1st Altagamma Top Wines Study

Seeds & Chips, MiCo Milan

May 9th, 2018



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ALTAGAMMA
CREATIVITÀ E CULTURA ITALIANA



Contents

1 Market Monitor

2 In-depth Ho.Re.Ca. channel listening

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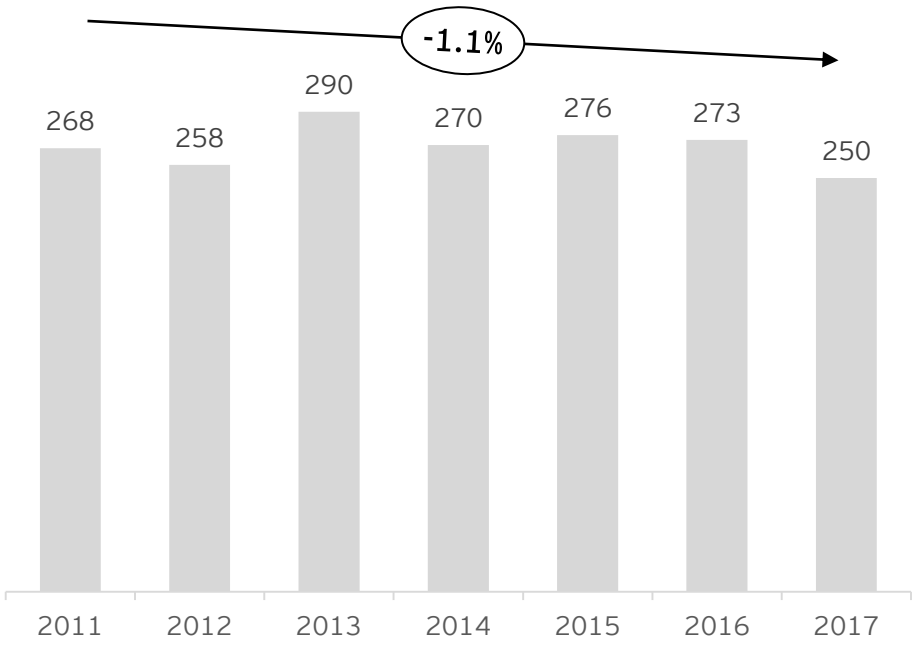
Market Monitor

Market Monitor – Global wine production

In 2017, global wine production reached 250 mhl, down 9.2% compared to 2016.
The European production continue to be the first player with 111 mhl (~44% of the total market)

Global wine production[1] (2011-2017)

(mhl)

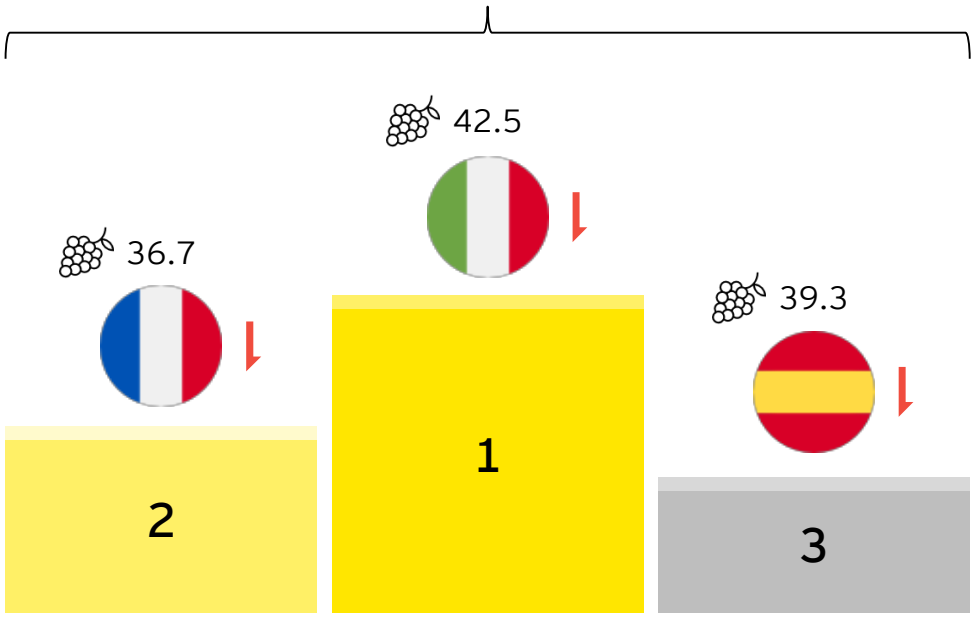


Global wine production[1] (2017) – Ranking by country

(mhl)

Δ'16-'17

The first three players account for ~44% of the total global wine production



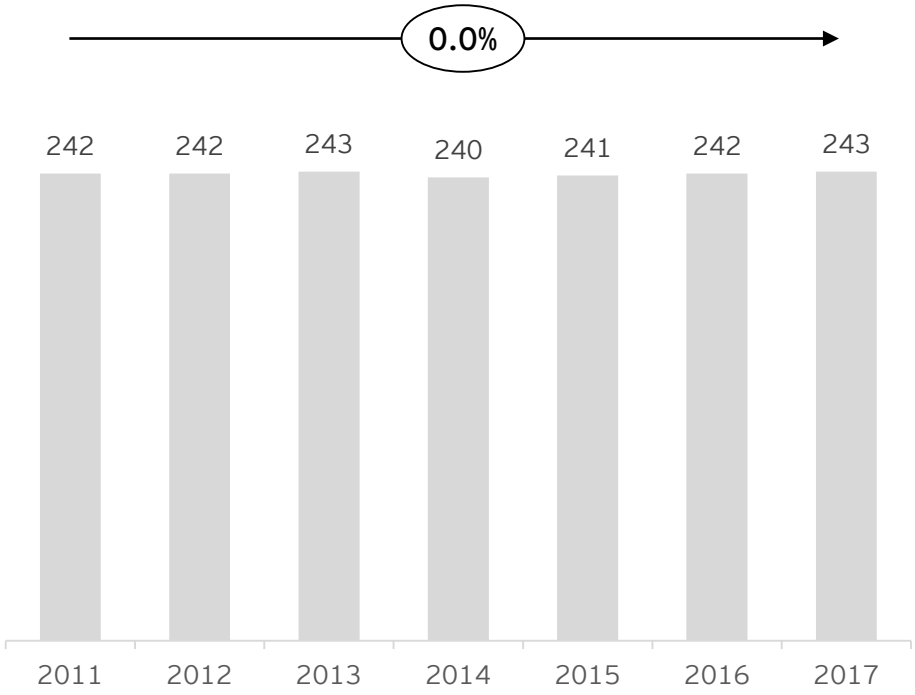
Notes: 1) All the analysis made in the market monitor do not take into account juice & musts
Source: OIV – International Organization of Vine and Wine

Market Monitor – Global wine consumption

Global wine consumption has been overall steady in the last 5 years, with the exception of USA and China

Global wine consumption (2011-2017)

(mhl)

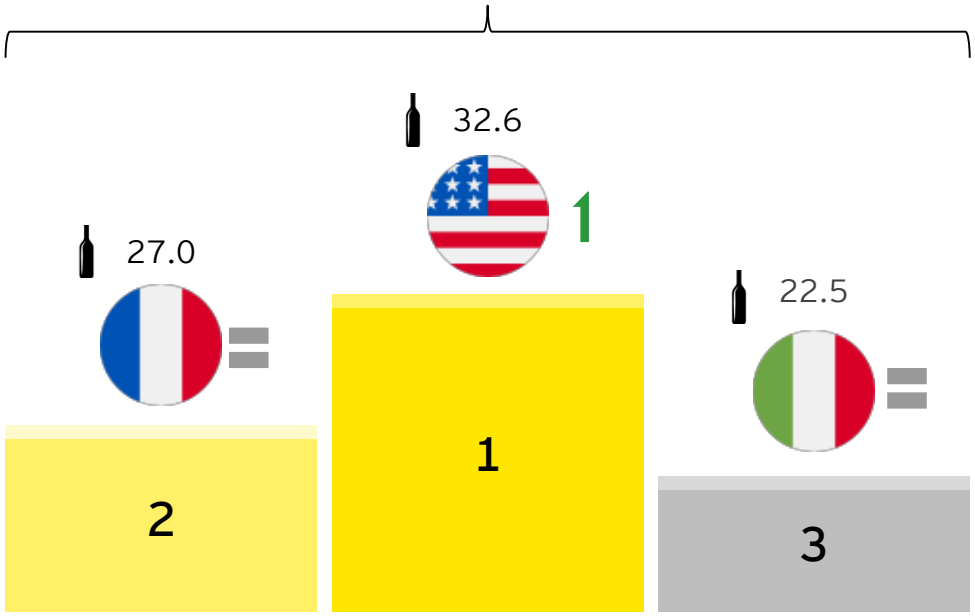


Global wine consumption (2017) – Ranking by country

(mhl)

