The Pursuit of Market Success

The opportunities and challenges to grow value with Sauvignon Blanc in the established UK market.

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THE HIVE
PRODUCTIVE THINKING
ABOUT wine

What am I going to cover?

- Update on the UK market
- What are the secrets of NZ’s success with Sauvignon?
- Longer terms risks to UK market success
- How to premiumise Sauvignon?
- The place for ‘Sustainability’
- How data will become ever more important
- What is the opportunity with D2C?
- Some ideas for the future
- Conclusions

Update on the UK market

Market classification:

Mature

Wine Intelligence Compass 2018-19

WINE MARKET SUMMARY:

6th largest wine market

Total wine consumption:	114,330	'000 9l cases of still light wine
Long-term trend 2013-17:	-2.11%	CAGR 2013-17
Per capita consumption:	23.0	litres per year (all wine)
Imported wine consumption:	114,192	'000 9l cases of still light wine
Share of imported wine:	100%	

Wine volume growth rates:

Share of imported wine:

Sources: IWSR, ComTrade, Wine Intelligence Calibration studies, Wine Intelligence Vinitrac®, Wine Intelligence market experience

ECONOMIC SUMMARY:

Adult population:	54.5	Million
GDP/capita:	$ 42,514	Dollars
GDP long-term trend:	2.24%	Average growth 2013-17
GNI/capita:	$ 40,530	Dollars
Unemployment rate:	4.3%	
Corruption index:	82	0 to 100 (100 = no corruption)
Comparative globalisation index:	10	1 to 10 (10 = very globalised)

GDP growth rates:

Sources: The IWSR, World Bank, IMF, United Nations, Eurostat, Trading and Economics, Transparency International, Starbucks, The Guardian

Update on the UK market

	Last 12 months (to 08/09/2018)						Last 12 weeks (to 08/09/2018)					
	000s hl	% change	£m	% change	price/L	% change	000s hl	% change Y-O-Y	£m	% change Y-O-Y	price/L	% change Y-O-Y
Beer	17,997	+2	4,200	+7	£2.33	+3	4,753	+12	1,132	+14	£2.38	+2
Still wine	7,171	-2	5,478	+3	£7.64	+3	1,603	-1	1,239	+2	£7.72	+3
Cider/perry	5,008	+2	1,111	+5	£2.22	+2	1,406	+9	324	+13	£2.38	+2
Spirits	2,198	+6	4,435	+8	£20.18	+3	466	+6	972	+10	£20.85	+4
Sparkling wine	912	+11	868	+4	£9.52	+3	200	0	196	+2	£9.79	+3
RTDs	544	+17	272	+14	£5.00	+1	164	+21	83	+24	£5.07	+2
Fortified wine	269	-15	256	-7	£9.53	+7	49	-13	45	-6	£9.18	+7
Champagne	97	-25	293	-5	£30.17	+11	17	-11	55	-4	£32.43	+5
Total Alcohol	34,523	+2	17,083	+5			8,722	+8	4,079	+8		

Update on the UK market

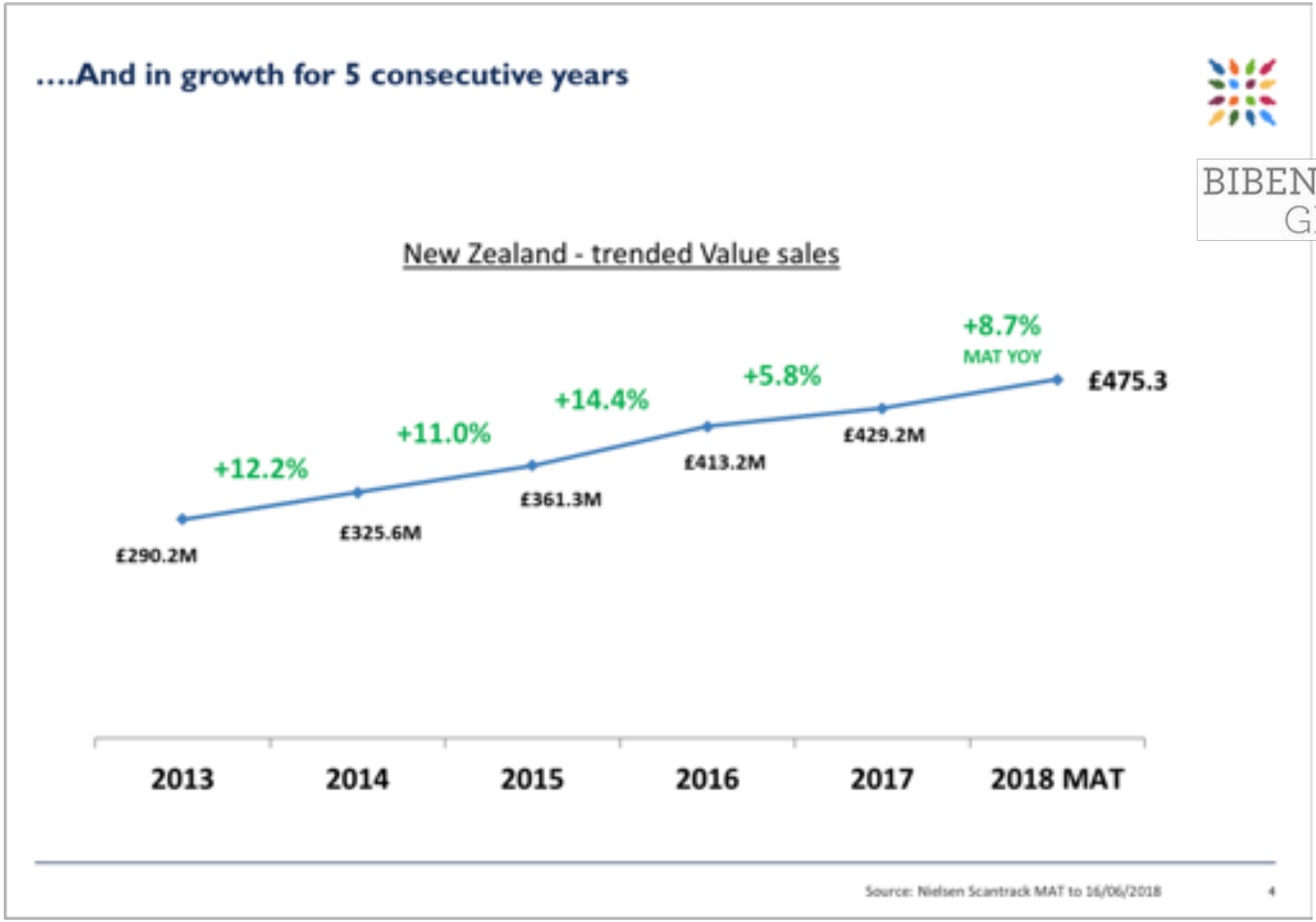
Still wine (country of origin)

nielsen

Last 12 months (to 08/09/2018)

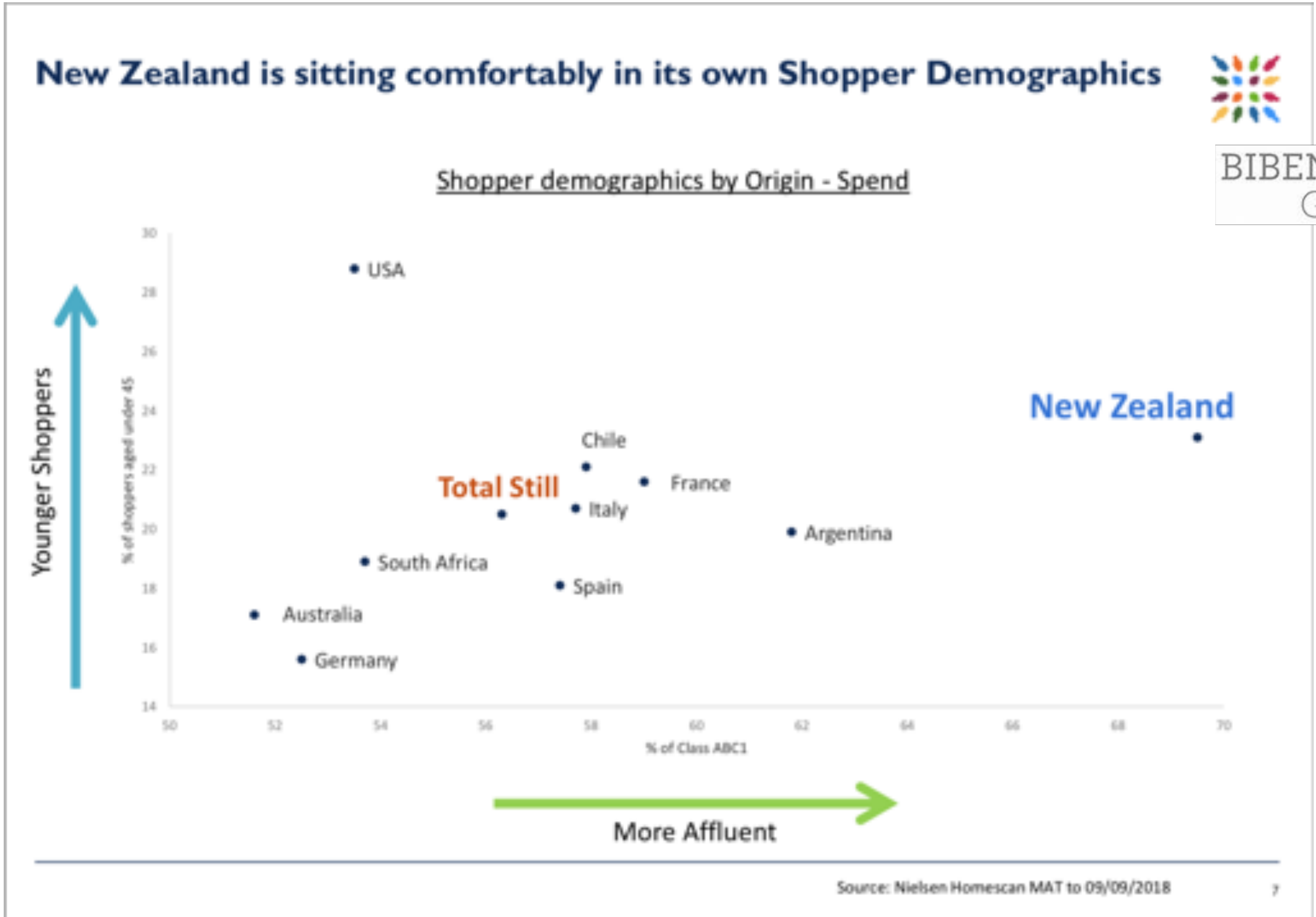
	Country of origin	000s hl	% change (YOY)	£m	% change (YOY)	price/L	% change (YOY)	price/75cl
1	Australia	1,609	-5	1,179	+2	£7.33	+4	£5.50
2	Italy	1,001	-6	708	+1	£7.08	+4	£5.31
3	USA	752	-8	579	0	£7.71	+3	£5.78
4	France	695	-12	678	-2	£9.75	+6	£7.31
5	Chile	684	+3	502	+3	£7.33	+3	£5.50
6	South Africa	673	-8	453	-2	£6.73	+4	£5.05
7	Spain	656	-4	471	+1	£7.17	+1	£5.38
8	New Zealand	501	+22	481	+7	£9.60	+1	£7.20
9	Argentina	210	+9	179	+2	£8.48	+6	£6.36
10	Germany	97	-11	64	-3	£6.53	+6	£4.90

