VI(15)8943

How to build “Brand Europe” in order to maximize profitable sales growth into the United Kingdom and United States:

Troy Christensen

Constellation Brands

ROBERT MONDAVI WINERY

ESTD HARDYS 1853

Corona Extra

Accolade Wines

enotria

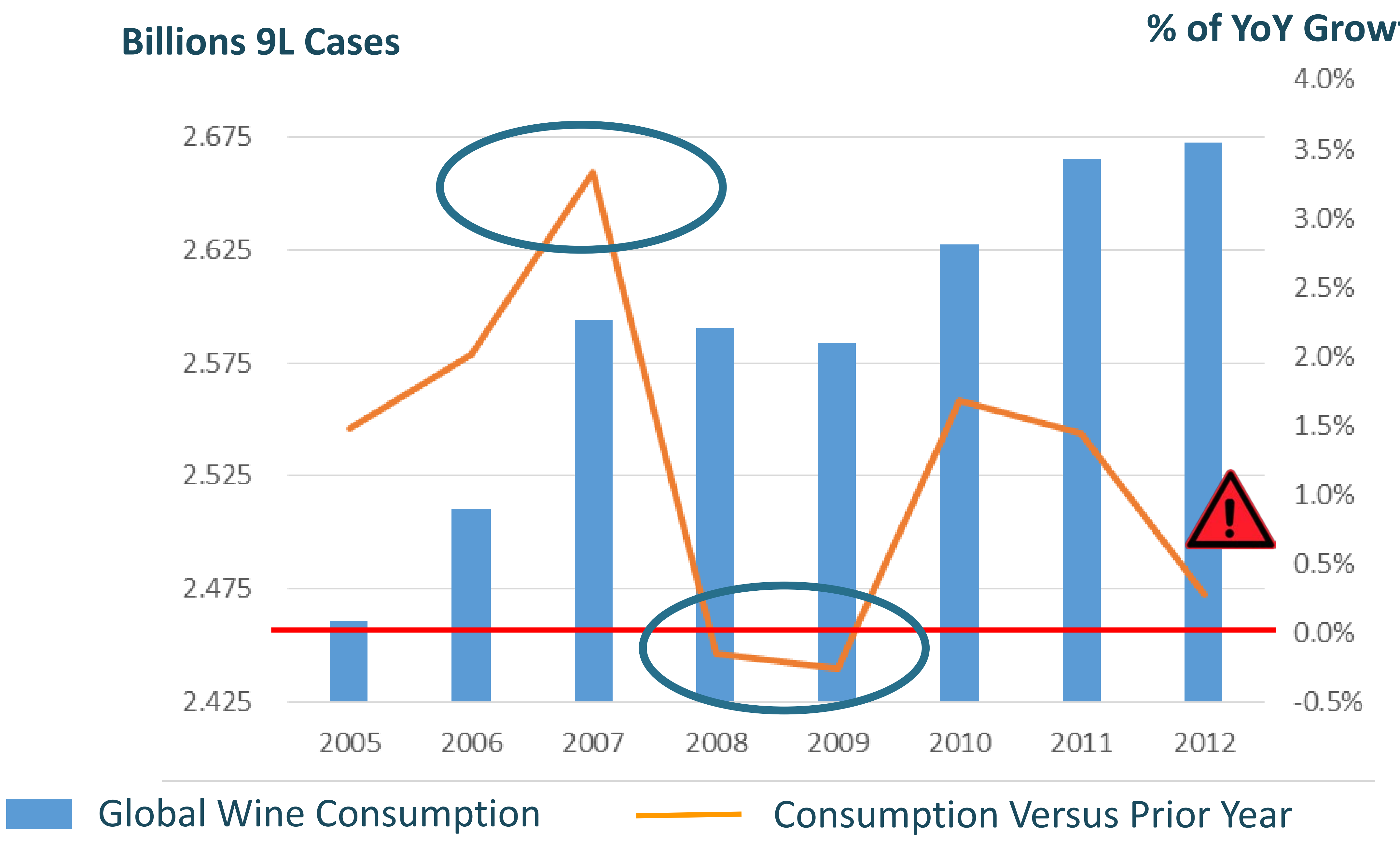
COE VINTNERS

MISSION BELL WINERY

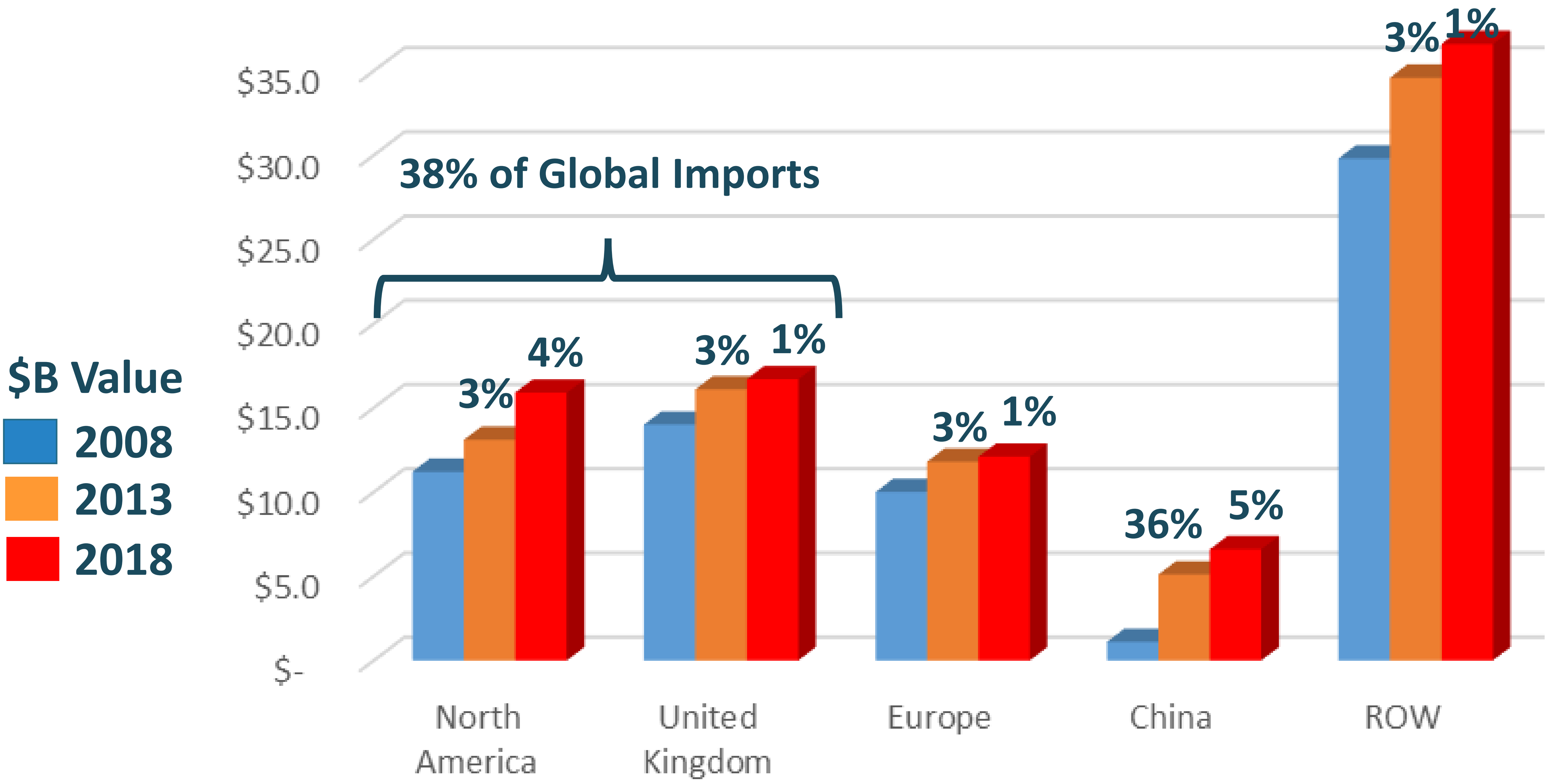
ECHO FALLS

TROY CHRISTENSEN