Δ'16-'17

USA, France and Italy represent ~34% of the global wine consumption

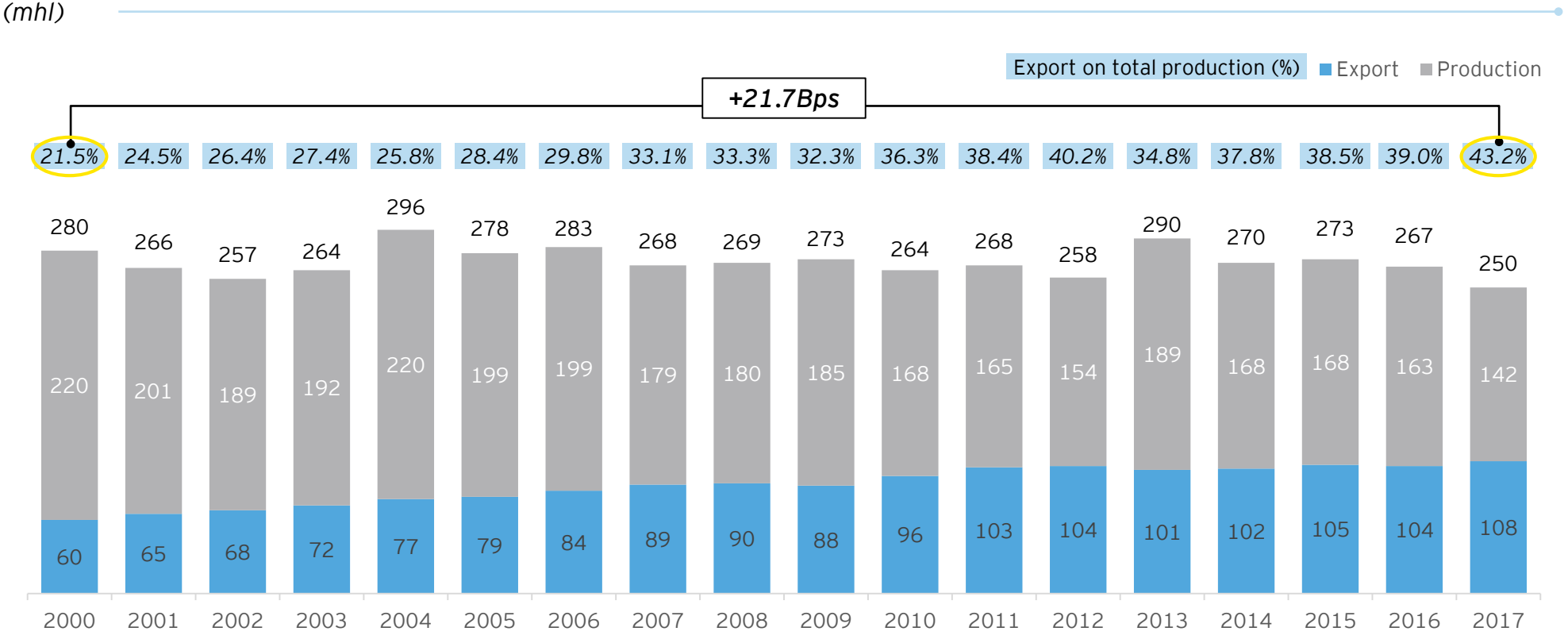


Source: OIV – International Organization of Vine and Wine

Market Monitor – Global wine export (I/II)

Export grew from 21.5% to ~43% on total production in the last fifteen years

Global wine production and export (2000-2017)



Source: OIV – International Organization of Vine and Wine; EY-Parthenon analysis

Market Monitor – Market typology and features

Italy can consolidate position on traditional and mature market, but needs to work on new perspectives

	Traditional Markets	Mature Markets	Emerging Markets	
			WAVE 1	WAVE 2
Countries	France Italy Spain Germany	USA Canada Australia Scandinavia	China Taiwan Singapore Korea Japan India	Peru Nigeria Namibia South Africa
Total consumption	High Medium Low =	High Medium Low ↑	High Medium Low ↑	High Medium Low ↑
Consumption per capita	↓	=	↑	↑
Strategy	*Consolidate position*	*Widening customer base and average consumption*	*Educate and start/boost distribution*	

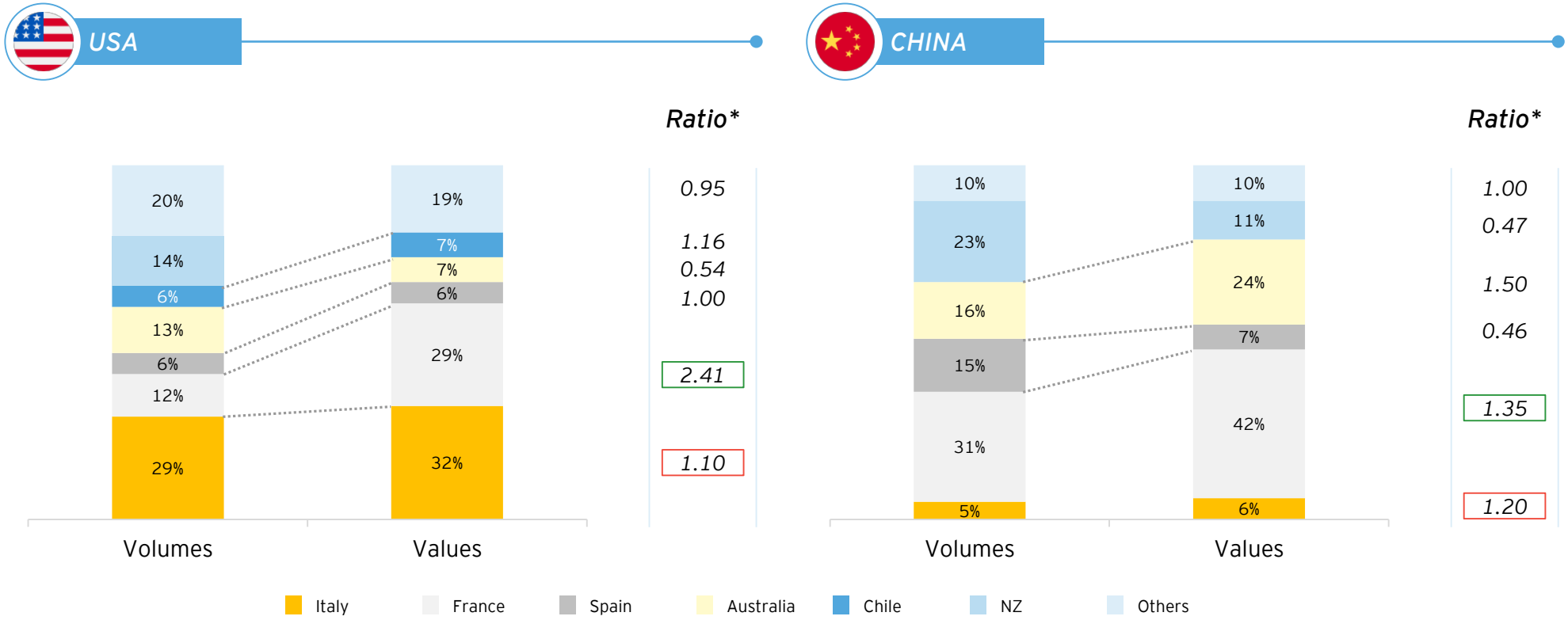
Source: EY-Parthenon analysis

Market Monitor – Shares in USA and China

Italy seems to lag behind in terms of export effectiveness

Market shares by volumes and values in the USA and China (2016)

(%)



Note: Ratio=Values %/Volumes %
Source: OIV – International Organization of Vine and Wine, EY-Parthenon analysis

Market Monitor – Top wines

The top wines have been selected considering the prices per bottle (both Ho.Re.Ca. and wholesales)

	Wholesales prices per bottle	Ho.Re.Ca. prices per bottle
 Red wine	>20€	>70€
 White wine	>10€	>40€
 Sparkling wine	>15€	>50€

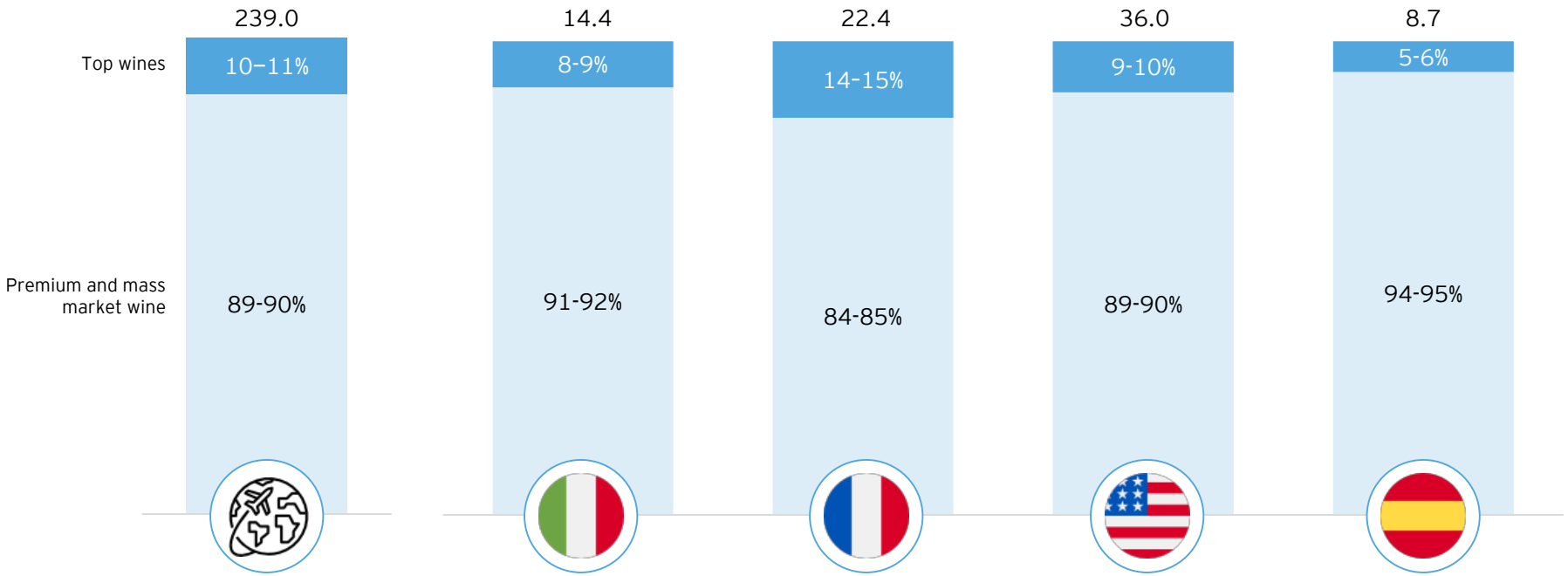
Source: EY-Parthenon analysis

Market Monitor – Market values

At a European level, France drives the market reaching more than 22€Bn in 2016 with an estimated top wines share between 14-15%