Update on the UK market



BIBENDUM PLB GROUP

Update on the UK market



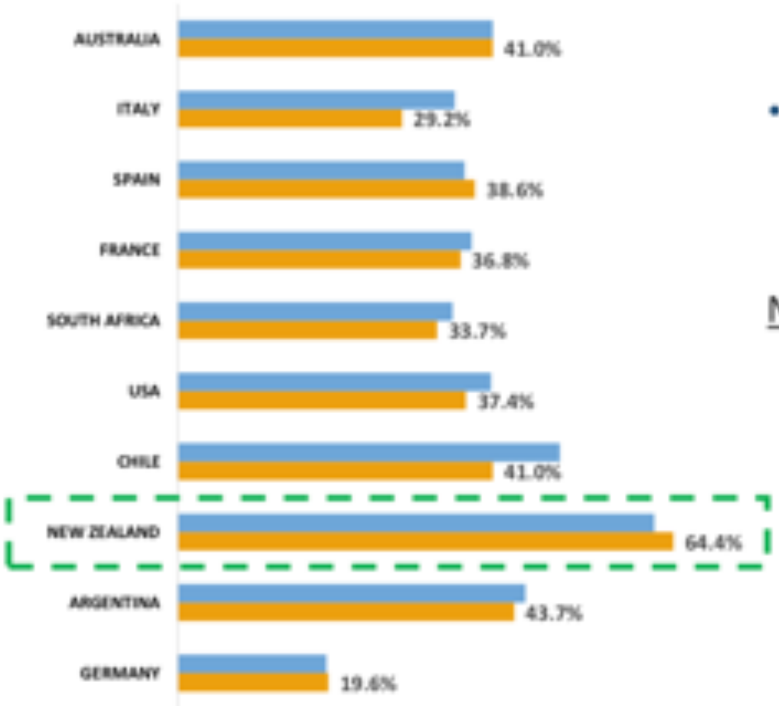
BIBENDUM PLB GROUP

Update on the UK market

However, nearly 2/3 of the volume has been sold on promotion. This is considerably higher than in any other Origin

BIBENDUM PLB GROUP

% of volume bought on promotion – Total UK Off-trade



This is driven by

- Higher than average price point

  Requires promotions to stay competitive

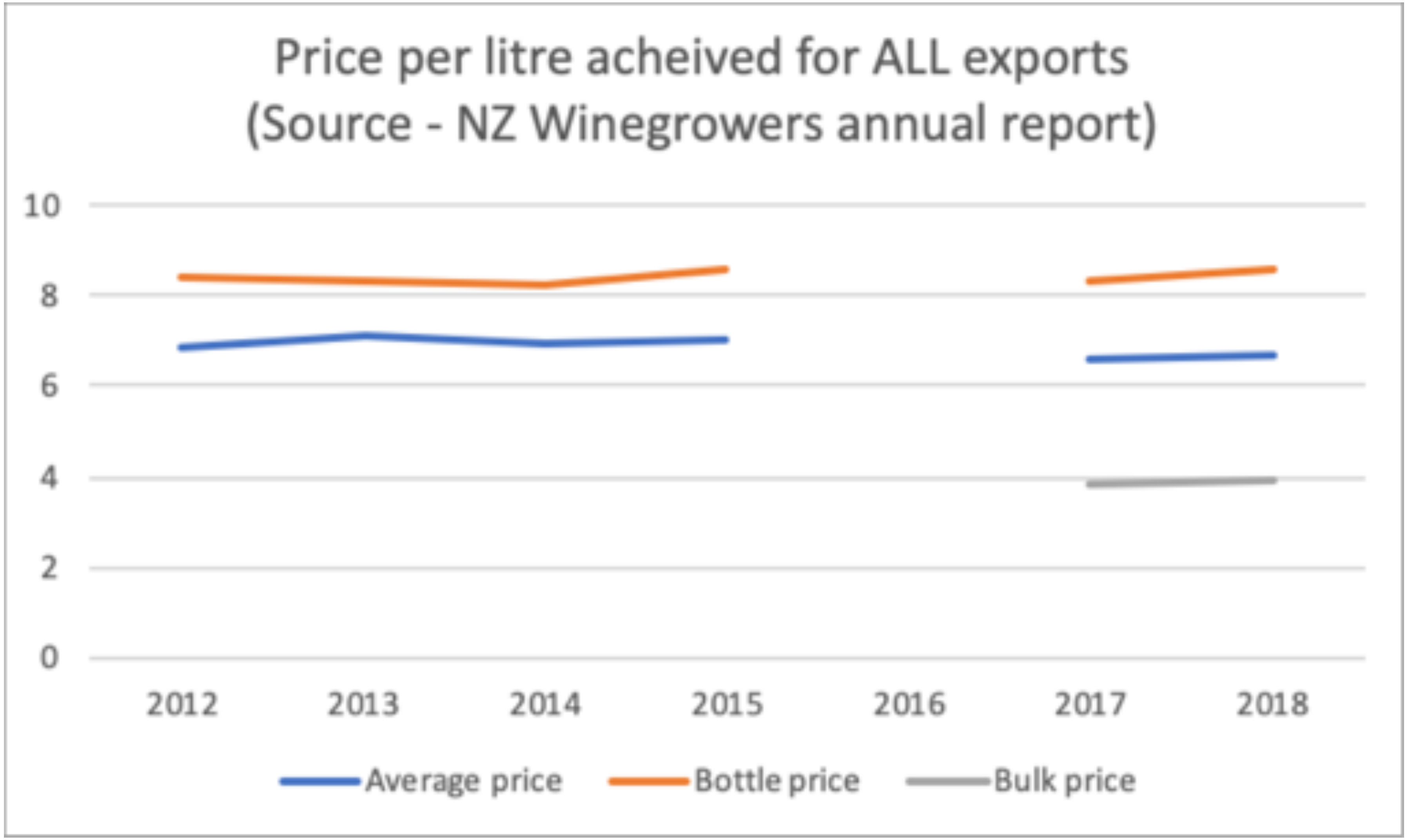
- The Prosecco Effect

  Retailers want to capitalise on the trend by using New Zealand Sauvignon Blanc as footfall driver

New Zealand thrives during category-wide promotions

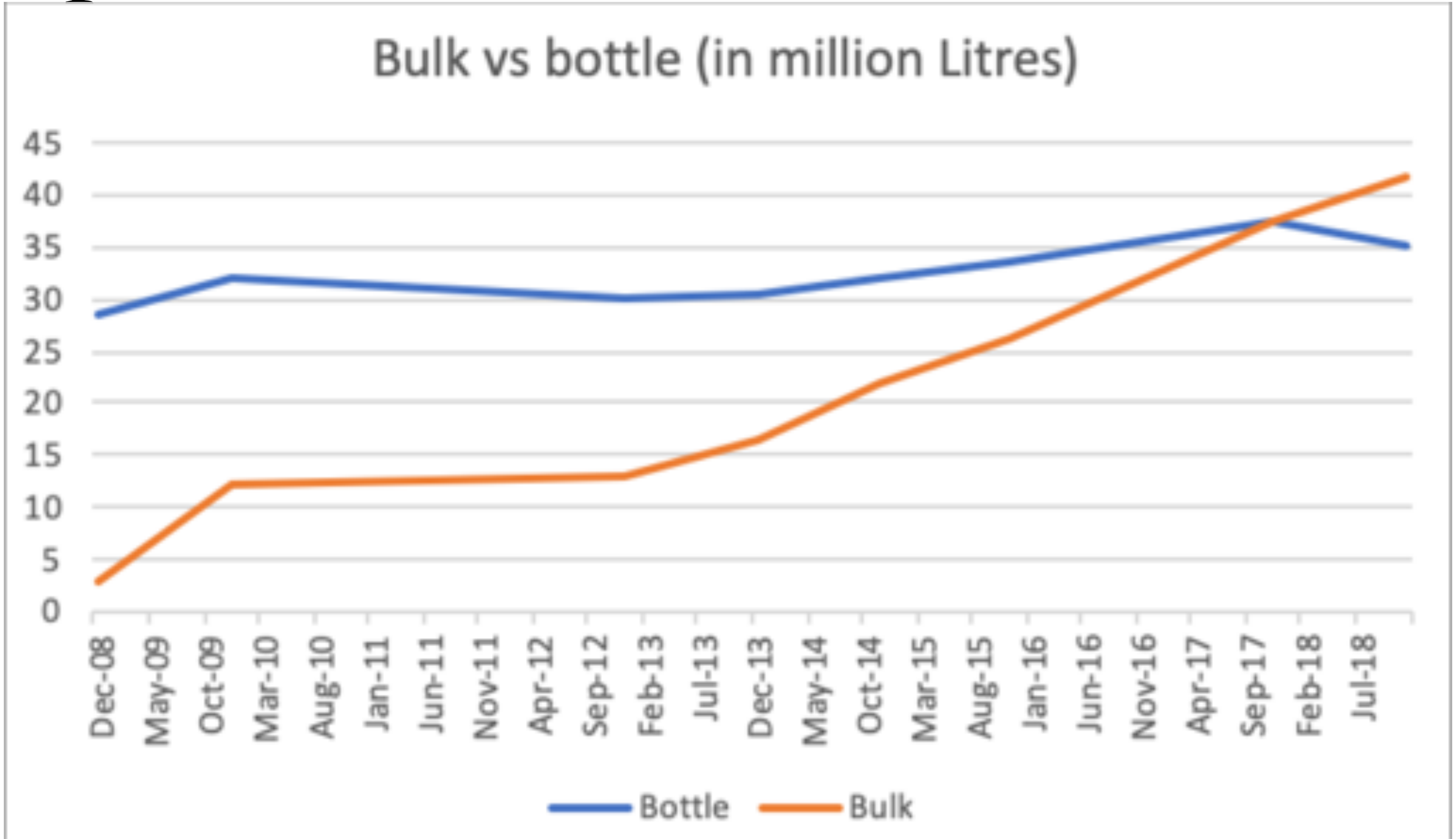
Source: Nielsen Homescan MAT to 09/09/2018