GLOBAL WINE

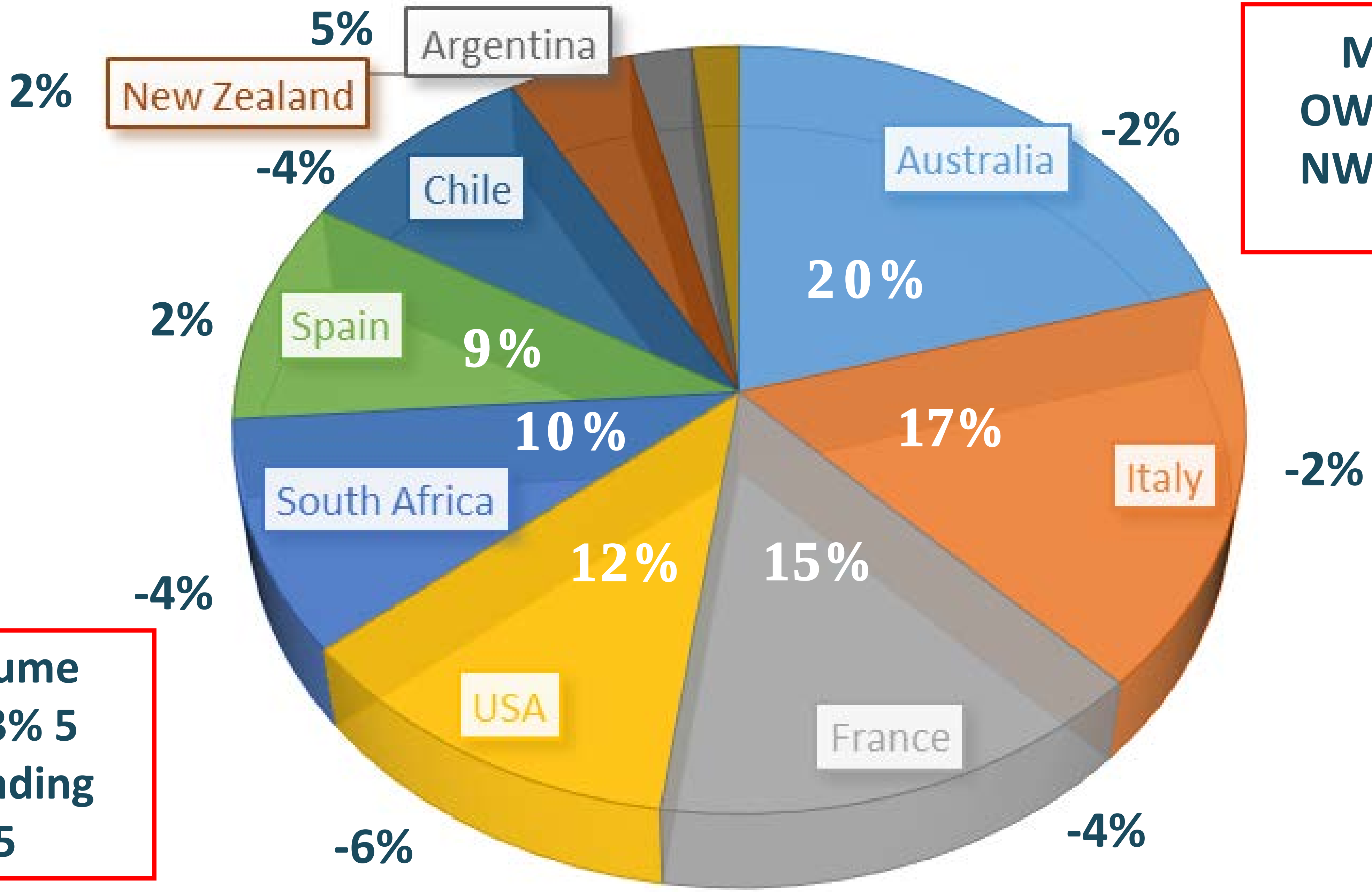


GLOBAL WINE GROWTH (STILL + SPARKLING)



GLOBAL IMPORTS

UK WINE



Market
OWW: 62%
NWW: 38%

UK Volume down 3% 5 Years Ending FY15

UK MARKET SHARE: 5 YEAR GROWTH CAGR (volume: still & sparkling)

TESCO

“Sour grapes as Tesco puts cork in online wine club”

The Guardian - August

MORRISONS

“Morrisons joins Tesco in cutting wine range”