Market values – Breakdown per main countries (2016)

(€Bn)



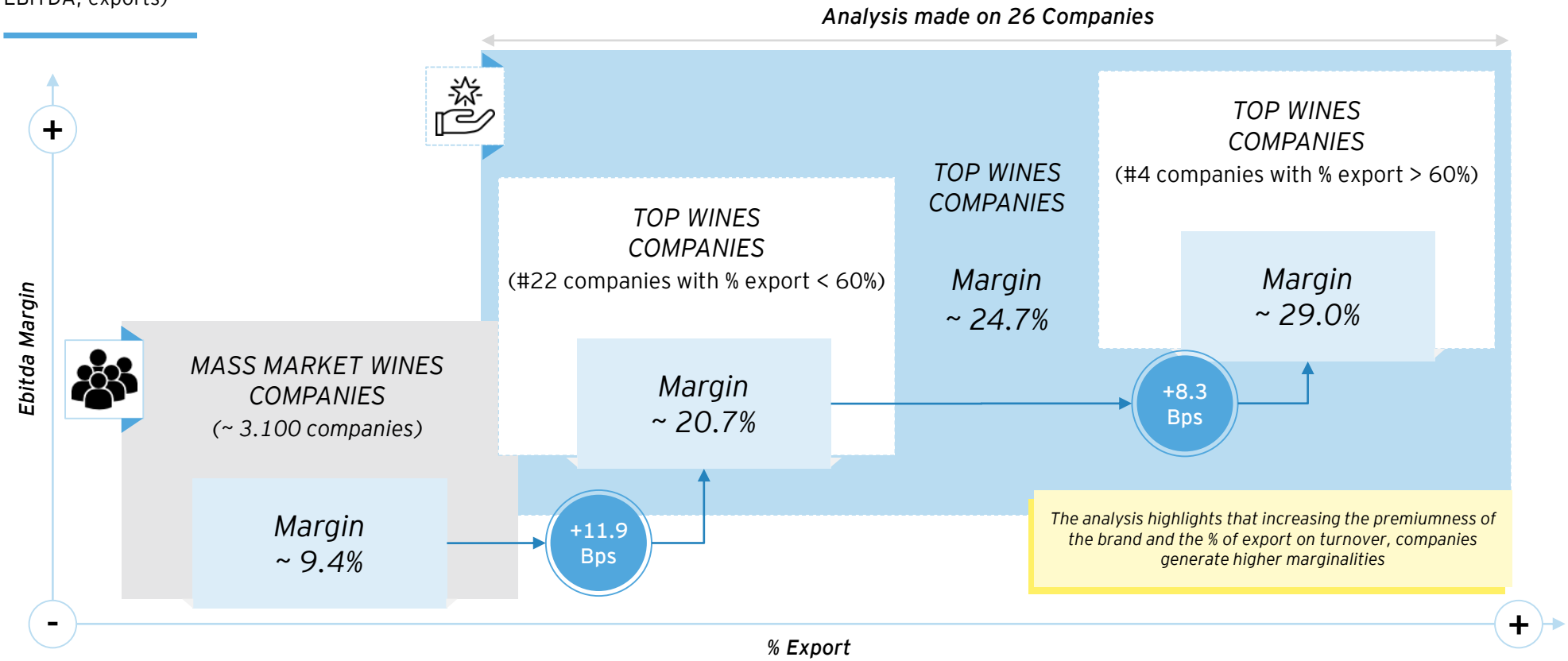
Notes: 1) The estimation has been made on the basis of interviews with opinion leaders, previous case study analysis and taking into account the most relevant wine producers at a global level. Exch. rate per single country to € at 31/12/2016
Source: Global Data, interviews with KOL's, EY-Parthenon analysis

Market Monitor – Focus Italy – Benchmark analysis

Within top wines companies export drives EBITDA

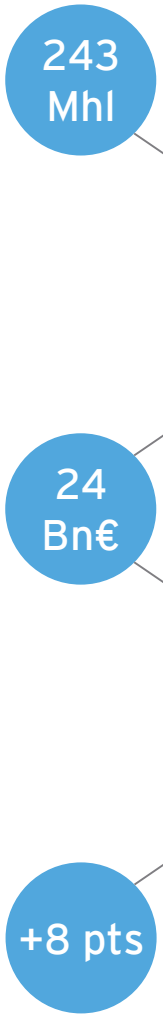
Italian wine companies – Segmentation by type of wine, EBITDA and export (as of 2016)

EBITDA, exports)



Source: EY-Parthenon analysis

Market Monitor – Key take away



Of wine consumption in 2017, stable over the last years. 250Mhl the total wine production in 2017, also stable

The % of export on the total production in 2017, doubled in 17 years (in 2000 was 21.5%)

The Top wines market global value in 2017 (retail value), representing 10-11% of total market (239 Bn€)

Top wine segment share in Italy, on a 14,4 €Bn market in 2017

Of EBITDA margin of top wines companies exporting more than 60% vs other top wine companies in Italy



In-depth Ho.Re.Ca. channel listening

Why Ho.Re.Ca. channel

1 Ho.Re.Ca channel worth 26.7% of total volumes and 33.5% in terms of value

2 Ho.Re.Ca. channel is one of the most important consumers influencers and educates clients offering a unique wine experience

Source: Euromonitor international, EY-Parthenon analysis

Agenda


Who is talking to you?
Market overview and trends
Consumption trend
Interaction: Supplier/Distributor – Restaurant – Customers
Top wines and Italian reputation

We interviewed 400 Michelin Star restaurants in the World

Restaurants

400

~8%

~15%

~77%

~ 15% of the Michelin-Star restaurants in the world[1]

Nationality



8 Main Countries

70% located in primary locations

Features

Avg. ticket per person *(wine excluded)*

80-150€

~83%

Avg. price per bottle of wine

>100€

~54%

Wine List

>200 Wines

~73%

*The **400** restaurants are generating approximately **1.2€Bn turnover** as of today*

Notes: 1) On the basis of 2016 Michelin Star restaurants
Source: Phronesis Customer Survey; websites; EY-Parthenon analysis