Average $/L Export price 2012-18



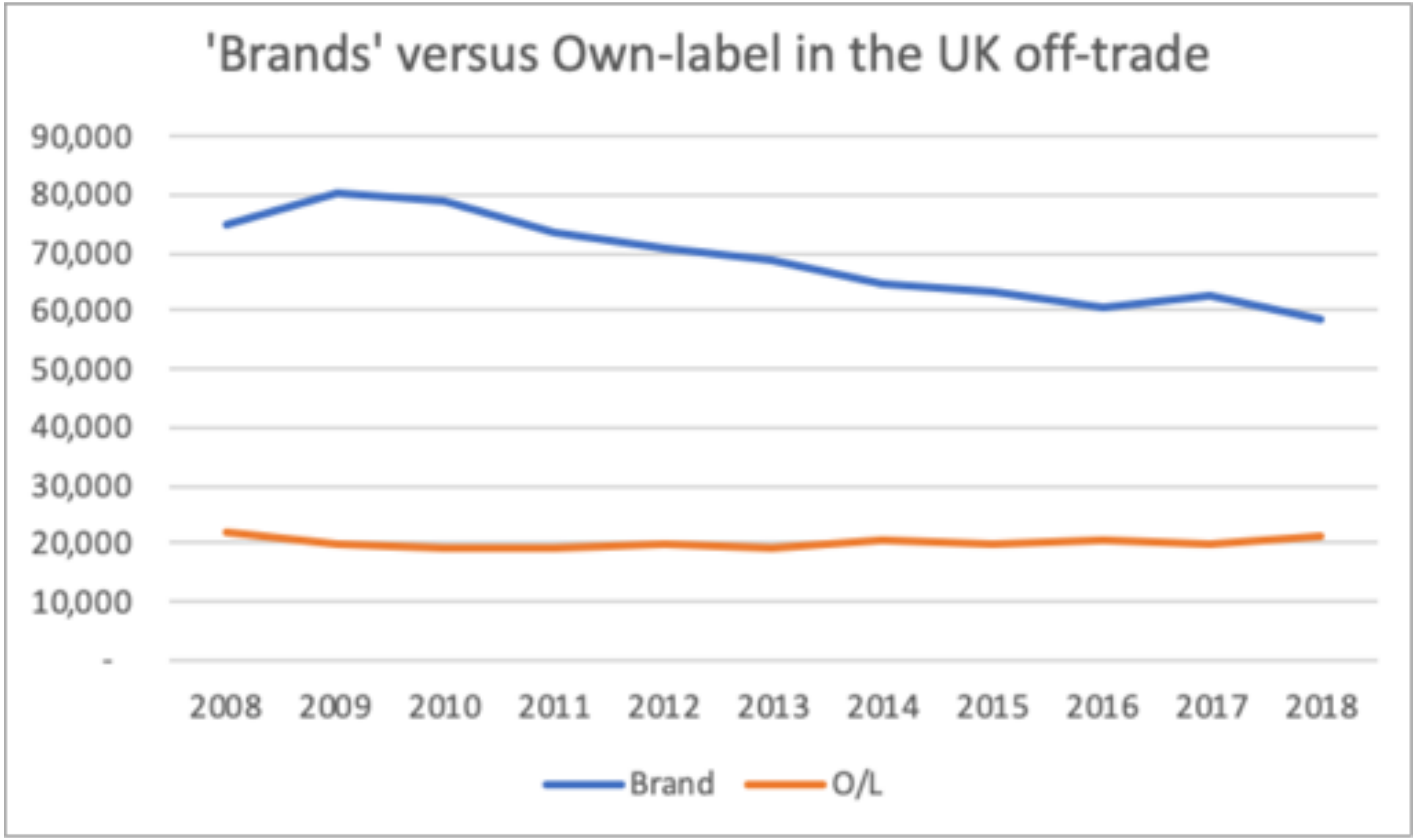
Source – NZW Export reports 2013, 2015, 2018

Exports to the UK 2008 - 2018



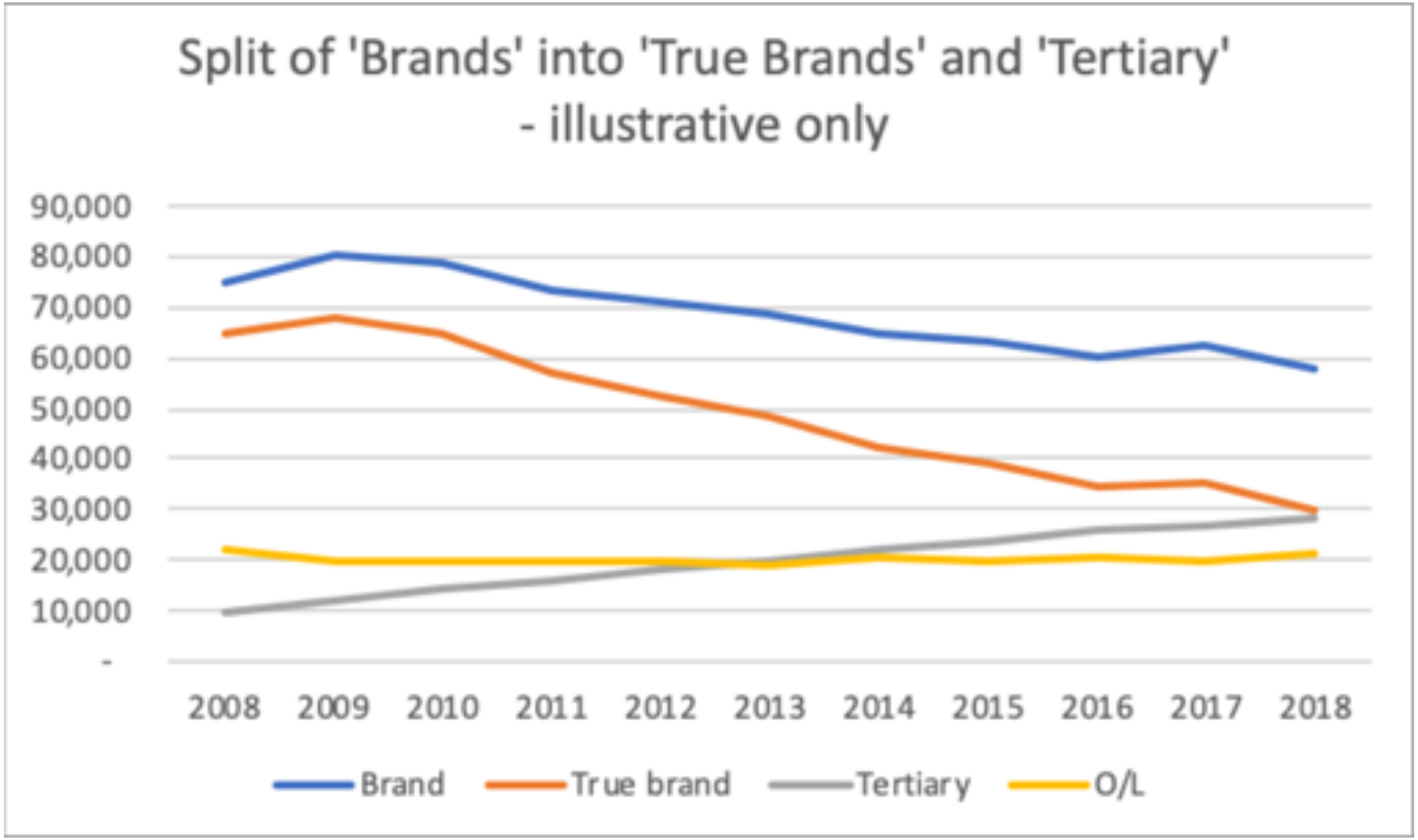
Source – NZW Export reports 2009, 2013, 2015, 2018

Brands vs O/L – ALL wine in UK



Source – Nielsen report for NZ Winegrowers

Brands vs Tertiary vs O/L

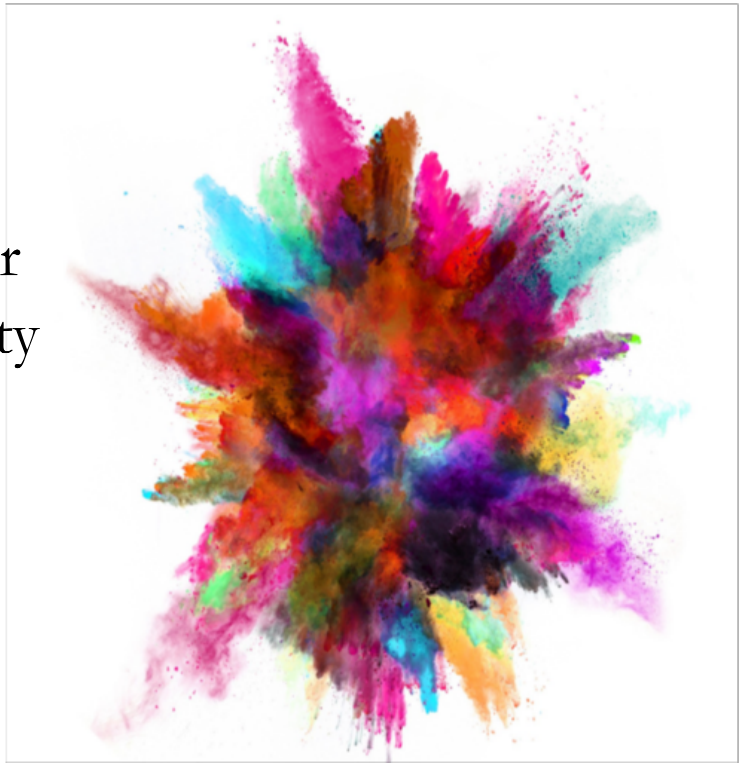


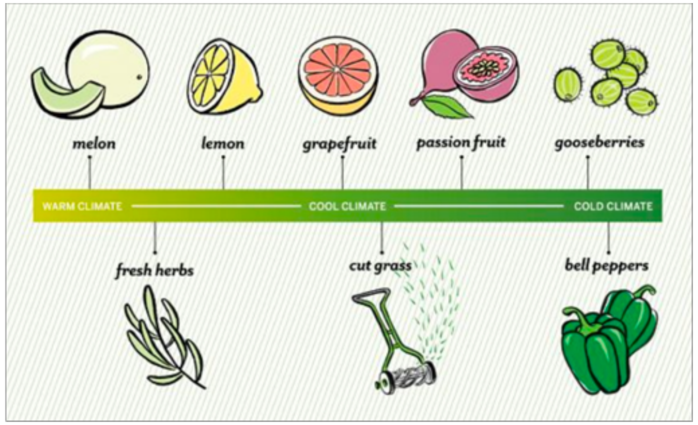
Source – Tertiary brand growth based on estimated data

Why do people like NZ Sauvignon?

