TRENDS AND OPPORTUNITIES SHAPING THE GLOBAL WINE INDUSTRY

MERWIN GROOTBOOM
REGIONAL BUSINESS DEVELOPER: SUB-SAHARA AFRICA

31ST MAY 2011 – SAWIS INFORMATION CENTRE OPEN DAY
• MACRO VIEW
• STATE OF THE GLOBAL WINE MARKET
• GROWTH OPPORTUNITIES
• GLOBAL TRENDS AND PROSPECTS
A FRAGILE RECOVERY IS UNDERWAY

Real GDP Growth by Region: 2009-2011

2009: 89
2010: 17

Number of countries which saw negative real GDP growth in 2009 & 2010
UNEMPLOYMENT SEEN AS THIRD WAVE OF CRISIS

Unemployment Rate in World’s Worst Affected Countries 2010

Number of countries with an unemployment rate above 10% in 2007: 14
Number of countries with an unemployment rate above 10% in 2010: 25

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HOW WILL THE ECONOMY PERFORM?

- Near term outlook remains uncertain
- Growth to be driven by emerging markets – especially in Asia
- Unemployment to remain high
- Consumer spending still under pressure
- Government debt to remain a key area of concern
- Shift in global power to emerging markets will continue
State of the Global Wine Market
GLOBAL WINE PER CAPITA CONSUMPTION IN 2010

Portugal Highest Per Cap Consumption Globally

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AFTER THE SLUMP...

Global Wine Sales 2005-2010

- Wine volumes in billion 9L Cases
- % Total volume growth
- % Total value growth US$ fixed

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BEER TAKES SHARE FROM WINE AND SPIRITS

Alcoholic Drinks by Category – Total Volume

- Beer
- Cider/Perry
- RTDs/High-Strength Premixes
- Spirits
- Wine

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Growth opportunities
ASIA PACIFIC WILL CONTINUE TO DRIVE WINE SALES

Global wine volumes are expected to grow by 3% CAGR between 2010-15.
Still light grape wine will remain the largest category.

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Largest Still Grape Wine Markets Globally in Volume 2010

- USA: 12%
- Italy: 12%
- France: 10%
- United Kingdom: 6%
- China: 7%
- Argentina: 5%
- Portugal: 2%
- Russia: 3%
- Spain: 4%
- Brazil: 2%
- Others: 31%

Largest Still Grape Wine Markets Globally in Volume 2015

- China: 15%
- USA: 11%
- Italy: 10%
- France: 8%
- Spain: 4%
- Brazil: 2%
- Russia: 3%
- Argentina: 4%
- Others: 30%

US IS LARGEST CONSUMER BUT CHINA WILL BE BY 2015

GROWTH OPPORTUNITIES

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FAVOURABLE DEMOGRAPHICS AID WINE SALES IN BRAZIL

- Still light grape wine 2 L/cap 2010
- 6% total volume CAGR 2010-2015
- More women in the labour force

2009: 50% of the population reached the middle class
Northeast region growing
Urbanisation key
GLOBAL TRENDS AND PROSPECTS

WINE KEY DRIVERS AND TRENDS

- Cocooning
- Convenience
- Internet / Technology
- Value for Money
- Polarisation
- Eco-Credentials
- Healthier Options
- Simplified Offerings
ON-TRADE SUFFERS AS COCOONING ACCELERATES


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Leading Off-trade Markets for Bag-in-Box 2010

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VALUE FOR MONEY EVIDENT IN OFF-TRADE

Wine Off-trade Channel Performance 2005-2010

- Food/drink/tobacco specialists
- Small Grocery Retailers
- Discounters
- Internet Retailing
- Supermarkets/Hypermarkets

2005-2010 % Volume CAGR
## Wine: Premiumisation, Polarisation and Affordability

### Global Trends and Prospects

<table>
<thead>
<tr>
<th>Red wine: Greece</th>
<th>2005</th>
<th>2010</th>
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<tbody>
<tr>
<td>Under EUR3.5</td>
<td>2.7%</td>
<td>3%</td>
</tr>
<tr>
<td>EUR3.51 to EUR5.5</td>
<td>6%</td>
<td>7.5%</td>
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<tr>
<td>EUR5.51 to EUR6.5</td>
<td>7%</td>
<td>9%</td>
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<tr>
<td>EUR6.51 to EUR8</td>
<td>20.3%</td>
<td>21%</td>
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<tr>
<td>EUR8.01 to EUR9.4</td>
<td>22.2%</td>
<td>22%</td>
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<tr>
<td>EUR9.41 to EUR11</td>
<td>23.8%</td>
<td>21%</td>
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<tr>
<td>EUR11.01 and above</td>
<td>18%</td>
<td>16.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
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</table>