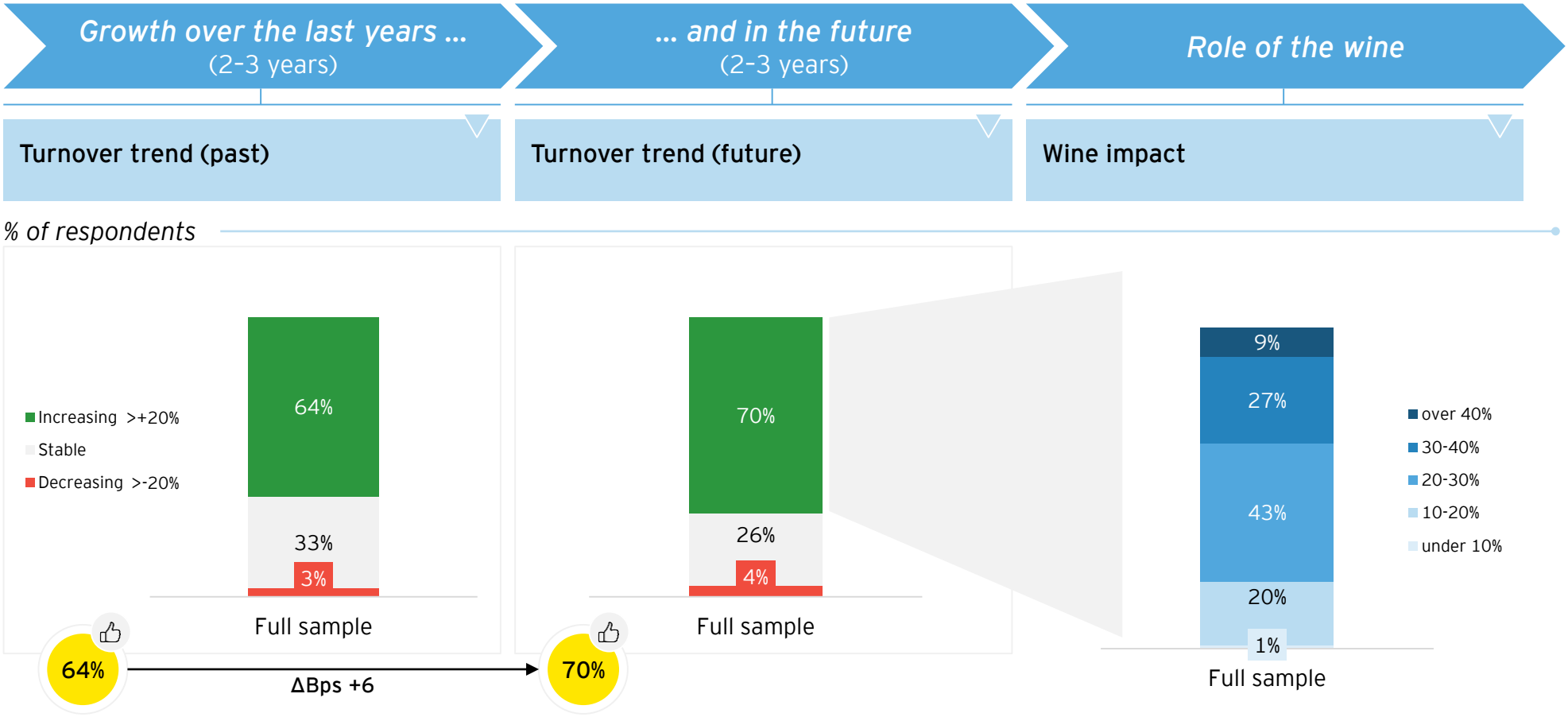
EY PARTHENON ALTAGAMMA CREATIVITÀ E CULTURA ITALIANA

Agenda


Who is talking to you?
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Consumption trend
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Top wines and Italian reputation

Restaurants growth expectations and role of wine

70% of Restaurants expect solid growth in the next years, 30%+ of which led by wine



Wine drives 31.2% of the total growth

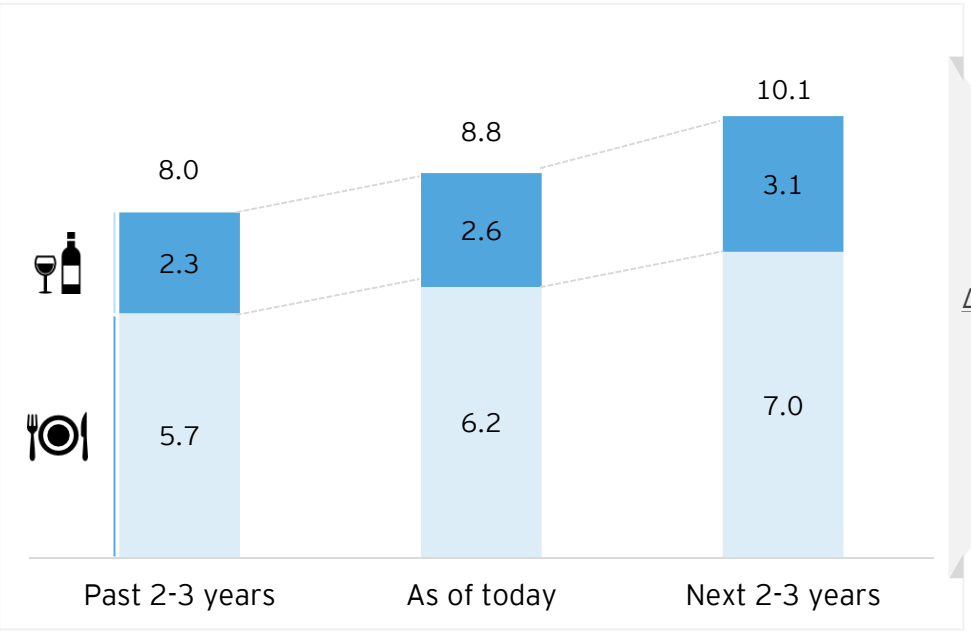
Source: Phronesis Customer Survey; EY-Parthenon analysis

Michelin star restaurant turnover evolution

The wine maintains its weight on the total turnover of the restaurants remaining a fundamental pillar of the Ho.Re.Ca. sector growth

Restaurants turnover evolution[1]

(€Bn)



Wine on total turnover

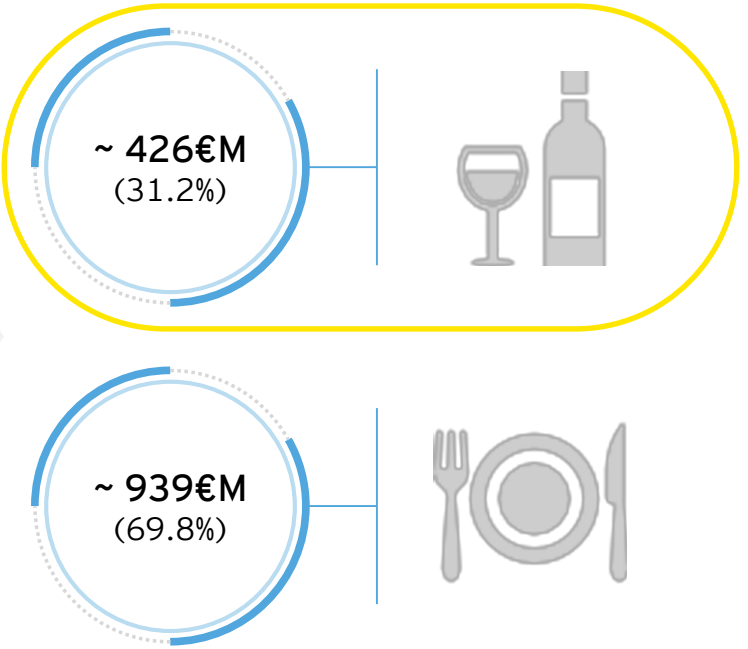
29.0% 29.6% 30.5%

Δ YTD-Fcst

1.4€Bn

Wine vs food impact on future growth

€M, %



Notes: 1) Turnover evolution calculation has been made on the basis of the # of restaurants and on their replies on current revenues, past and future growth trends
Source: Phronesis Customer Survey; EY-Parthenon analysis

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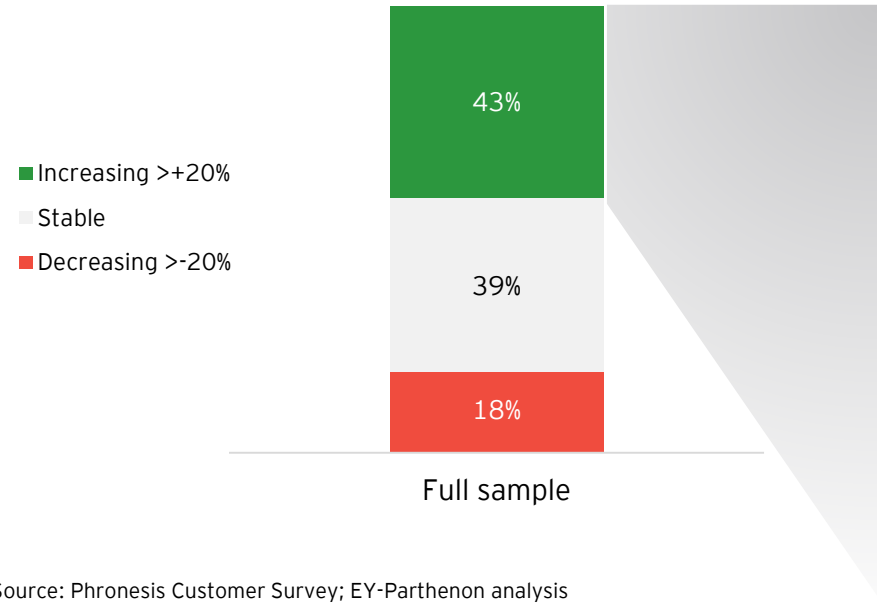
Wine consumption trend

43% of Restaurants perceiving an increase in wine consumption, led by increasing consumer number

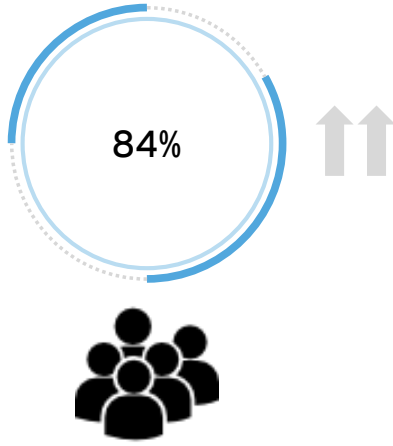
Do you perceive an increase in the total wine consumption? What is the main reason?