Refreshment

Flavour intensity





Distinctiveness

Purity

Seeds of failure

- Loss of distinctiveness
- Stretching quality
- Inconsistency

….over a long period of time.

It takes a long time to destroy brand equity, and you may not notice at first

But when it is truly gone, it is impossible to get back for a generation

The example of Muscadet

Fiona Beckett on wine
Wine

Wine: whatever happened to muscadet?

Muscadet has now more or less vanished from our radar, replaced in our affections by fruitier picpoul and sexy-sounding albariño. But why?

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New Zealand wines: Why cheap is not better

Known for delicious sauvignon blanc, New Zealand wine producers could now be risking their long-term reputation in the search for short-term gain.

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http://www.tesco.com/wine/

In Wine

"What bothered me even more was the New Zealand connection. This country isn't known for discounting heavily. Instead it forged a reputation based on quality, persuading us to spend a bit more to buy a mouthful of its clean, green land, as the slogan goes."

"If you can't rely on the name of New Zealand to guarantee the quality of your wine, you end up having to play detective"

"The hope is that as the balance between supply and demand steadies, New Zealand will decide that the short-term gain of bulk wine sales isn't worth the long-term damage to our faith in its wine."

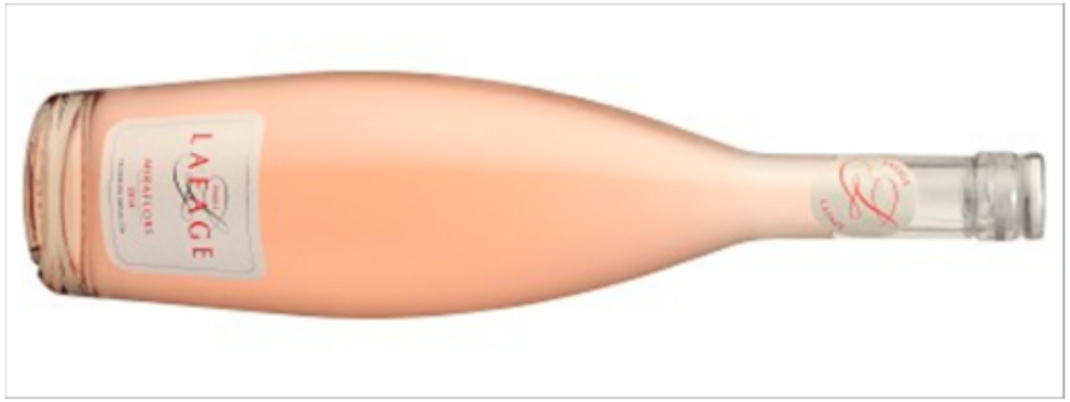
"It would be a shame if the magic disappeared."

How to keep on the righteous path?

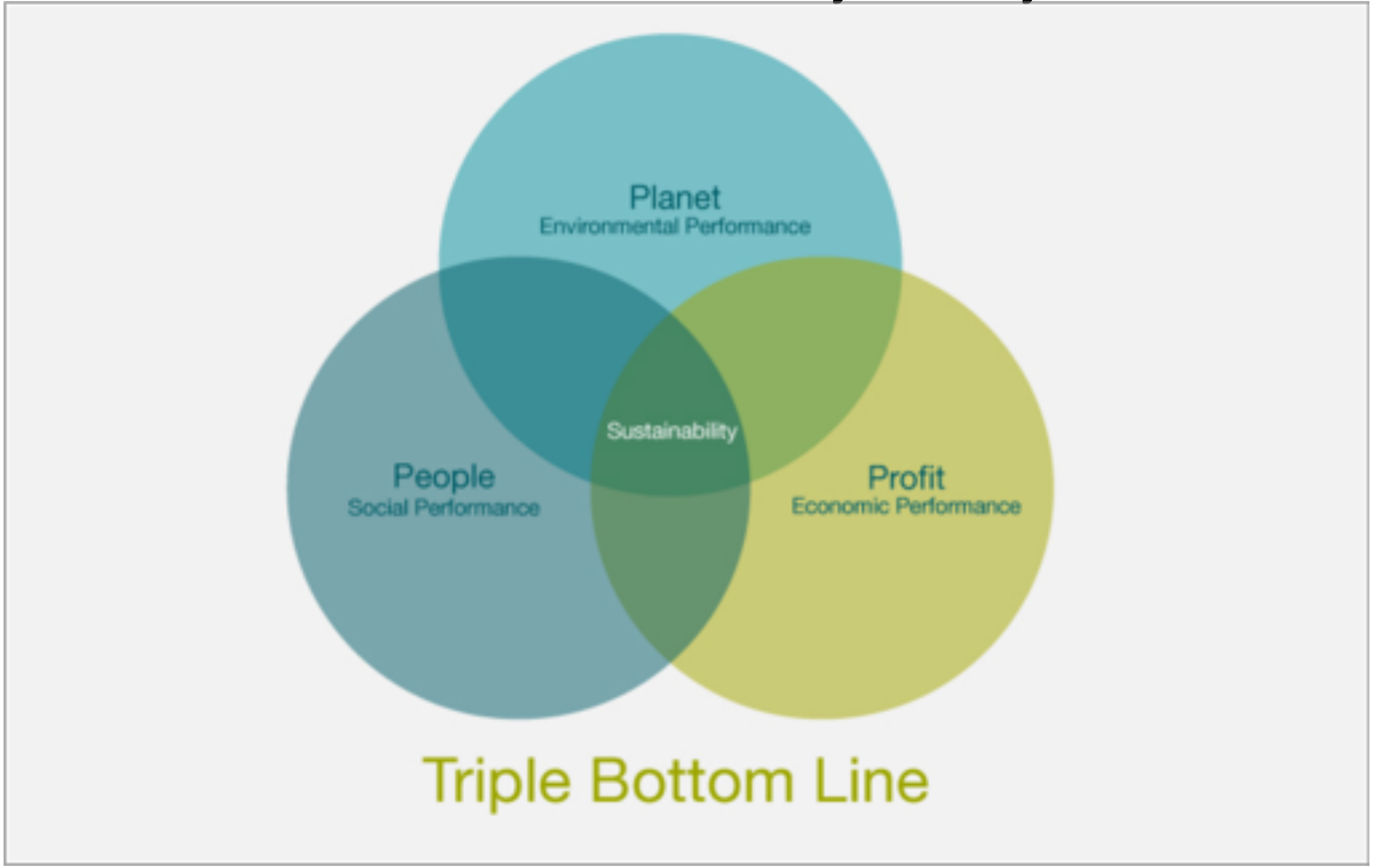
- Police quality rigorously
- Don’t be tempted by viticultural short cuts
- Remove poor wine from the market
- Legislate (?) to prevent bad actors undercutting
- Limit supply of bulk to trusted partners
- Don’t let supply exceed demand
- Grow new premium markets rather than servicing old low-price markets

How can NZ ‘premiumise’ Sauvignon?

More concentration?
More complexity?
Oaked?
Reserve?
More finely balanced?
Foregrounding specific flavours through viticultural and winemaking manipulation?
Packaging?
Branding?
Bottle format?



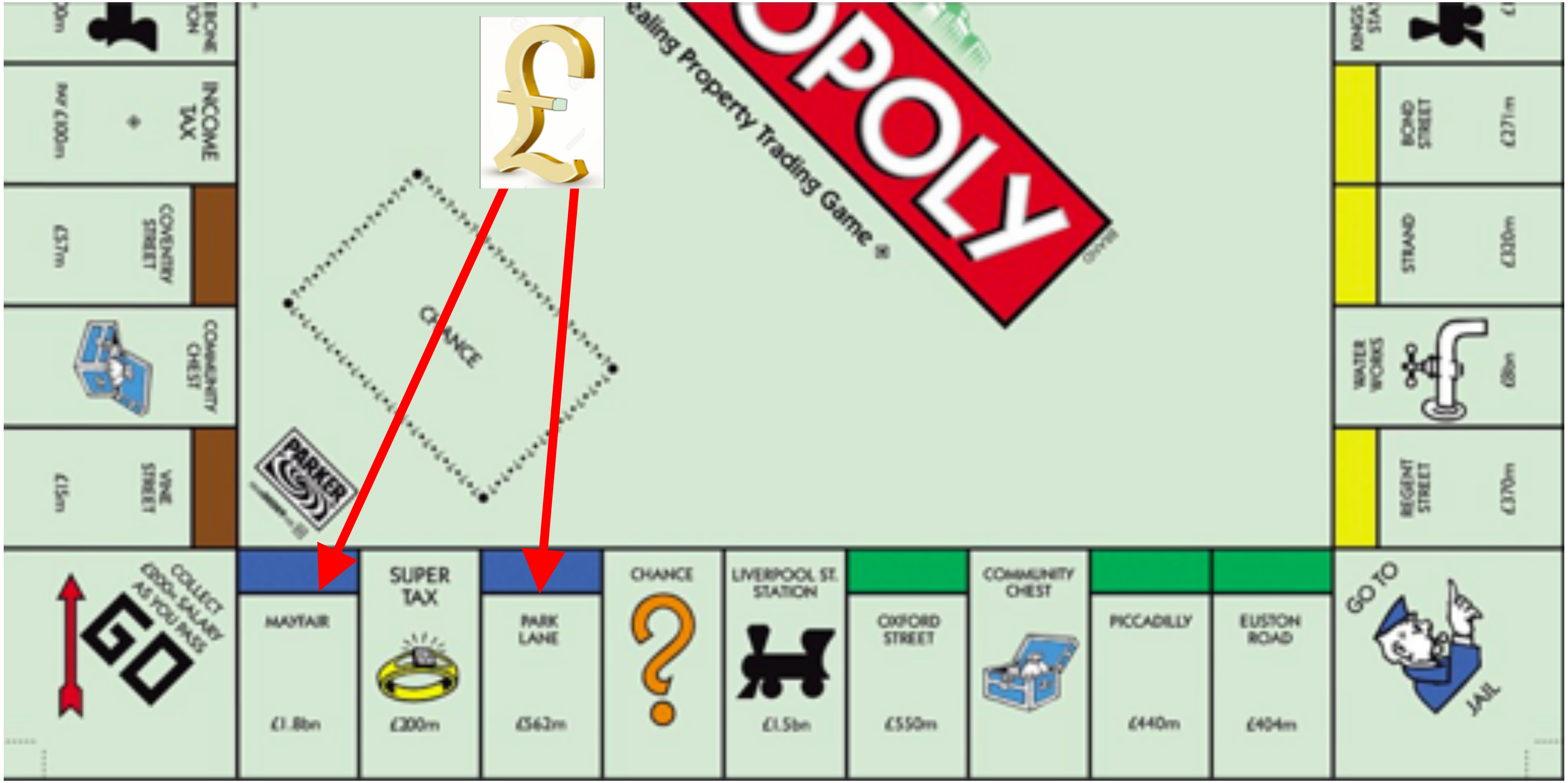
What does sustainability really mean?