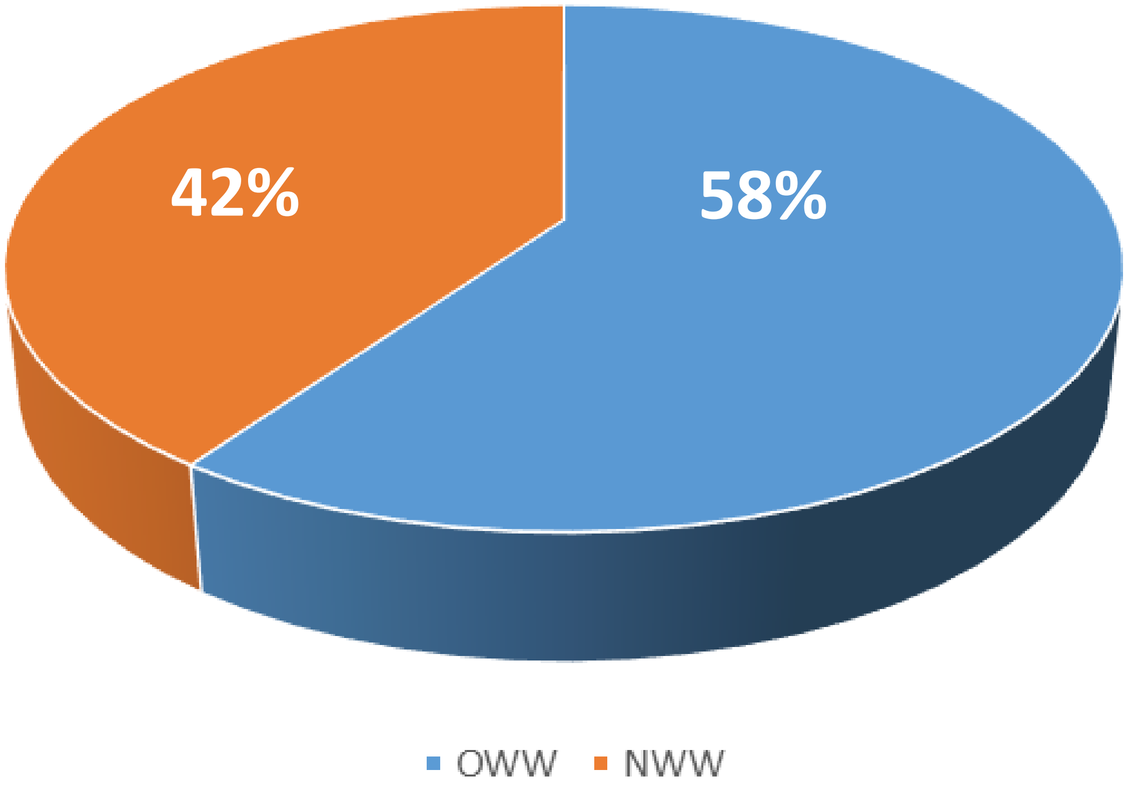
Off Licence News - February

“UK consumers up spending in the On Trade”