Wine consumption trend

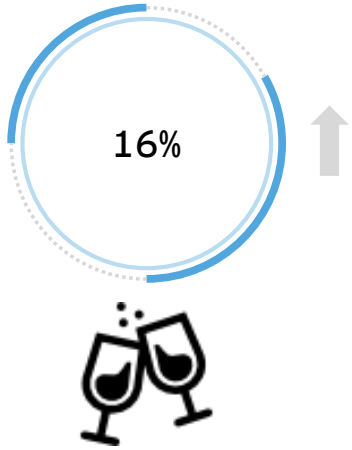
% of respondents



Consumption growth drivers



Increasing number of consumers



Increasing spending per customer

Source: Phronesis Customer Survey; EY-Parthenon analysis

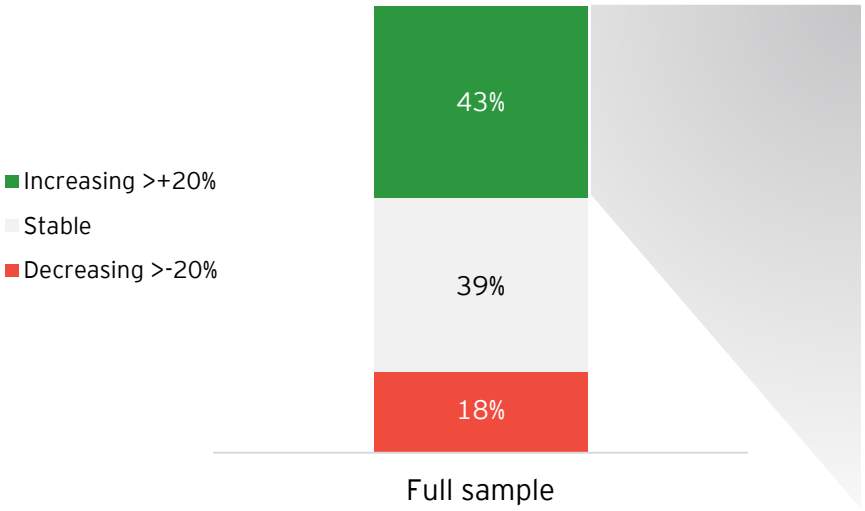
Wine consumption trend

44% of the growth is driven by wines with price >100€. Considering the type, the consumption is expected to grow mainly due to wines with price 100€-200€, with a special contribution of the sparkling

Do you perceive an increase in the total wine consumption? What is the main reason?

Wine consumption trend

% of respondents



Which wines are driving the growth?[1]

Type, Price range (€)

	>30	30-60	60-100	100-200	>200
Red	2.8%	5.0%	**6.0%**	**6.0%**	5.3%
White	1.6%	3.0%	6.7%	**8.5%**	5.3%
Sparkling	0.5%	2.3%	6.2%	**9.9%**	6.2%
Total	**11.0%**	**18.1%**	**27.1%**	**26.4%**	**17.4%**

~44%

Notes: 1) Question answered only on the basis of the number of consumer
Source: Phronesis Customer Survey; EY-Parthenon analysis

Agenda


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Top wines and Italian reputation

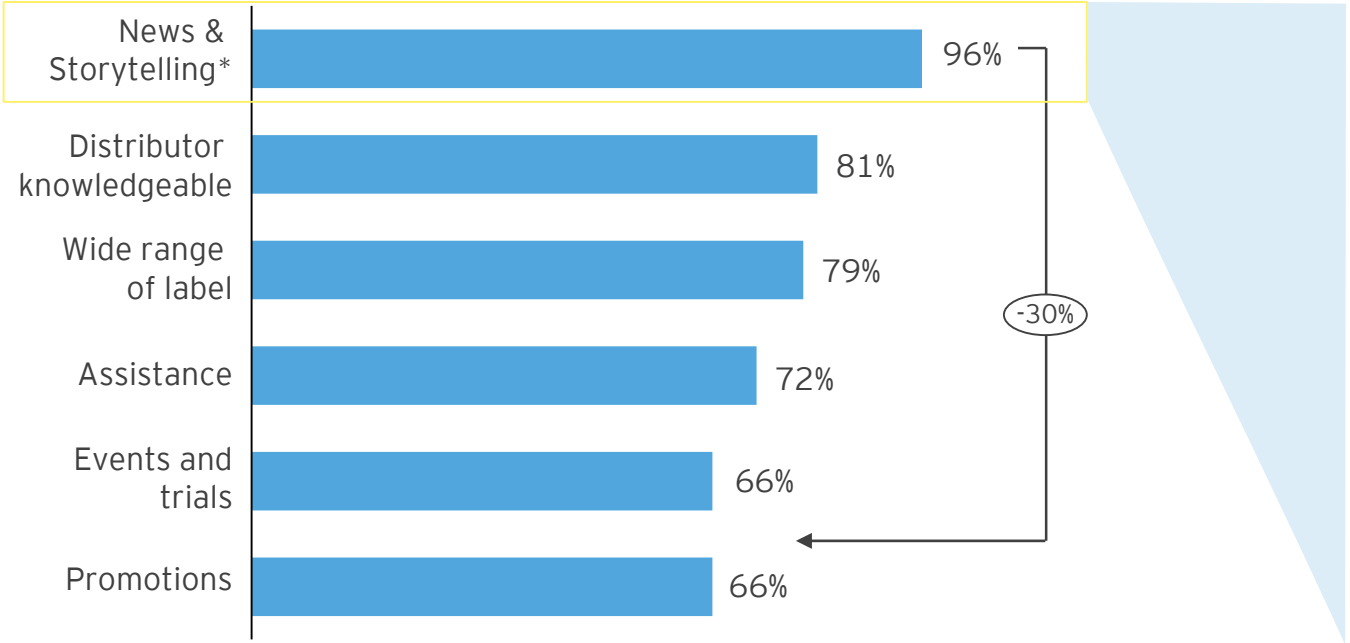
Interaction between wine suppliers/distributors and restaurants

News and storytelling most valued added contribution expected by the supplier

Thinking about Italian wine suppliers, what are the elements that you value the most when interacting w/the company or regarding the way in which the salespersons/distributors take care of you and how much are you satisfied about each one of these elements?

What value the most when interacting with wine suppliers/distributors

% of respondents



PUSH 93%

Info on novelties

Update on key fact and news

PULL 75%

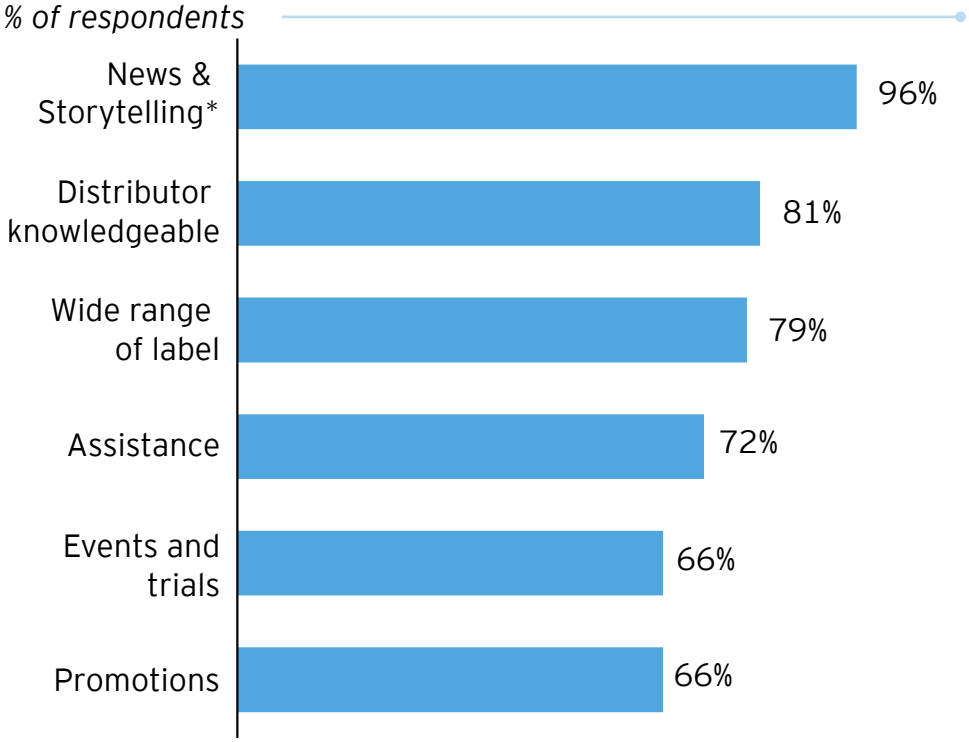
Digital: website, social media, influencers

Note: * includes info on novelties, update on key facts and news on products and supplier (push approach) and web site (pull approach)
Source: Phronesis Customer Survey; EY-Parthenon analysis

Interaction between wine suppliers/distributors and restaurants (I/III)

When interacting with suppliers/distributors, the ability to provide information and to spread the product's story is the most valued feature …

What value the most when interacting with wine suppliers/distributors



Key questions (focus next slides)