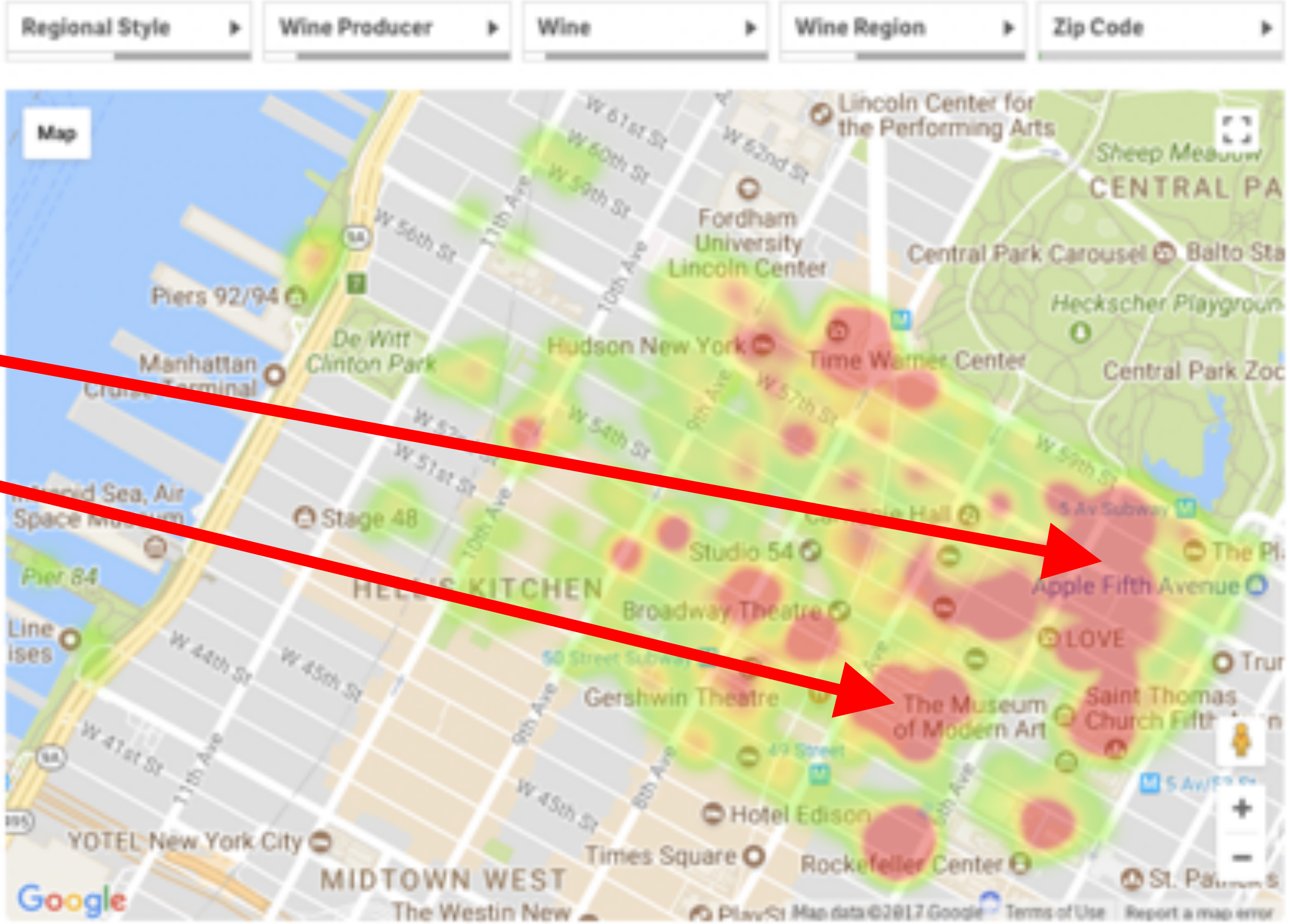
What does sustainability really mean?

Monitor, measure, reduce... Repeat.

Customer terroir



Customer terroir

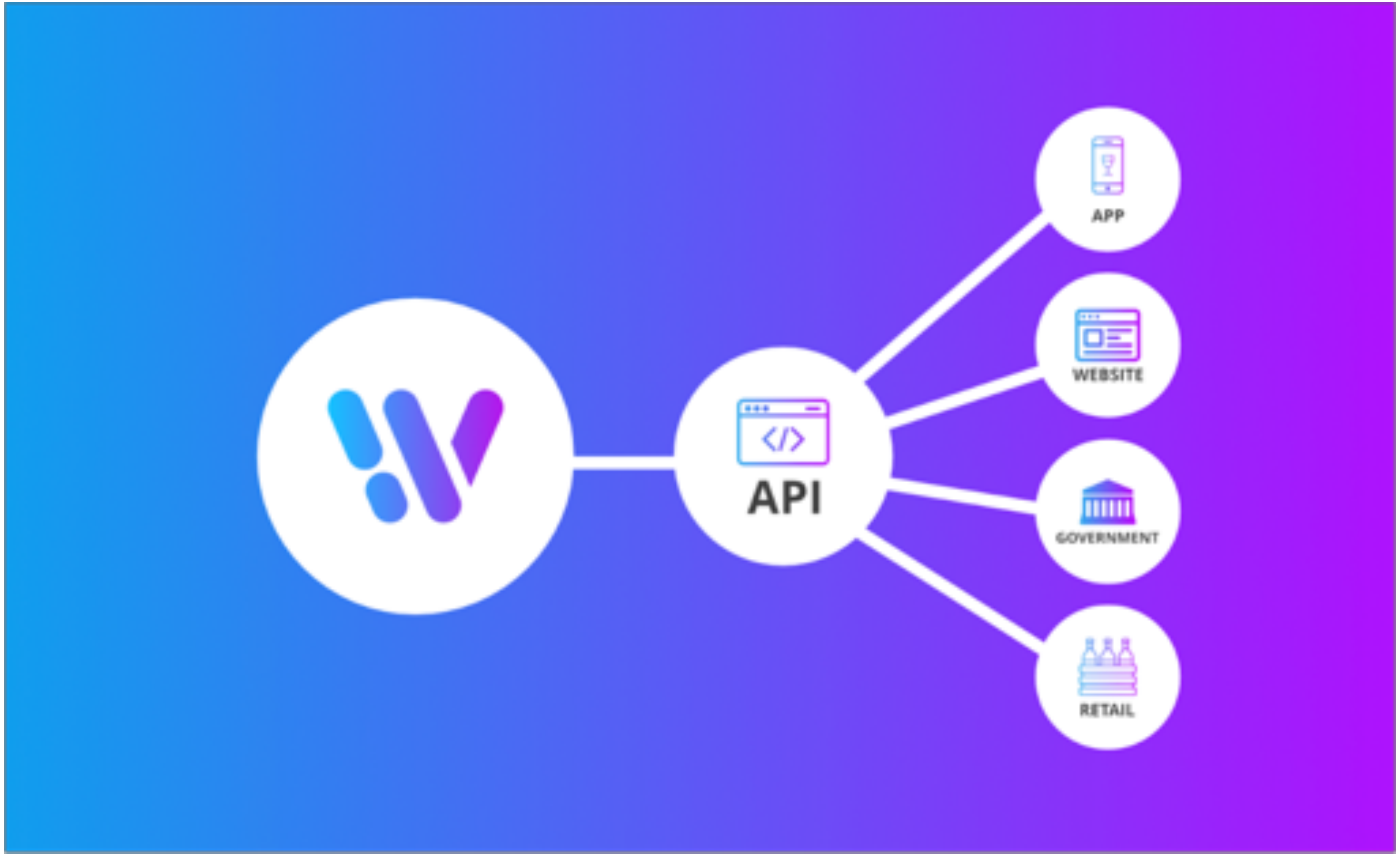


ENOLYTICS

What data can YOU control?