Drinks Business - September

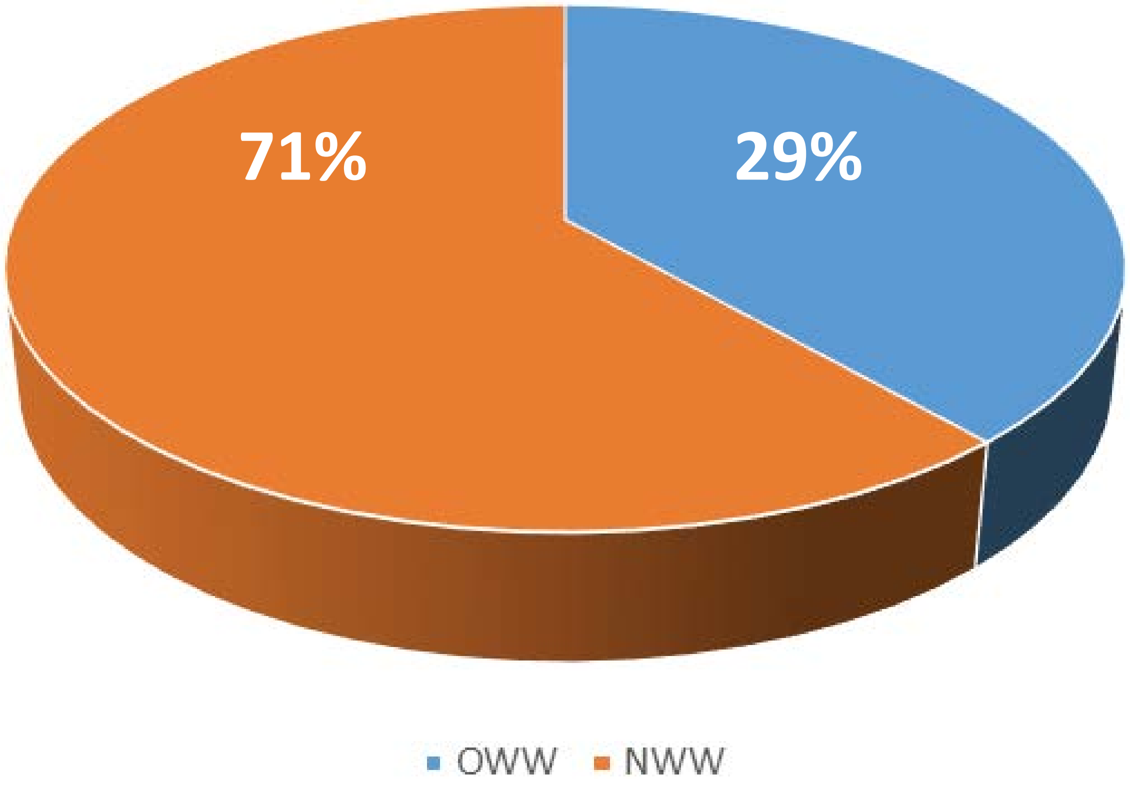
OFF TRADE TURMOIL – ON TRADE STRENGTH

On Trade



2015	5 Yr Vol	Price	CAGR
• OWW	-2%	£18.35	1%
• NWW	-2%	£13.31	0%

Off Trade



2015	5 Yr Vol	Price	CAGR
• OWW	-2%	£5.40	1%
• NWW	-3%	£5.38	0%

2015: ON TRADE VS OFF TRADE UK

On Trade	Brands	Volume	%	Growth
OWW	7	503K	14%	-13%
NWW	23	3,163K	86%	-7%

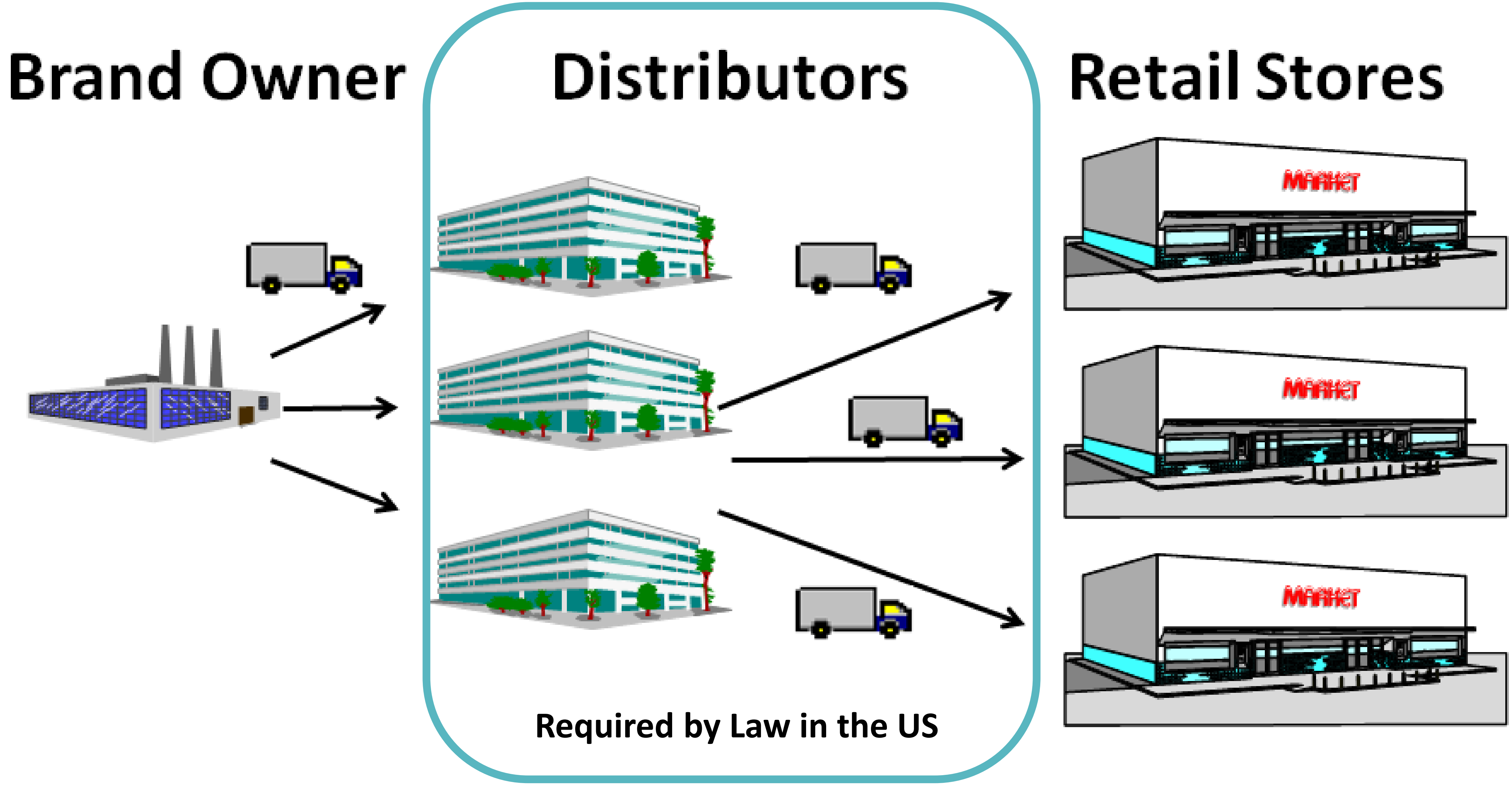
Off Trade	Brands	%	Vol 2015	%	Growth
OWW – Brand	5	10%	2.7M	5%	0%
OWW – Private Lab	8	16%	12.7M	25%	-3%
NWW - Brand	34	68%	34.9M	70%	0%
NWW – Private Lab	3	6%	6.1M	12%	16%
Total	50		56.4M		1%