- *What is the level of satisfaction?*
- *What are the best countries?*

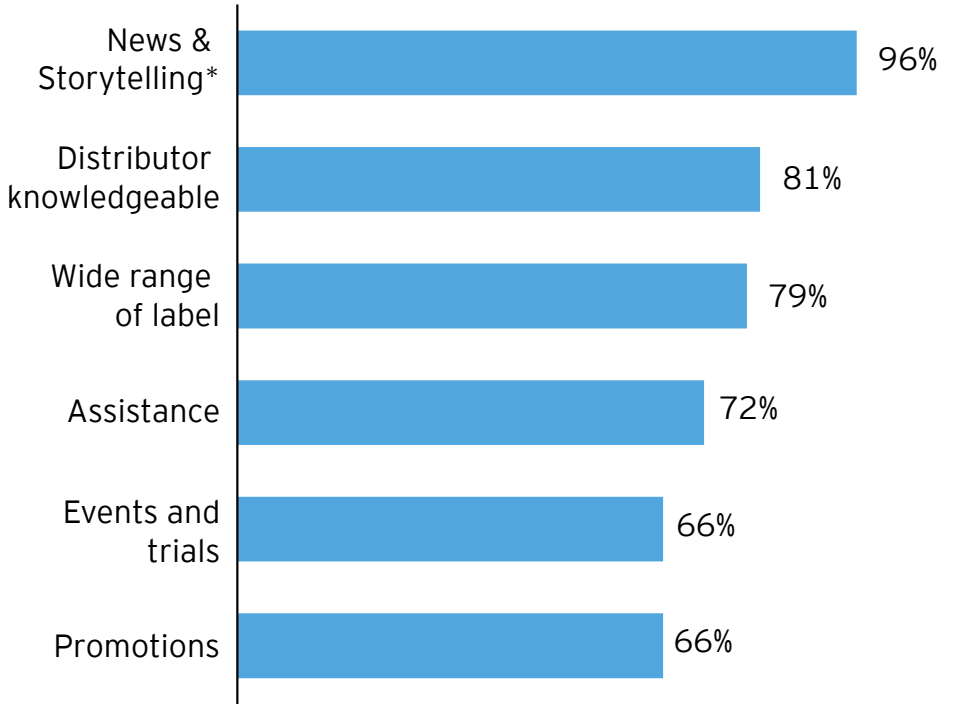
Note: *) Includes info on novelties, update on key facts and news on products and supplier (push approach) and web site (pull approach), **) Includes info on novelties, update on key facts and news on products and supplier
Source: Phronesis Customer Survey; EY-Parthenon analysis

Interaction between wine suppliers/distributors and restaurants (II/III)

... with a medium-high level of satisfaction ...

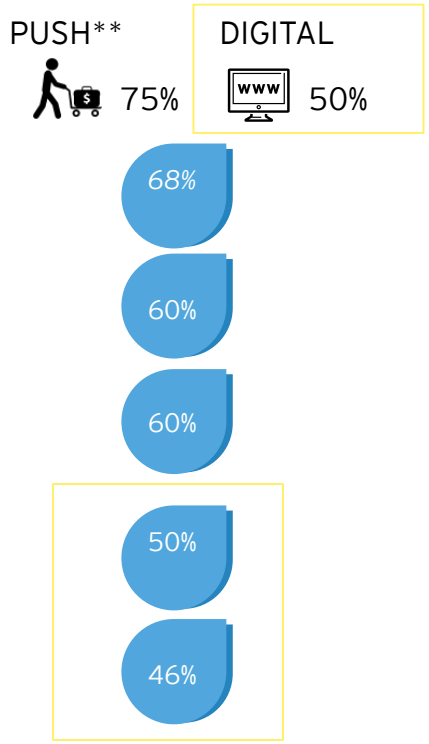
What value the most when interacting with wine suppliers/distributors

% of respondents



Interaction level of satisfaction

% of respondents



Note: *) Includes info on novelties, update on key facts and news on products and supplier (push approach) and web site (pull approach), **) Includes info on novelties, update on key facts and news on products and supplier

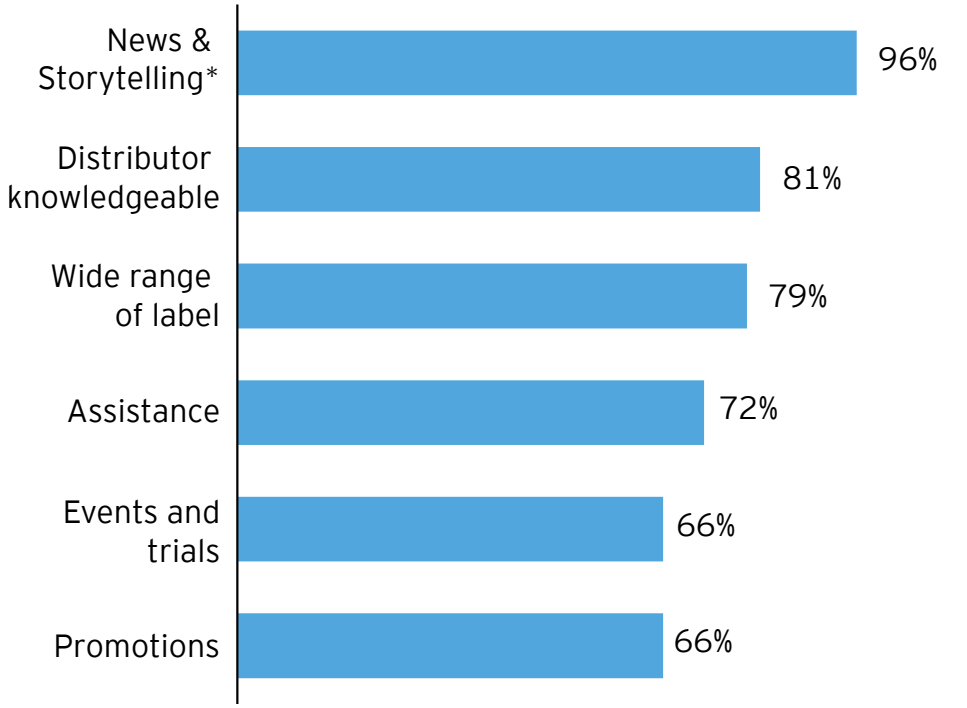
Source: Phronesis Customer Survey; EY-Parthenon analysis

Interaction between wine suppliers/distributors and restaurants (III/III)

… where Italy is well perceived with a clear gap in online presence and events and trials, with France best in class

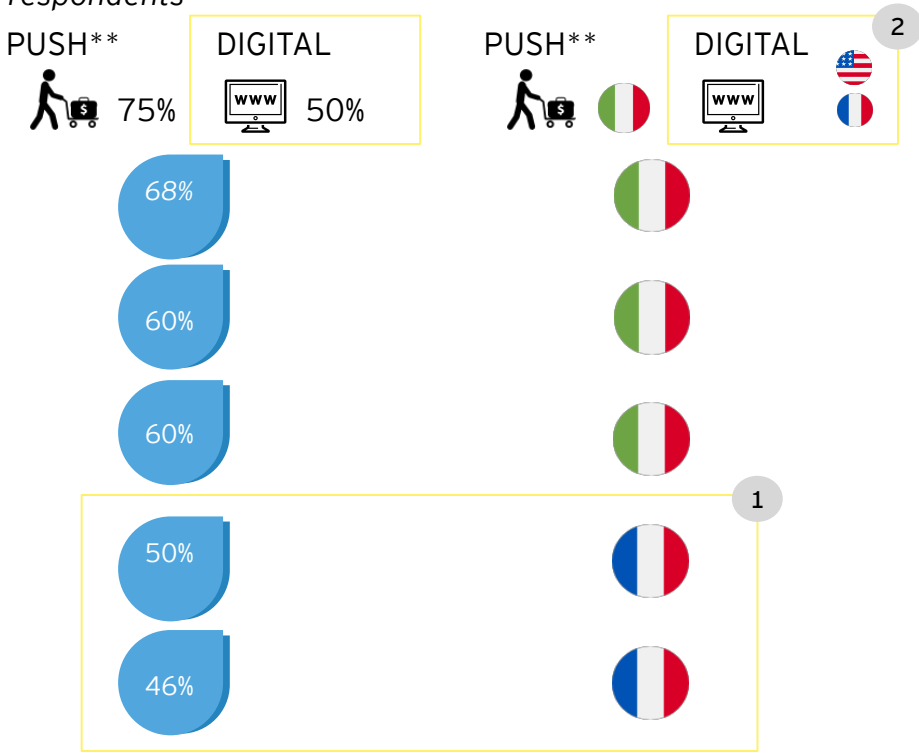
What value the most when interacting with wine suppliers/distributors

% of respondents



Best country

% of respondents



Note: *) Includes info on novelties, update on key facts and news on products and supplier (push approach) and web site (pull approach), **) Includes info on novelties, update on key facts and news on products and supplier
Source: Phronesis Customer Survey; EY-Parthenon analysis

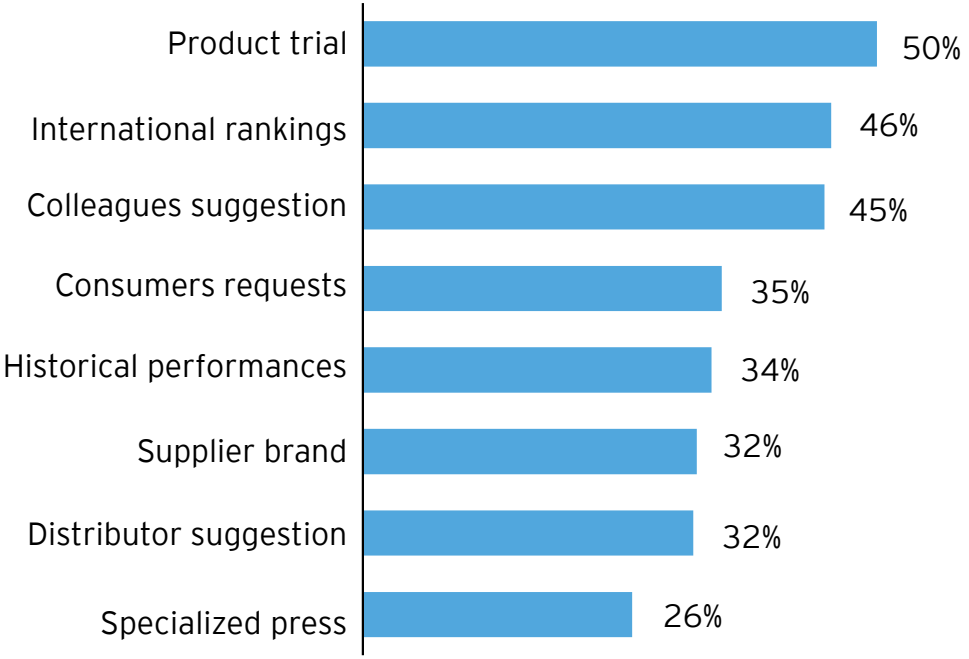
Restaurants wine selection: criteria and influence

Enhance the "product trial" is crucial as resulted to be the most important restaurant influencer in wine selection and purchase, suggesting Italian suppliers to increase investments in promotions

What are the top 3 factors influencing your wine selection and purchase?

