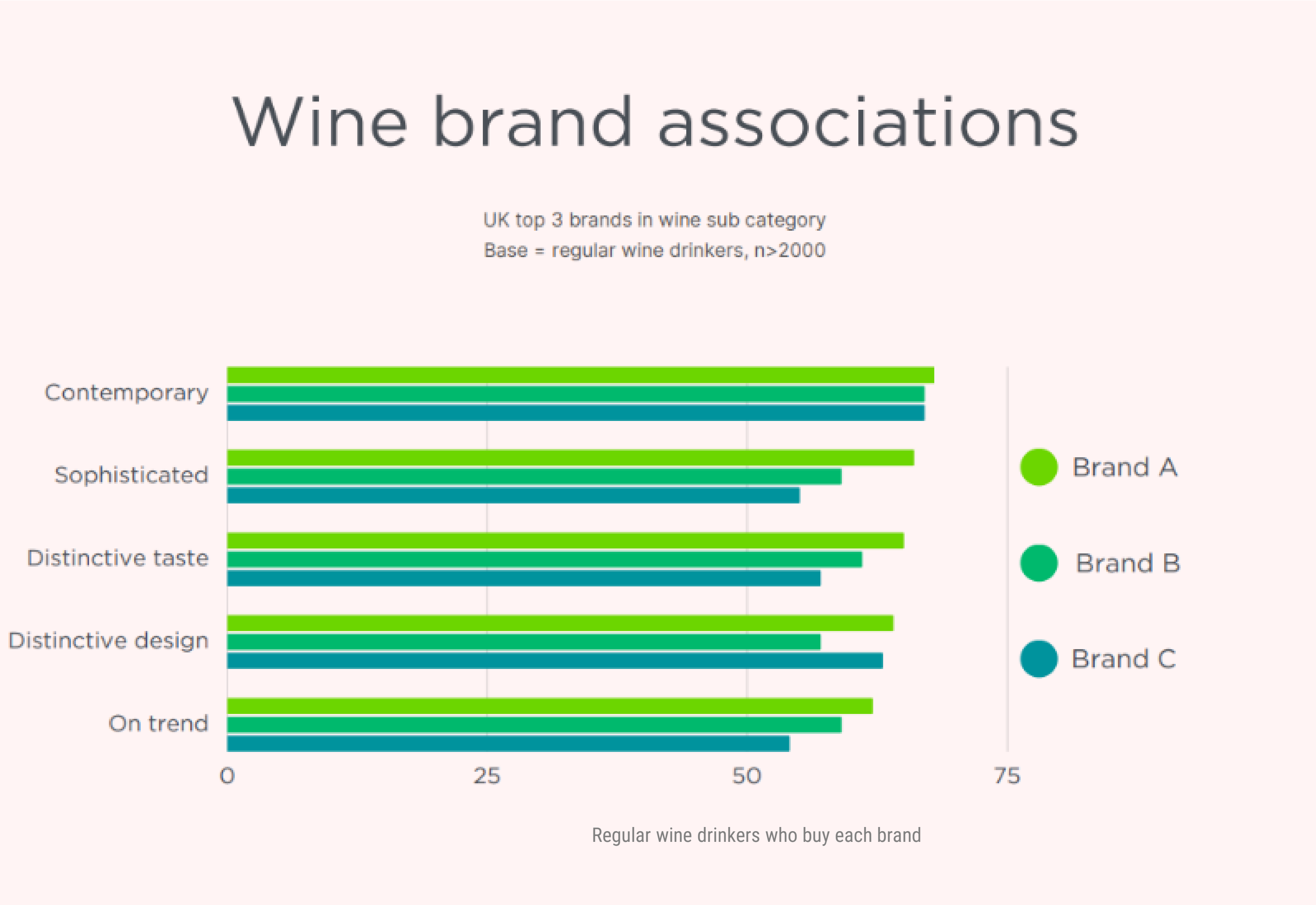
Making your brand easily identified by consumers

…whilst ensuring that the brand 'looks like itself'