BRANDS IN THE UK

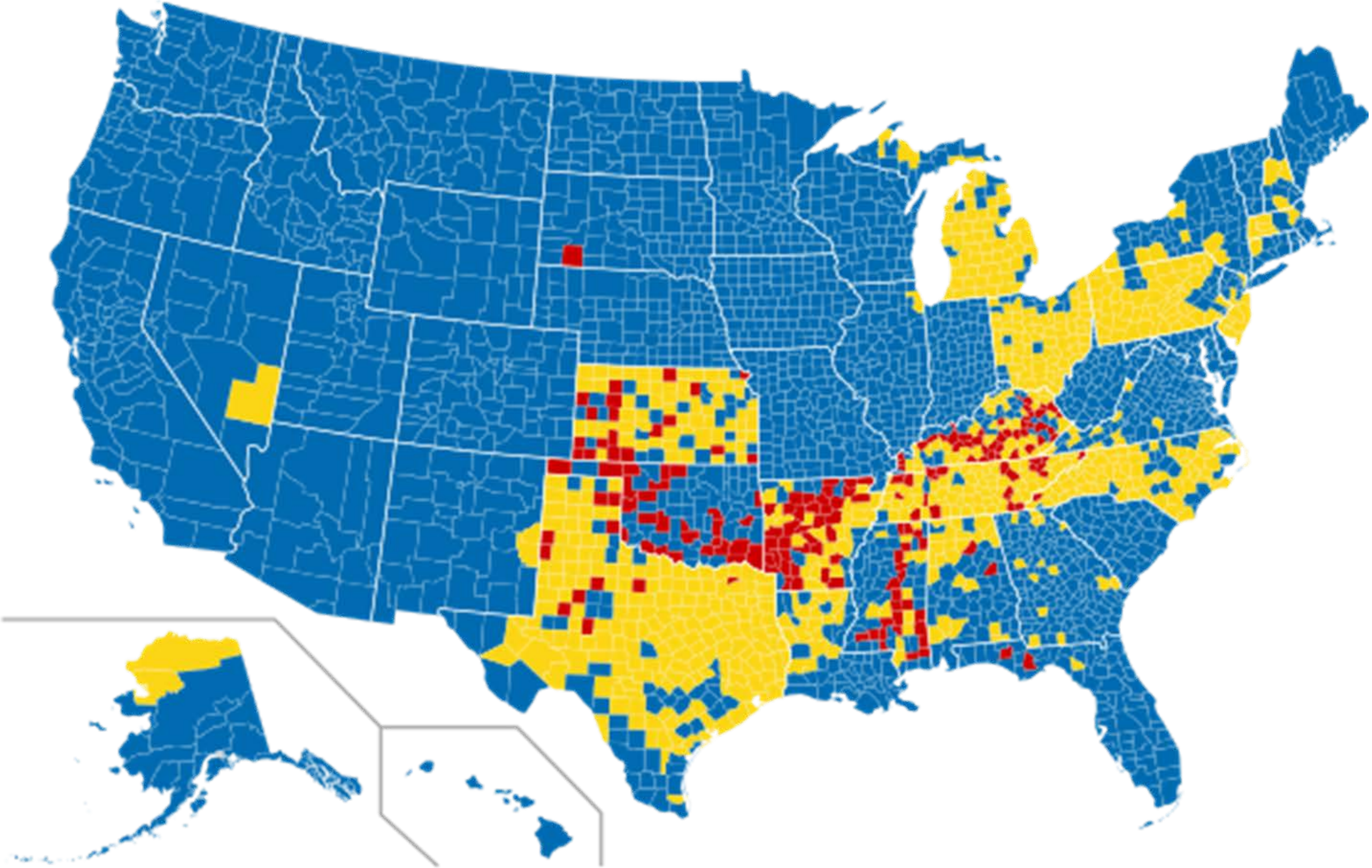
- **Build your own brands!**
  - Don’t let the retailers do this for you
  - Brands will develop umbrella benefits for “Origin”
- **Continue On Trade Focus, but Activate**
  - Big Growth in Casual Dining and Independent Specialists
  - Activate vs Gate-Keeper driven Brand Ambassador
- **Volume is Vanity**
  - Multiple Retailers are a necessary evil
  - Don’t rely on retail and spread risk
  - Leverage “food” affiliation of Old World