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<tr>
<th>Red wine: China</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under RMB19.99</td>
<td>30%</td>
<td>21%</td>
</tr>
<tr>
<td>RMB20 to RMB29.99</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>RMB30 to RMB49.99</td>
<td>29%</td>
<td>30%</td>
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<tr>
<td>RMB50 to RMB59.99</td>
<td>8.5%</td>
<td>13.5%</td>
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<tr>
<td>RMB60 to RMB89.99</td>
<td>1.5%</td>
<td>3%</td>
</tr>
<tr>
<td>RMB90 and above</td>
<td>1%</td>
<td>2.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
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</table>
GLOBAL TRENDS AND PROSPECTS

UN-TRADITIONAL SIZES MORE DYNAMIC

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GLOBAL TRENDS AND PROSPECTS

CANS – THE NEXT BIG THING?

Leading Off-trade Markets for Cans in 2010

- USA
- Germany
- Japan
- Spain
- Taiwan
- Netherlands
- South Korea
- Austria
- Australia
- Colombia
- Russia

Off-trade volume – million units

% Off-trade volume CAGR

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PET BOTTLES – SLOW TO CATCH ON

Challenges

- ‘Smaller’ on shelf profile – “Is that a half bottle?”
- Associated with soft drinks
- Shorter shelf life
- Taste perceptions – “I don’t want my wine to taste plasticky”

Opportunities

- Changing consumption culture – buy to drink now
- Lighter/safer to transport
- Single serve sizes – most of the weight is wine, not package
- Green perceptions – if the consumer can be educated

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GLOBAL TRENDS AND PROSPECTS
ECO-CREDENTIALS PRODUCT EXAMPLES

[Images of various eco-friendly products including bottles, packaging, and sustainable options.]
MILLENNIALS ARE TECH SAVVY AND WORD OF MOUTHERS

- Technology adopters
- Online community
- Egocentric
- Hedonistic spenders
- Fashion influencers
- Media mistrusters/spin detectors
- Civic-minded/socially conscious
- Mass-advertising rejecters
- Word of mouthers
- Debt incursers
- Work/life balancers
- Obedient, but not subservient
- Tolerant
- Apathetic and sometimes frivolous

Civic-minded/socially conscious
Tolerant
Technology adopters
Online community
Media mistrusters/spin detectors
Mass-advertising rejecters
Word of mouthers
INTERNET CONTINUES TO RESHAPE THE WORLD

More than 40% of the world’s population will be on the Internet in 2020

711 million
Chinese Internet users in 2020

281 million
US Internet users in 2020

Half of all Internet users will be in Asia

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INTERNET / TECHNOLOGY EXAMPLES

GLOBAL TRENDS AND PROSPECTS
### TO SUM UP

**Value for Money**
- Wine offerings will have to justify their prices to increasingly price-savvy audiences in a new era of thrift.

**Emerging Markets Key**
- Countries like China and Brazil are key as future opportunity markets but let’s not forget about the developed markets.

**Glass keeps the top spot**
- Centuries of traditional glass bottle use have resulted in one of the most consolidated categories for packaging, this pack type will remain key for premium wines.

**Green packaging formats**
- Reducing distribution and breakage costs, while answering environmental concerns, will force manufacturers to go the extra mile in terms of packaging innovation.

**Differentiation via innovative packaging**
- Appealing to the new wine consumer, standing out on a shelf full of glass bottles, the shaped liquid carton, metal can and small size PET bottles are all taking share.

**Internet/ Technology**
- Social networking, online retail, consumer reviews “word of mouse” etc. will continue to play a huge role in shaping consumer trends.
THANK YOU FOR LISTENING

Merwin Grootboom
Regional Business Developer: Sub-Saharan Africa
merwin.grootboom@euromonitor.com