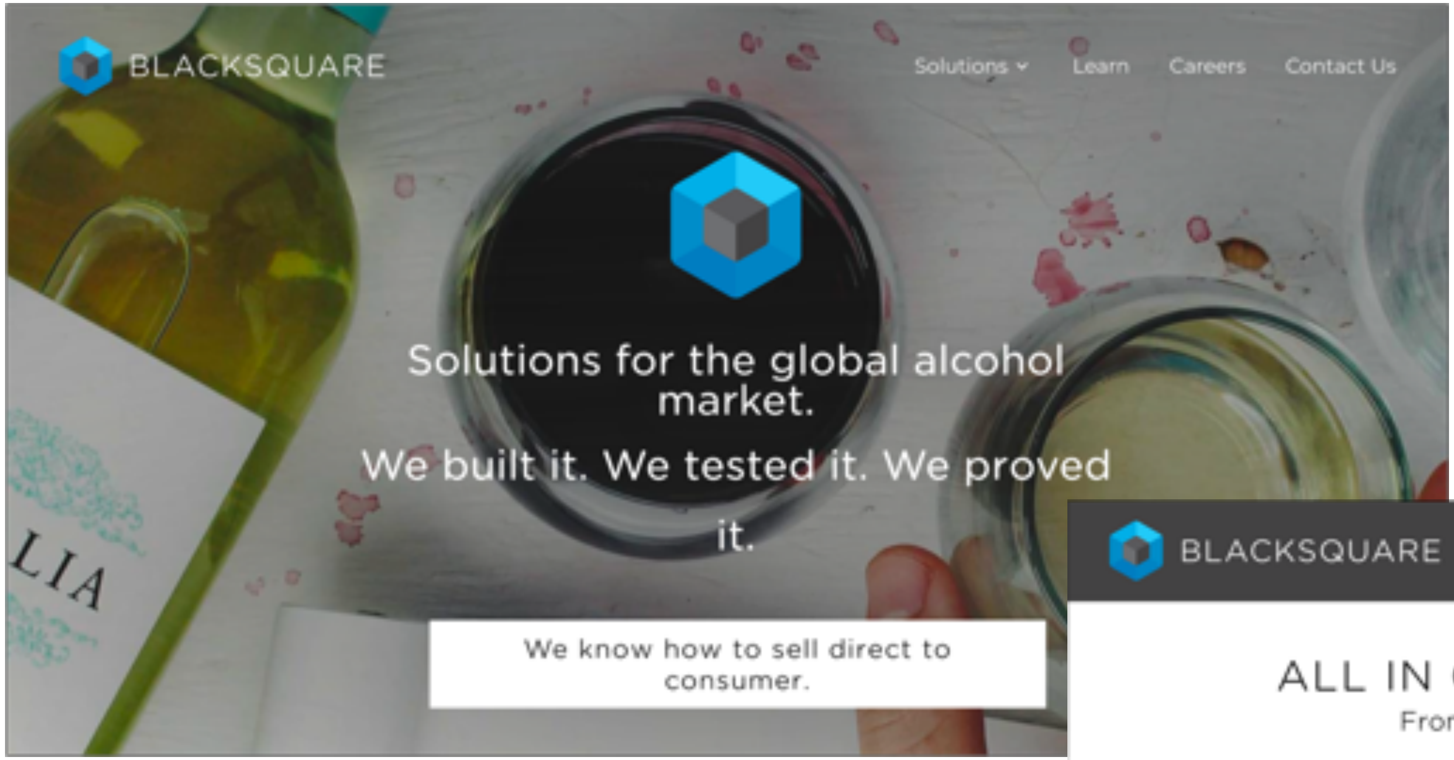
What data can you upload?

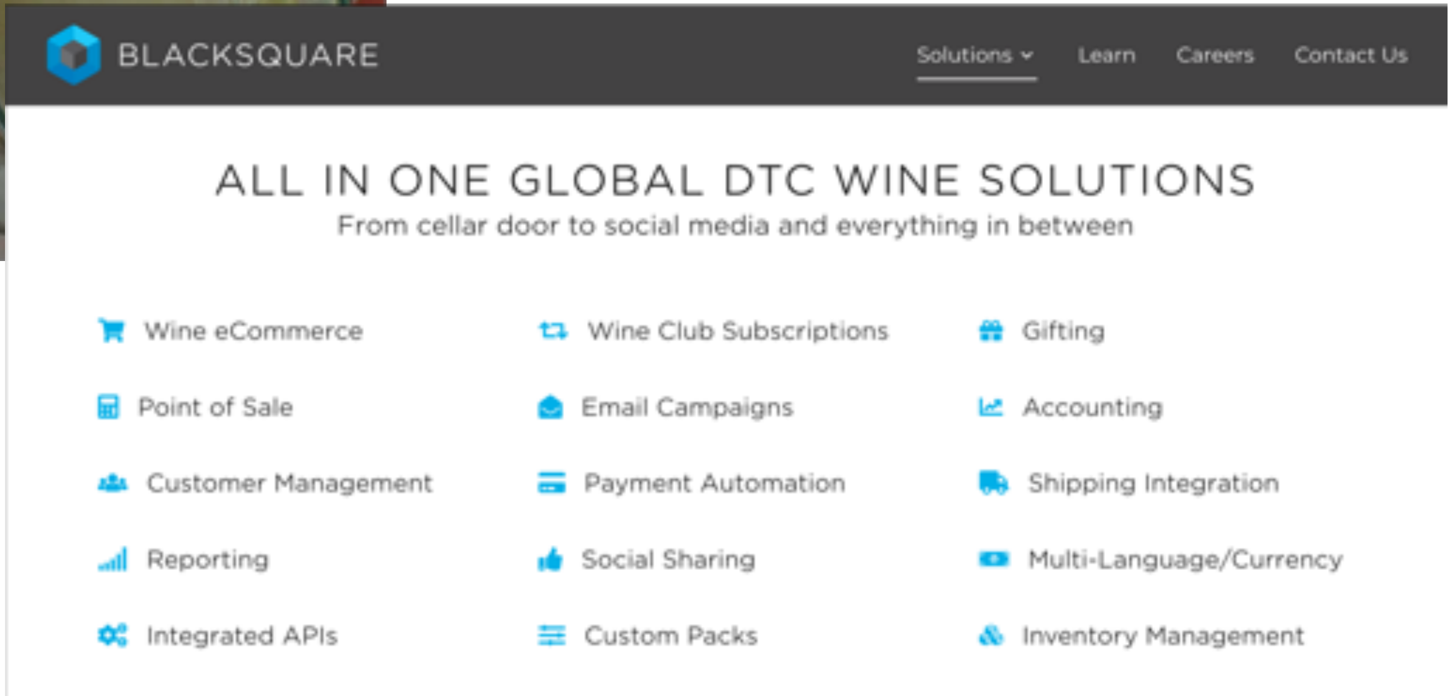
Who uses this data?



Direct-to-consumer selling

Direct-to-consumer selling






The Future
NEXT EXIT


TIME AND TIDE
BREWING
Root of All Evil
BEETROOT
HEFE
BREWED WITH
BEETROOT
8.0% ABV
IBU 30


HENDRICK'S
DISTILLED and BOTTLED IN SCOTLAND
GIN
EST. 1886
41.4% VOL.
35 CL e


WARNER
EDWARDS
VICTORIA'S
RHUBARB GIN


BE
NEW ZEALAND
BRANCOTT
ESTATE™
LIVING LAND SERIES™
MARLBOROUGH
SAUVIGNON BLANC
ORGANIC WINE


MARLBOROUGH
Sauvignon Blanc
Oyster Bay
NEW ZEALAND


CLOUDY BAY
NEW ZEALAND
Sauvignon Blanc 2018

Cannabis infused wine?

REBEL COAST WINERY

https://rebelcoast.com/

Alternative packaging formats

Lower alcohol

Summary

- Look after your soils – preserve ‘Marlborough’ flavour
- Protect quality by ensuring minimum standards
- Be sustainable in the long term – socially and financially as well as environmentally
- Develop premium brands that are desirable and worth a premium
- Maximise your tourism potential
- Get your data in order
- Explore D2C selling
- Don’t be blinkered about what the future holds

Thank you!

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Appendix

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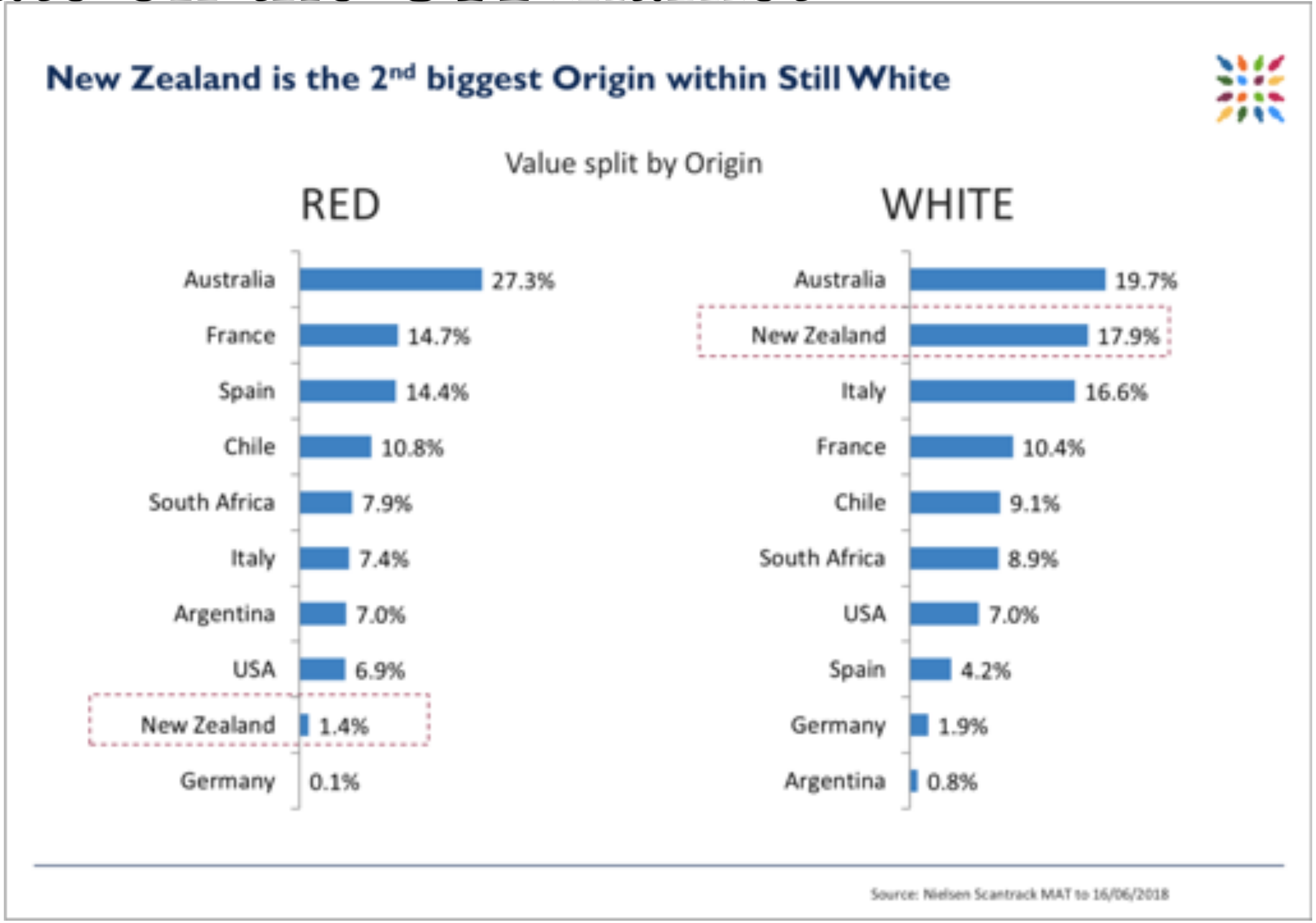
Update on the UK market