RECOMMENDATIONS

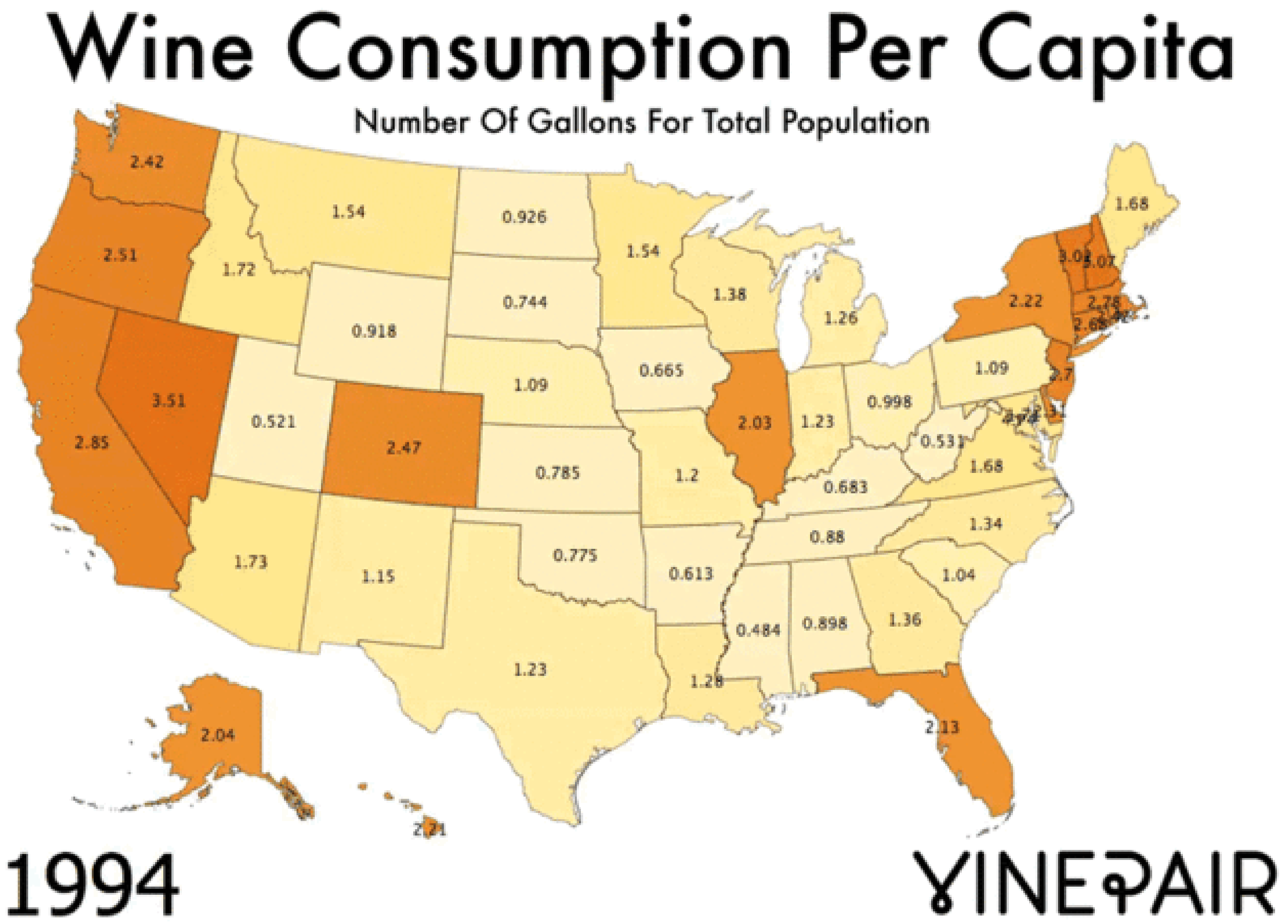
USA WINE



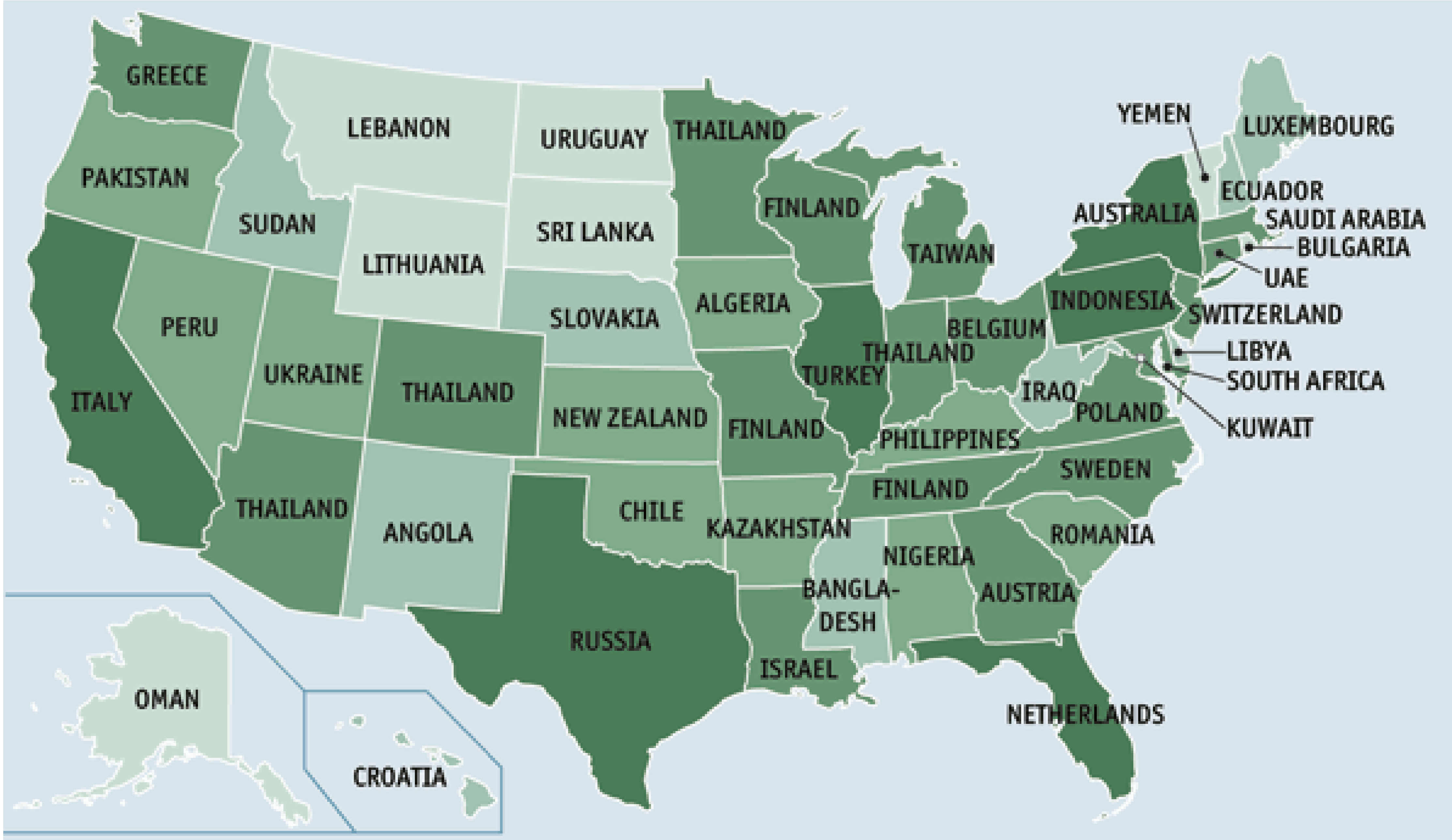
3 Tier Distribution Network



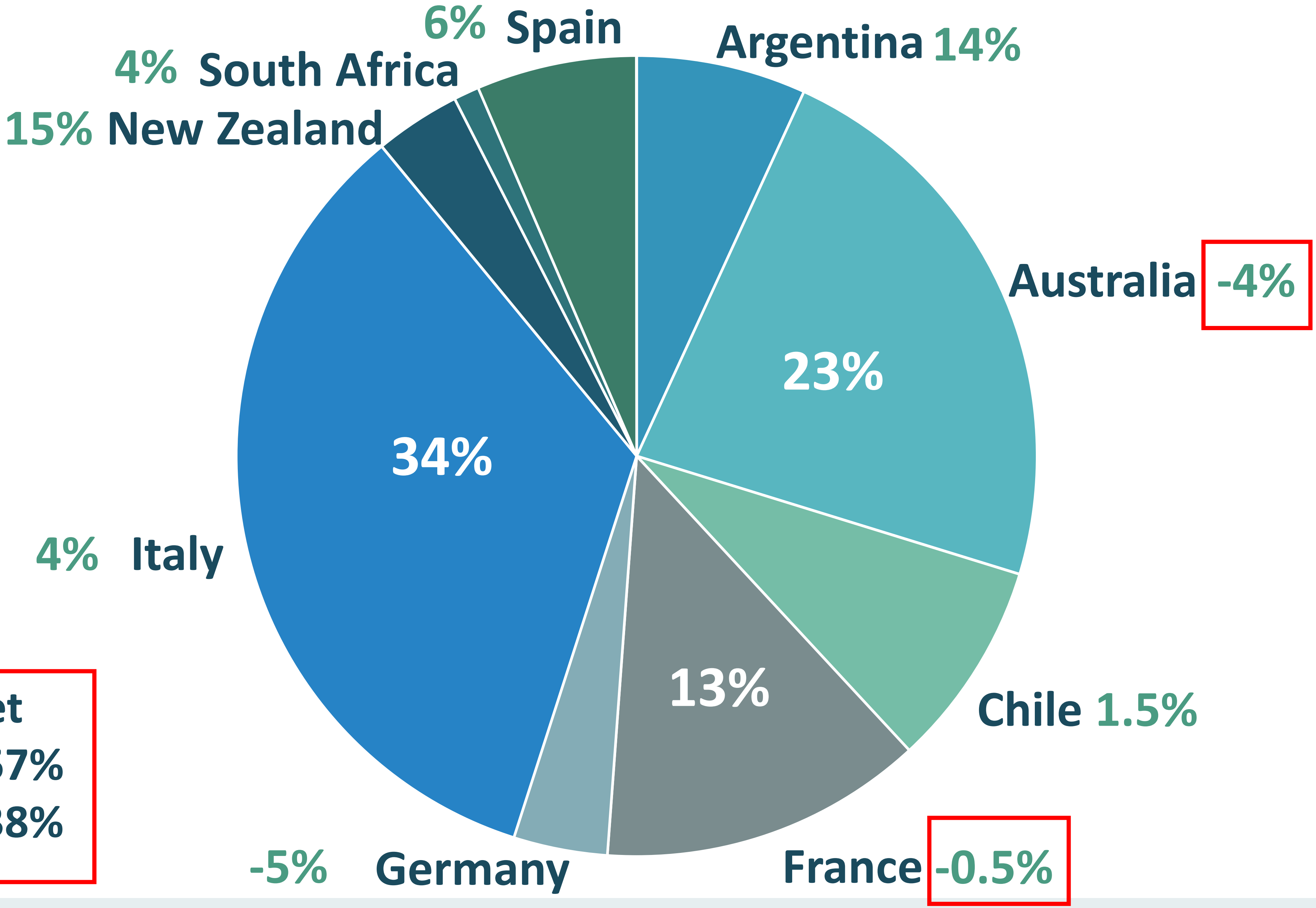
Restricted and Dry Counties



Wine Consumption per Capita

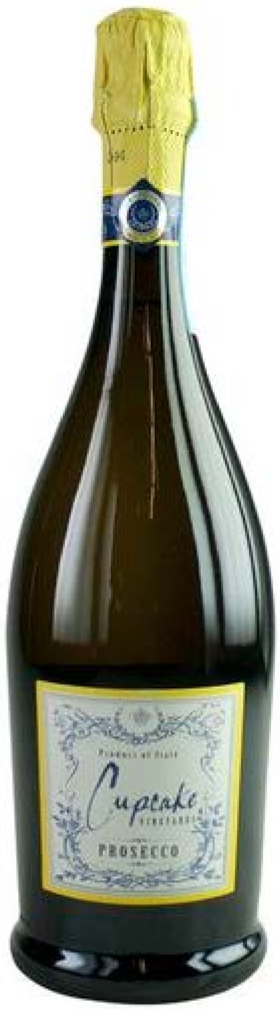


USA – Large Economic Opportunity



Market
OWW: 57%
NWW: 38%