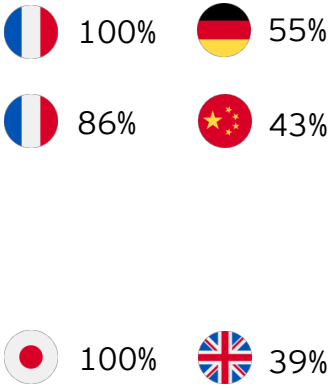
Key elements influencing restaurant selection/purchase

% of respondents

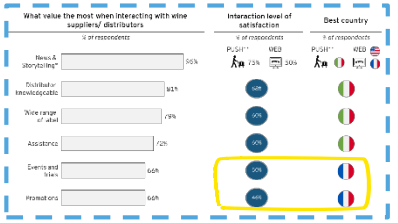


Highlights per country[1]

% of respondents



Why it is necessary to increase the presence on events/trials?



Notes: 1) Only relevant replies are represented
Source: Phronesis Customer Survey; EY-Parthenon analysis

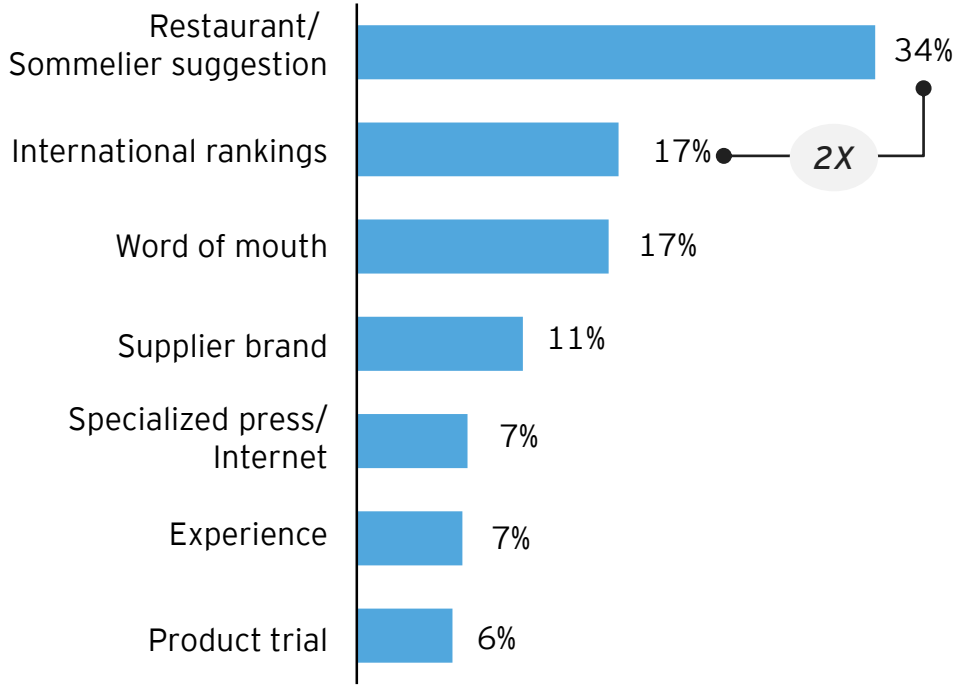
Customers wine selection: criteria and influence

Enhance the info providing to the restaurant is crucial as the "Restaurants and their sommeliers" (story telling effect) are by far the most important influencer for the customers selection

Who/What can influence the customers the most in the wine selection and purchase?

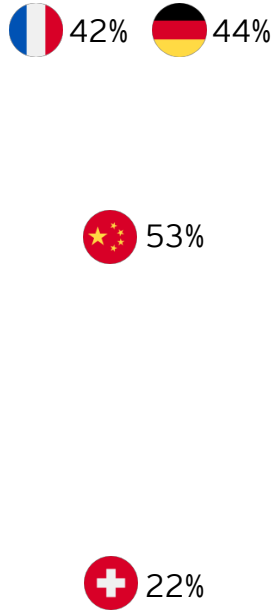
Criteria for customer selection/ purchase

% of respondents

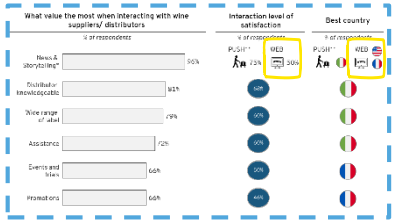


Main criteria per country[1]

% of respondents



Why it is crucial to improve the information providing?



Notes: 1) Only relevant replies are represented
Source: Phronesis Customer Survey; EY-Parthenon analysis

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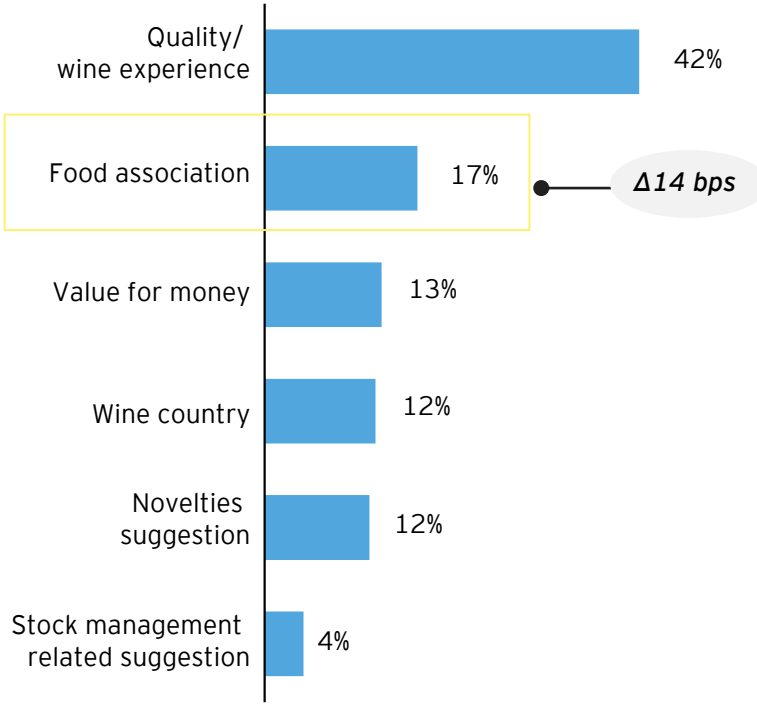
Customers wine selection: criteria and influence

A potential mismatch is highlighted between sommelier suggestion and customer request: this suggests working close to restaurants in creating new food-wine association

What is the first sommelier criteria when suggesting a premium wine in your restaurant?

Sommelier criteria in suggesting wine

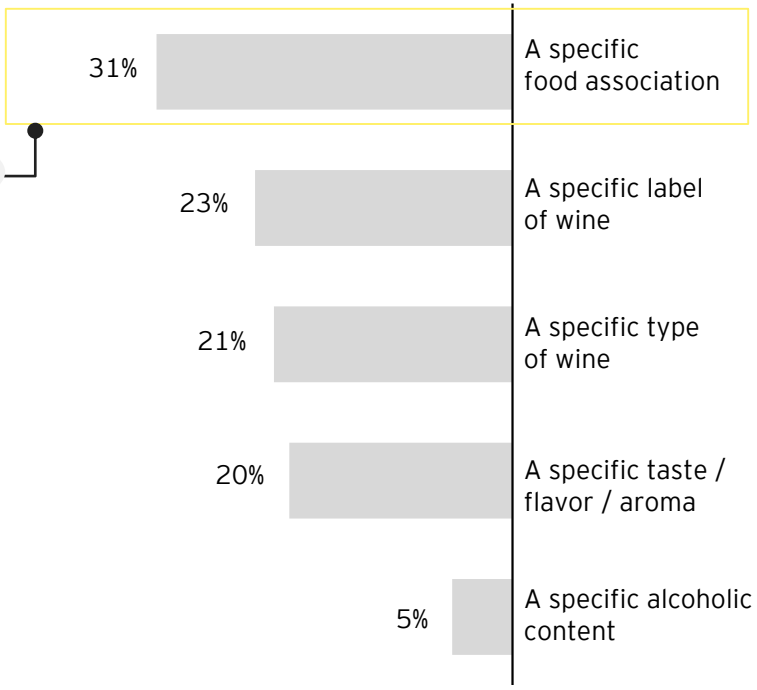
% of respondents



What is the customer first request when selecting wine?