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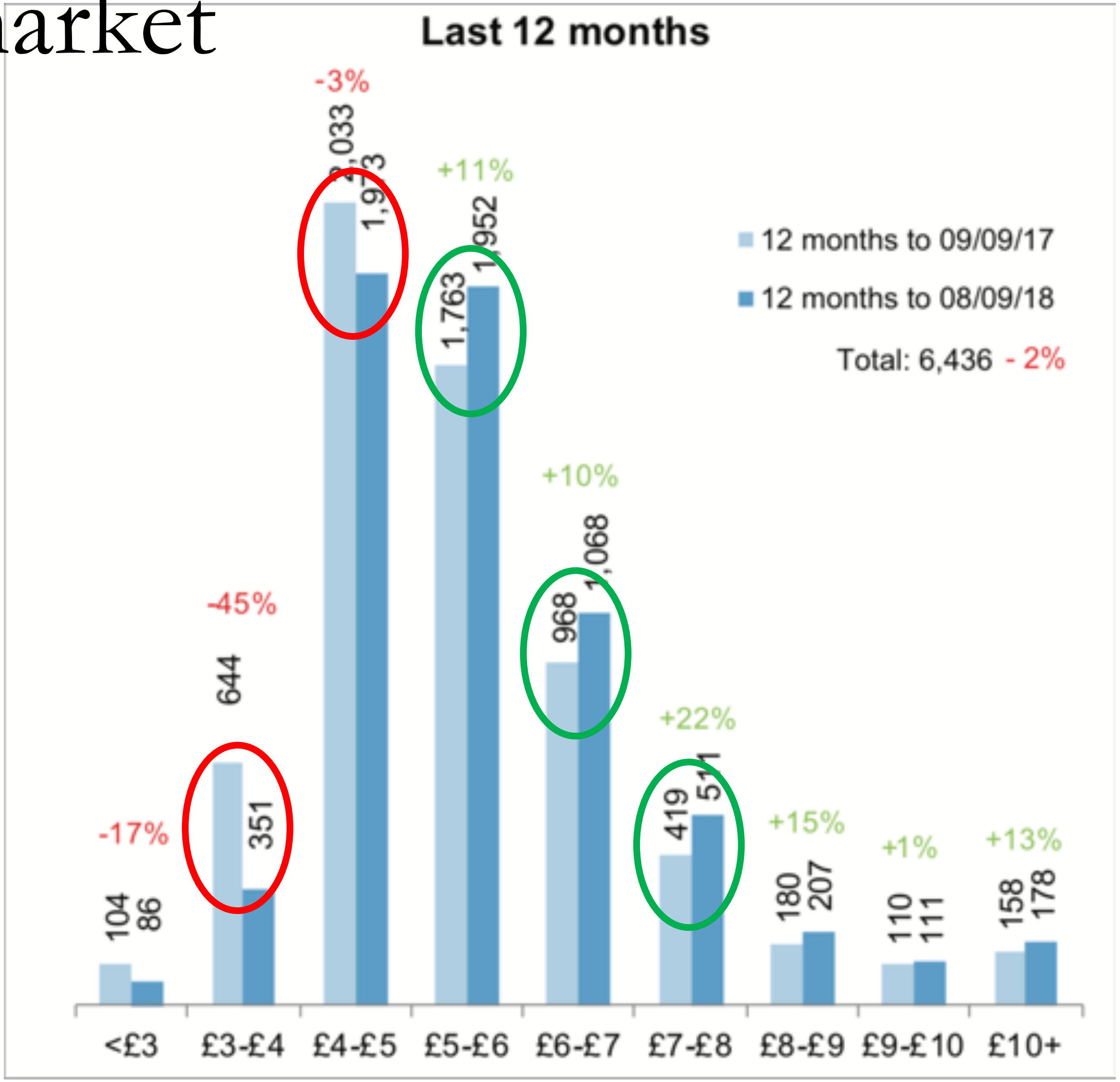

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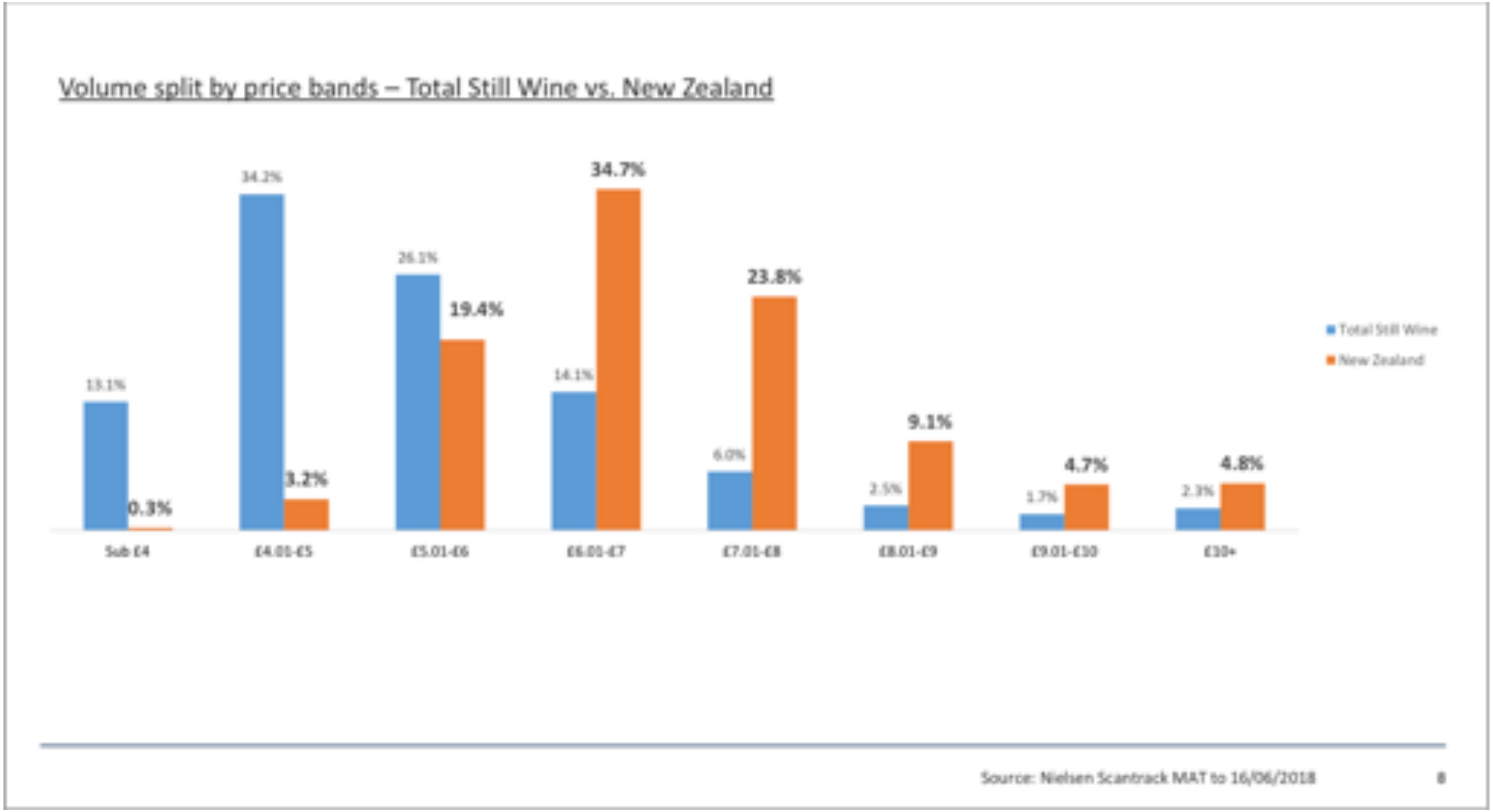

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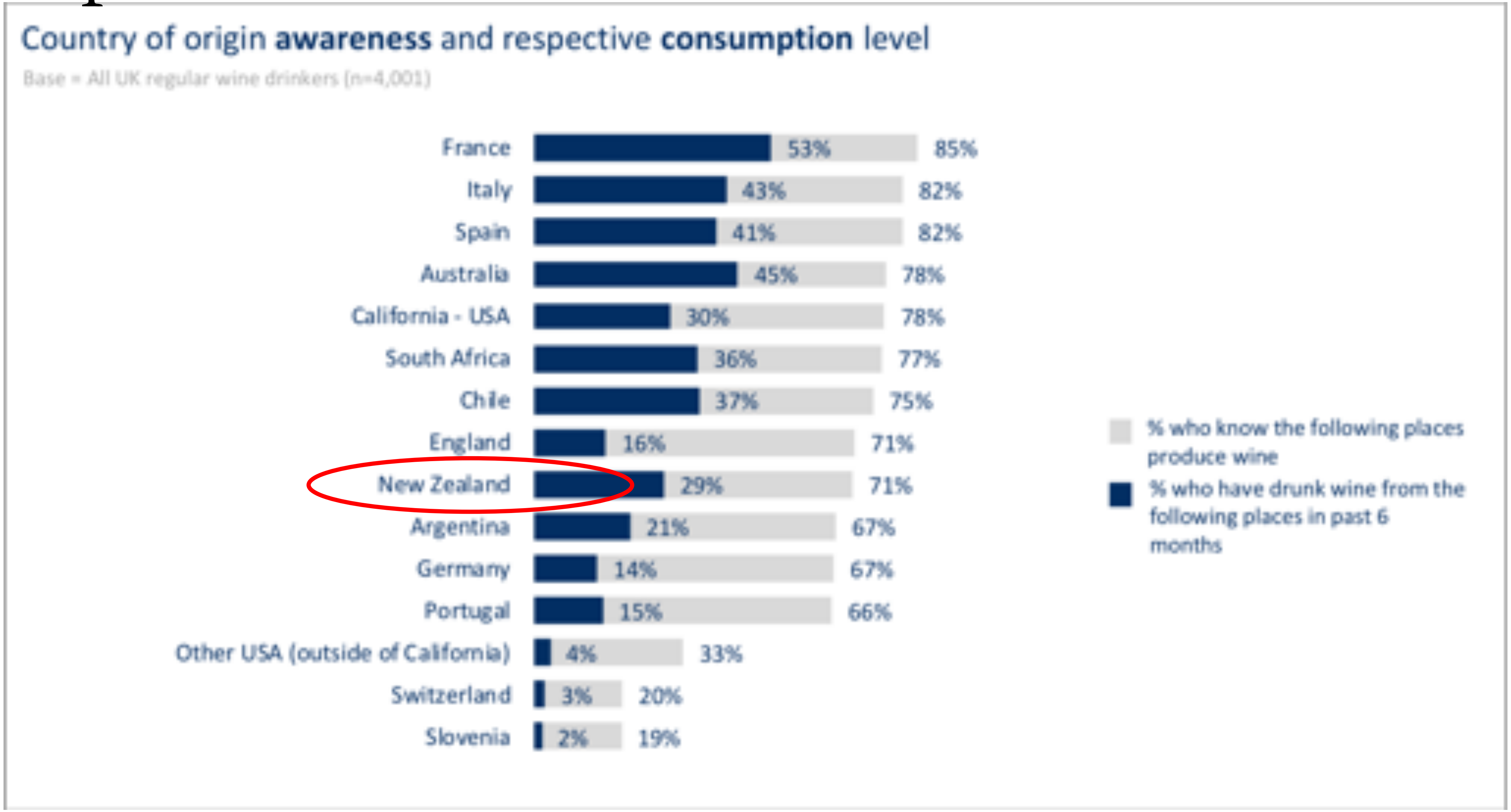