USA Imports: (volume: still & sparkling – 5 Year CAGR)



“Out of $108MM of Annual Prosecco Sales in the US, $61M are through Gallo and The Wine Group, each who slide this as a varietal sub-brand under an umbrella – such as Cupcake or Barefoot.”

An Italian brand with over $41M of sales.

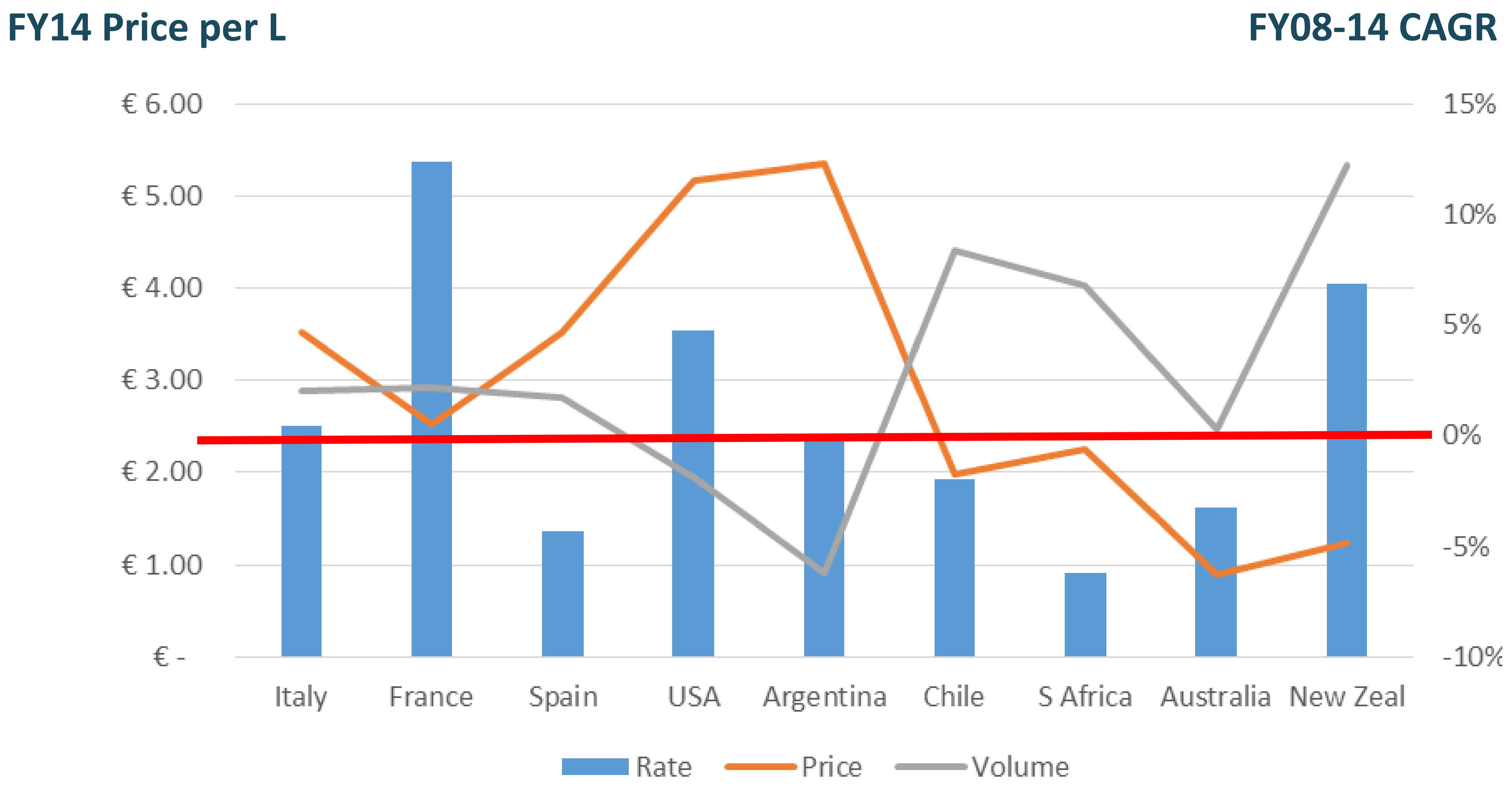
- Price Point > $21
- Growing 4%
- 90% is Pinot Grigio.