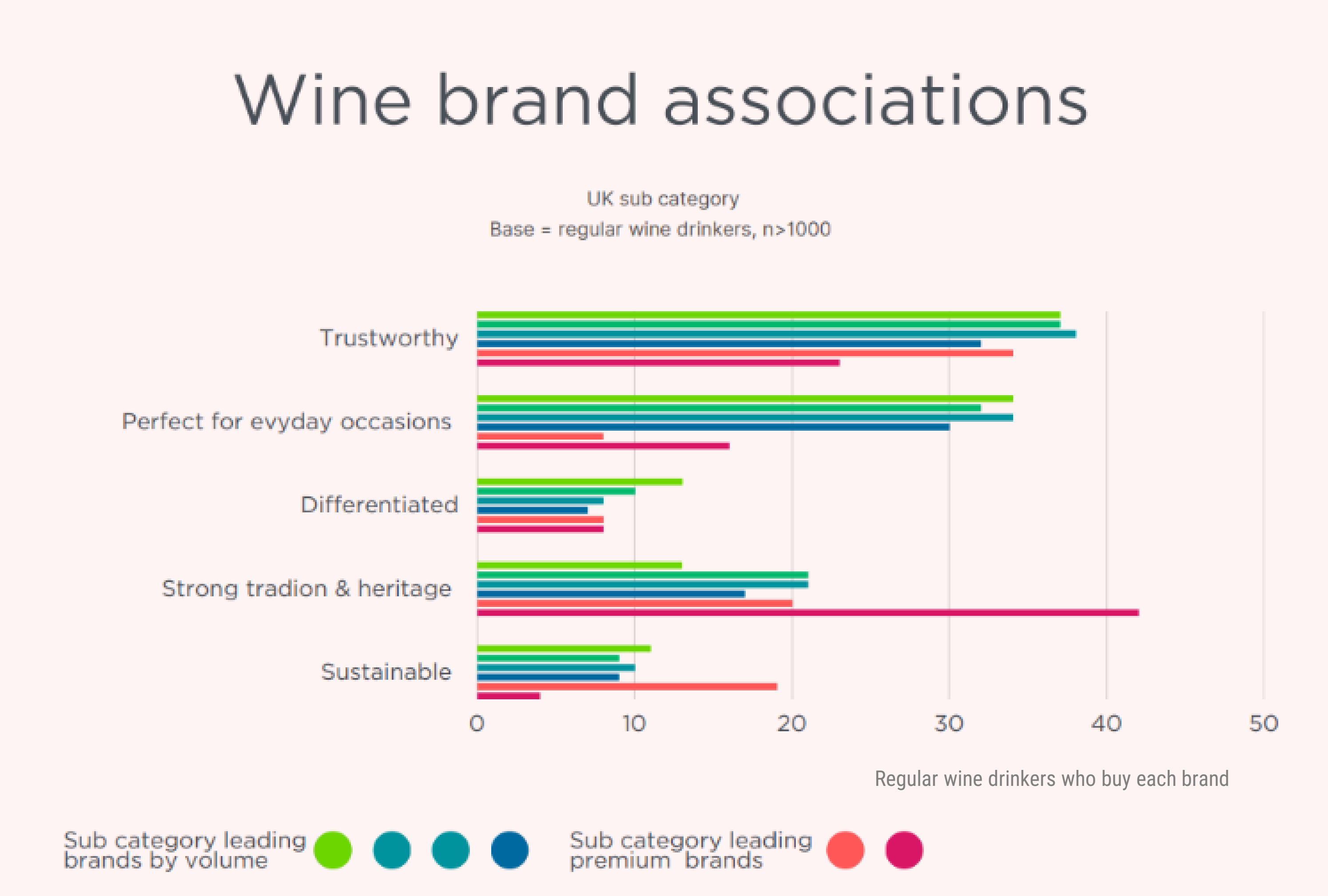
…and comes to mind in buying situations

Source: Mark Ritson

Differentiation vs. distinctiveness?



Differentiation vs. distinctiveness?