Update on the UK market

Sainsbury's and Waitrose both massively over-trade within the Origin. Discounters yet to find the catch on New Zealand

Retailer Still Wine Value Share by Origin – This Year vs Last Year

	TESCO	SAINSBURY'S	CO-OP	ASDA	WAITROSE	MORRISONS	M&S	ALDI	LIDL
LIGHT WINE EXC. BRITISH	**25.5%**	**17.1%**	**8.6%**	**9.8%**	**5.9%**	**9.3%**	**4.8%**	**8.0%**	**5.0%**
ARGENTINA	30.1%	17.4%	21.5%	4.4%	5.6%	9.0%	3.8%	5.5%	1.8%
AUSTRALIA	23.5%	16.9%	10.5%	13.5%	3.0%	13.1%	1.5%	6.7%	4.9%
CHILE	36.0%	13.1%	9.3%	11.1%	4.6%	7.5%	1.8%	4.4%	4.9%
FRANCE	17.9%	22.3%	3.8%	6.5%	13.2%	5.8%	8.4%	15.2%	4.8%
GERMANY	30.9%	29.2%	5.2%	10.0%	2.1%	10.8%	0.6%	5.9%	4.3%
ITALY	23.8%	18.1%	6.9%	8.0%	8.4%	7.2%	7.3%	9.9%	4.6%
NEW ZEALAND	**20.8%**	**24.5%**	**10.4%**	**8.7%**	**9.8%**	**13.4%**	**1.9%**	**4.6%**	**1.5%**
SOUTH AFRICA	21.2%	17.1%	11.3%	9.1%	5.0%	11.2%	3.9%	7.4%	8.0%
SPAIN	32.9%	11.7%	6.8%	9.6%	4.5%	4.5%	12.0%	8.9%	6.2%
USA	30.6%	15.9%	8.6%	11.5%	2.4%	9.9%	2.2%	3.5%	2.2%

Source: Nielsen Homescan MAT to 09/09/2018

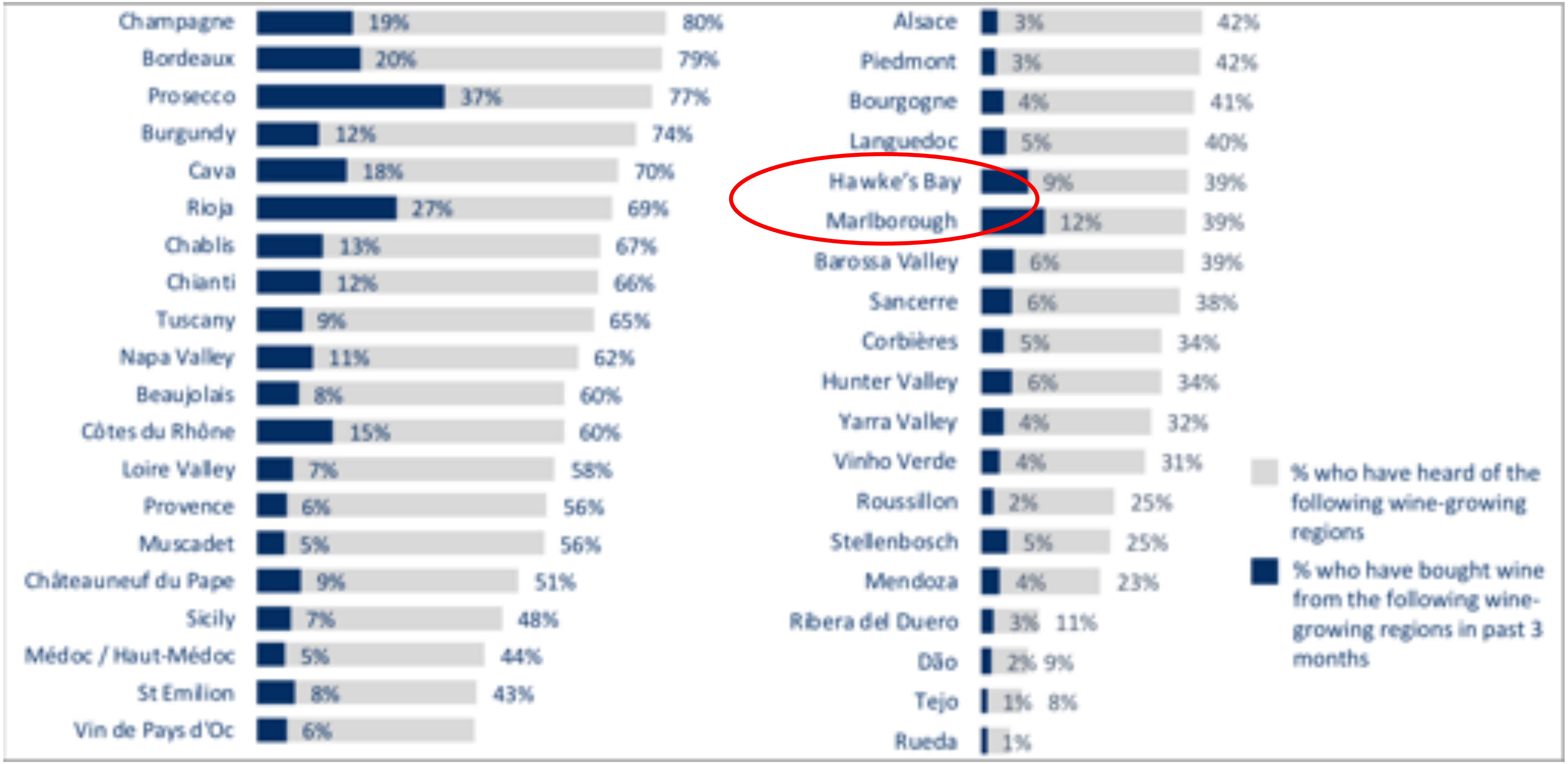
UK Market situation

Top white varietals

% who have drunk the following varietals in the past 6 months

1	Sauvignon Blanc	57% (60%)
2	Pinot Grigio / Gris	52% (56%)
3	Chardonnay	51% (52%)
4	Pinot Blanc	26% (29%)
5	Chenin Blanc	25% (23%)

UK Market situation



UK Market situation

Brand awareness: Tracking

% who have heard of the following brands

Base = All UK regular wine drinkers (n≥1,000)

Rank in 2018	Brand	2015	2017	2018	Long-term trend '15-'18	Short-term trend '17-'18
	n=	1000	1000	4001		
1	Blossom Hill	81%	87%	84%	↑	↓
2	Jacob's Creek	84%	88%	84%	→	↓
3	Echo Falls	77%	81%	80%	↑	→
4	Casillero del Diablo	65%	76%	75%	↑	→
5	Hardys	76%	78%	75%	→	↓
6	Black Tower	n / a	75%	72%	n / a	↓
7	Gallo Family Vineyards	67%	73%	71%	↑	→
8	Yellow Tail	42%	56%	62%	↑	↑
9	Lindeman's	59%	61%	61%	→	→
10	Kumala	51%	63%	60%	↑	→
11	J.P. Chenet	55%	59%	56%	→	→
12	Wolf Blass	48%	55%	54%	↑	→
13	Oyster Bay	51%	51%	54%	→	→
14	Campo Viejo	44%	55%	53%	↑	→
15	Rosemount Estate	46%	48%	47%	→	→
16	Banrock Station	45%	44%	47%	→	→
17	Isla Negra	40%	44%	44%	↑	→
18	Barefoot	n / a	37%	41%	n / a	↑
19	First Cape	41%	40%	39%	→	→
20	Paul Masson	38%	36%	37%	→	→
21	Brancott Estate	26%	31%	37%	↑	↑
22	Torres	36%	39%	34%	→	↓
23	McGuigan	12%	27%	33%	↑	↑
24	Canti	38%	37%	32%	↓	↓
25	Penfolds	30%	30%	32%	→	→
26	Oxford Landing	n / a	n / a	31%	n / a	n / a
27	Mouton Cadet	27%	31%	30%	→	→
28	Cloudy Bay	25%	29%	28%	→	→
29	Arniston Bay	27%	25%	26%	→	→
30	Villa Maria	15%	19%	23%	↑	↑
31	Oglo	19%	19%	18%	→	→
32	Peter Lehmann	13%	19%	18%	↑	→
33	Beringer	16%	17%	15%	→	→
34	Argento	13%	15%	15%	→	→
35	Concha y Toro	16%	14%	15%	→	→
36	Cono Sur	11%	11%	13%	↑	↑
37	Frontera	15%	15%	13%	→	→
38	Louis Jadot	11%	14%	12%	→	→
39	Woodbridge	9%	11%	12%	↑	→
40	Famille Castel	18%	14%	12%	↓	↓
41	Nederburg	10%	13%	12%	→	→
42	Nobilo	11%	11%	11%	→	→
43	La Châsse	11%	12%	11%	→	→
44	Robert Mondavi	9%	7%	10%	→	↑
45	Two Oceans	8%	8%	9%	→	→
46	Blason de Bourgogne	9%	12%	9%	→	↓
47	Errazuriz	7%	9%	8%	→	→
48	Santa Carolina	n / a	n / a	8%	n / a	n / a
49	RavensWood	11%	10%	8%	↓	↓
50	Trivento	7%	7%	8%	→	→
51	Georges Duboeuf	7%	8%	7%	→	→
52	Ruffino	7%	6%	7%	→	→
53	Wakefield	8%	4%	6%	↓	→
54	Kim Crawford	4%	2%	3%	→	→
	None of these	0%	0%	0%	→	→