Customer request in wine selection

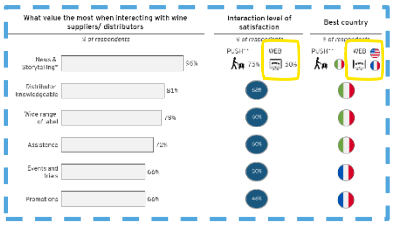
% of respondents



Δ14 bps

Notes: 1) Request not necessary according to the food
Source: Phronesis Customer Survey; EY-Parthenon analysis

Why it is crucial to improve the information providing?



"A compelling strategy which appears to be efficient for French suppliers is to suggest wines to restaurants to fit a specific food association in order to satisfy the customer needs"

EY-Parthenon study

Agenda


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Top wines and Italian reputation

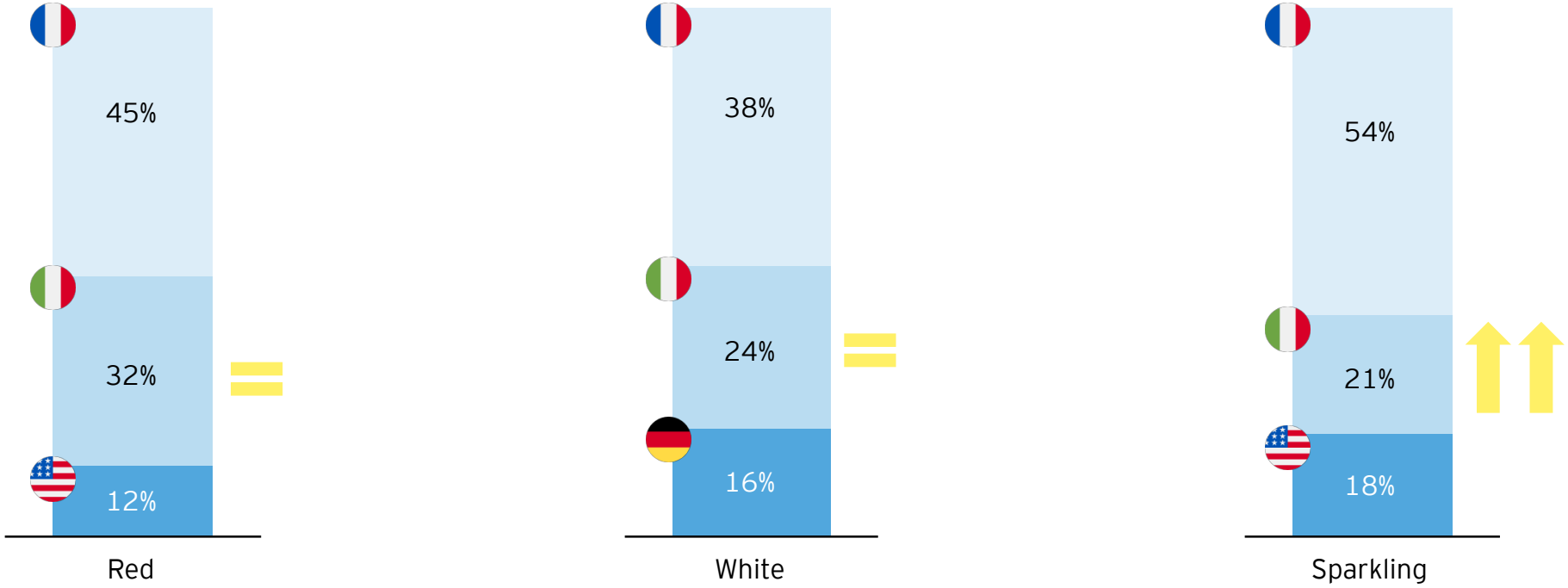
Top wines: nationality and typology

France is the most legitimated country in selling top wines in all typologies directly followed by Italy and USA, while Germany stands out for the white wines

What is the country you consider legitimated in offering top wines (above 50€/100€ per bottle at consumer price)?

Country of wine selection

% of respondents



Source: Phronesis Customer Survey; EY-Parthenon analysis

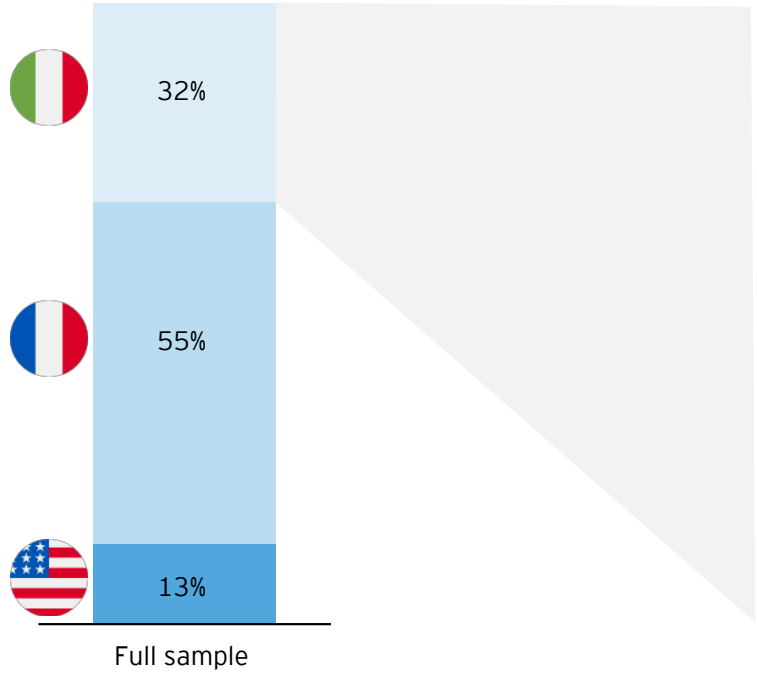
Italian wine awareness and reputation

Quality is the most important feature related to Italian wines, pulling ahead classical "heritage and tradition" features by more than 13bps

What is the country you consider legitimated in offering top wines (above 50€/100€ per bottle at consumer price)?

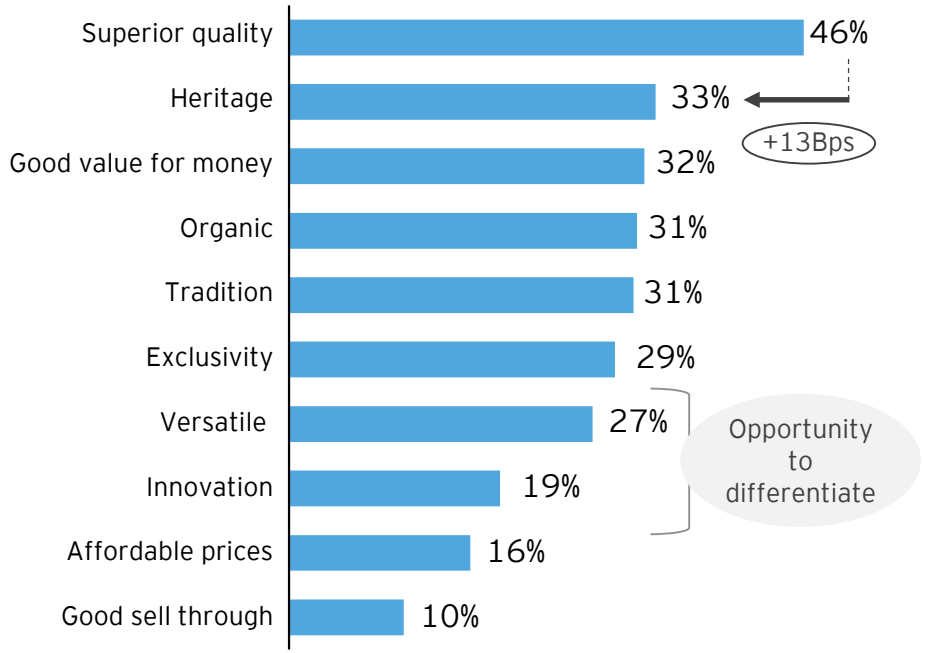
Country awareness[1]

% of respondents



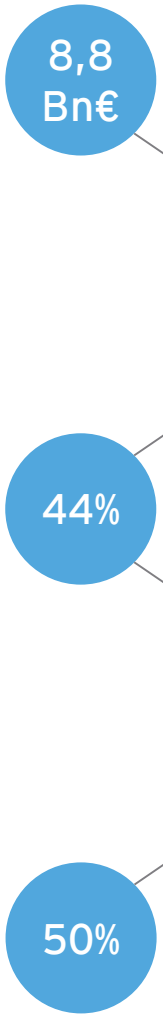
Attributes associated to Italian wine

% of respondents



Notes: 1) Choice to made between Italy, France and USA
Source: Phronesis Customer Survey; EY-Parthenon analysis

In-depth Ho.Re.Ca. channel listening – Key take away



Total turnover of the starred Ho.Re.Ca. channel in 2017, expected to grow up to 10,1 €Bn in the next 2-3 years

of Ho.Re.Ca. channel growth driven by wine, of which 84% due to an increase of the customer base rather than spending per capita

of the growth is driven by wines with price >100€ with a special contribution of the sparkling

Of the respondent considers "News and storytelling" as the most valued added contribution expected by the supplier, of which 75% consider digital media as key

Of respondents not satisfied with the digital approach of top wine companies. US and French leading, Italy still behind