GUINNESS
GUINNESS
GUINNESS
GUINNESS
GUINNESS
GUINNESS

Mistake #1

Believe that focusing on quality & origin leads to meaningful differentiation

Mistake #2
Think our job is to change stuff

Julie
HALSTEAD
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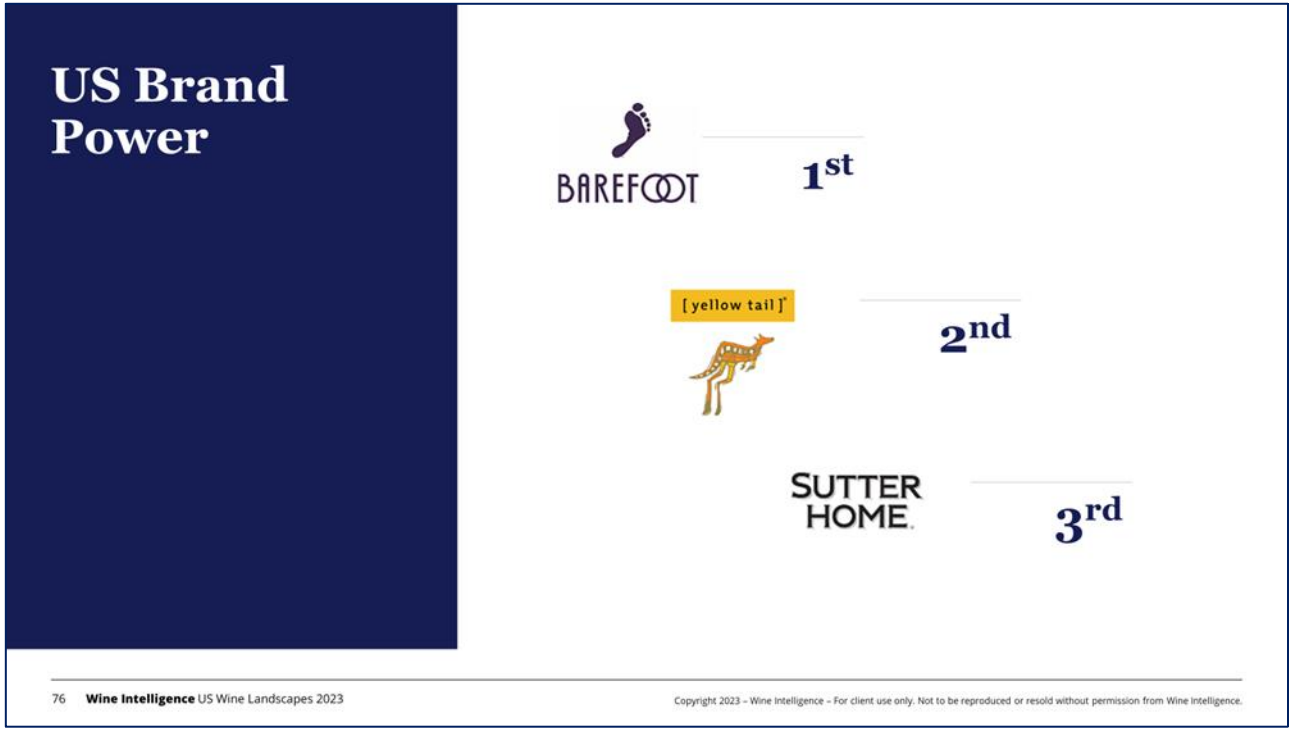
Mistake #3

Create brand complexity



Wine brand growth check list questions:

1. Who are my target consumers and what do they value?
2. What is my positioning and relative differentiation?
3. What are my distinctive brand assets?
4. How am I building brand awareness?

Wine growth to 2030:

1. Wine will continue to be consumed – but reduced volumes at the lower price points

2. Reduction in alcohol consumption will continue – with limited opportunity for no/lo wine

3. Continued ‘less but better’ in wine consumption

4. Regular wine drinkers will be ‘older’

5. Proportional growth in white, rose and sparkling wine will outpace growth in red

6. Consistent & distinctive brands will take market share

Lulie
HALSTEAD
WINE & SPIRITS
BUSINESS STRATEGY

E: Lulie@intellima.co.uk
T:+44(0)7771 600604