PREMIUM PINOT GRIGIO!

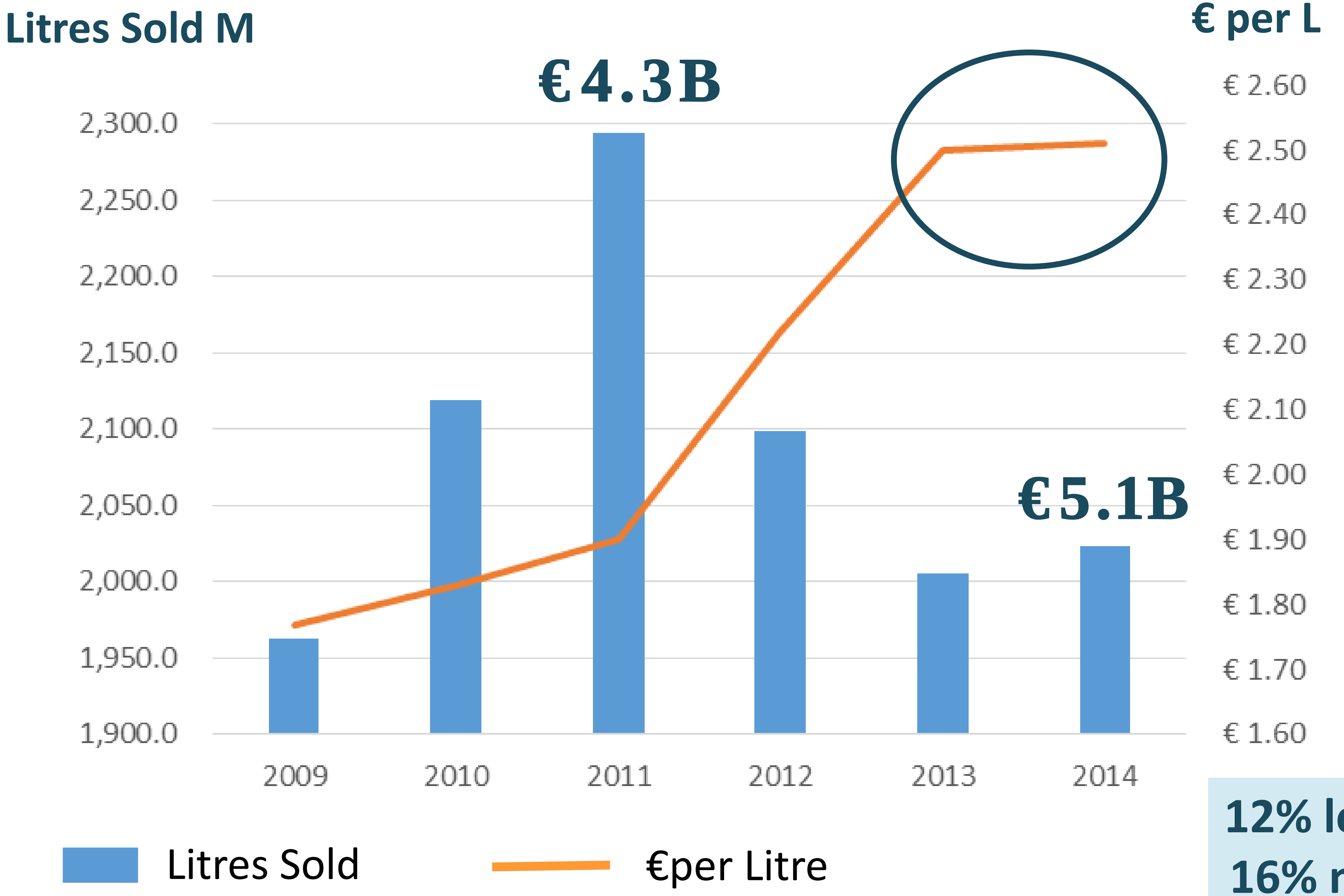
- **This is not Europe: 3 Tier is Disruptive**
    - Importer and “Local” Intervention
    - Experiment with Lifestyle Brands and Fruit Forward Blends
    - Directly Engage with Key Accounts
    - Craft Beer is eating into Wine Share
- **Work around the “Big” Wholesalers**
    - Get more attention, don’t believe the promises
    - Engage the Control States
- **Seed and Spread**
    - Each State / Region is like it’s own country
    - Don’t spread investment too thin: Target and Focus

RECOMMENDATIONS

ITALY:
MAKING IT HAPPEN



WHO IS CREATING VALUE FOR EXPORTS?



12% less Volume
16% more Value

TRANSFORMING ITALY’S LANDSCAPE

US Volume

+ 41%

US Value

+44%

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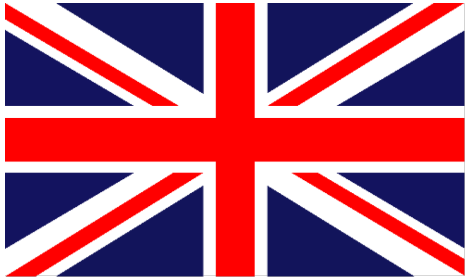
107.3



UK Volume

+ 67%

UK Value

+60%

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89.5

WHERE DO YOU WANT TO SELL PROSECCO?

SPAIN:
FALLING INTO TRAP

In 2013, production was up 56%

Export down 11%

Domestic consumption down 4%

SPAIN PRODUCTION TRAP

- **“Fix” European back-yard:**
  - Need engagement of millennials in Europe
  - Don’t let surplus destroy brand “Europe”
- **Build Brands**
  - Don’t let retailers build brand “Europe”
  - Engage millennials with lifestyle and digital
- **Target Channel**
  - UK On Trade – Food led / Independent Specialists
  - USA – “Seed and Spread”

RECOMMENDATIONS