

The Wine Market after Covid: Towards a New Future?

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The notion of prospective?



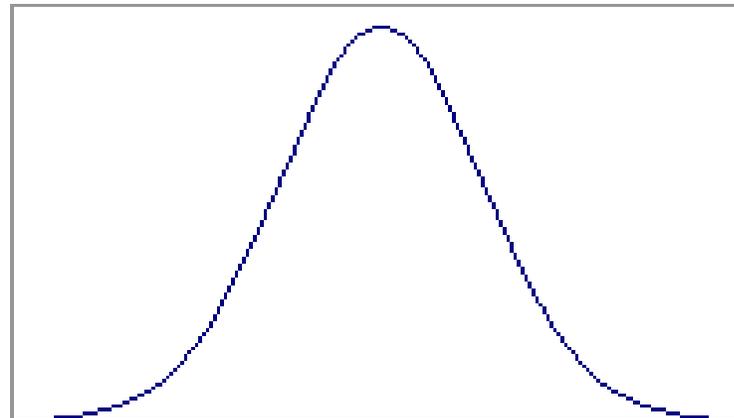
In 1697 German explorers discovered black swans in Australia. The term later evolved to refer to the idea that a theorized impossibility could then be disproved

→ it shouldn't happen, but it does...

The notion of prospective?



Our expectations are based on a Gaussian (normal) distribution: the anticipated events are distributed around the mean
→ Extension of trends (absence of breaks)



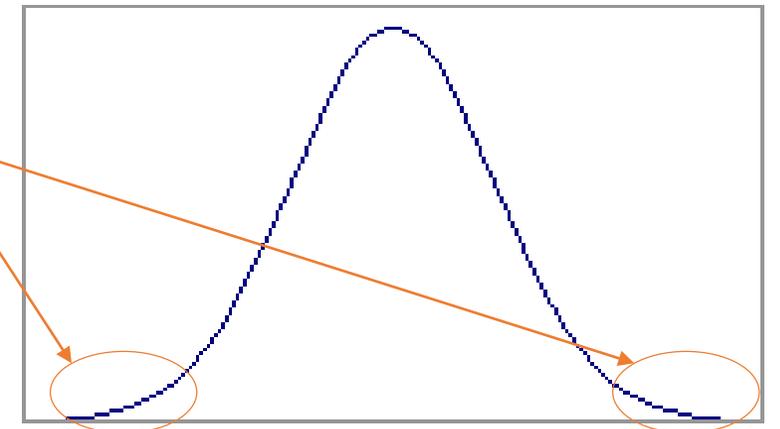
The notion of prospective?



Extension of trends (absence of breaks)

→ Errors of anticipation

History teaches that it is the extreme events/breaks that rule the world (subprimes, covid, Ukraine,...)



The Megatrends

Following the principles of Nassim Taleb, we cannot anticipate soft events. We must anticipate disruption, breaks !

- ➔ What could be the major disruptions?
- ➔ what are the main trends in the global economy?
- ➔ What does Covid and the war in Ukraine change?

- ➔ In a word: what are the megatrends for the decade 2020?

The Megatrends

The profusion of megatrends: PWC, EY, KPMG, Euromonitor, EFQM

The new local vs. global trade-off

Sustainability issues

Technology, digitalization, virtualization

Changing values and attitudes

The wine sector is not immune to the major changes in the global economy

→ All four of these megatrends will shape the future of the wine industry

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The new local vs. global trade-off

Trade war, demand for borders and security,
resilient territories, resilient value chains,...
The end of globalization?

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The new local vs. global trade-off

Sustainability issues

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The end of globalization?

Directly and indirectly (economic crisis)
accelerated by the Covid and the war in Ukraine

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Sustainability issues

Environmental and climatic crisis, rise of CSR,
energy transition, demand for organic products,...

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The i

Positive direct impact of Covid and the war (demand for local, healthy products, etc.) but negative indirect impact (the economic crisis takes away from environmental considerations)

Sustainability issues

Trade war, resilient territories, resilient value chains, ...
The end of globalization?

Environmental and climatic crisis, rise of CSR, energy transition, demand for organic products, ...

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Innovation and strong digitalization,
robotization, growth of e-commerce, virtual
worlds (metavers)

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Net acceleration with Covid (habits developed
during lockdowns)

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The forms of consumption, the relation to work,
the relation to others,...

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Net acceleration with Covid (example of the Great
Resignation)

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→ From these megatrends, what can we expect for the wine industry?

Trends for the wine industry after Covid

Use of specific wine reports: IWSR, Wine Intelligence, Mordor, Rabobank, Morgan Stanley, etc.

➔ Clear convergence between megatrends and wine-specific trends

Technology

E-commerce, digitalization and DTC,
(virtualization?)

Sustainability

- Health (alcohol) & environmental sustainability
(organic)
- Climatic hazards and production volatility

Deglobalization

The evolution of the business environment
(export)

Changing values and attitudes

Changes in consumption patterns (types of wine,
packaging, consumption moments, etc.)

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NEWS
WINE MARKET

HOME > NEWS

Wine, sales growth in Italy in 2021: +10% in large-scale distribution and +350% in e-commerce

Data on the first half of 2021 by Nomisma Wine Monitor and NielsenIQ. The sustained growth of Cash&Carry (+18%), linked to out of home sales

ROME, 28 JULY 2021, 10:34

f t i in p T

Worldwide trend →
Will Amazon or Vivino become the future leader in wine distribution?

Trends for the wine industry after Covid

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The evolution of the business environment (export)

Behind e-commerce, the challenge is the disappearance of intermediaries and the direct link with consumers



03 May 2022

Trends in wine trade reflect sustainability, localism, DTC

*#Sustainability #Directtoconsumer
#Wines*

Trends for the wine industry after Covid

E-commerce, digitalization and DTC, (virtualization?)

Hennessy, Chateau Angelus, etc., many brands understood the potential of NFTs for selling wine and create more value (like Nike or other global brands):
→ **What will be the first winery to sell a purely virtual wine?**
→ **With NFTs the market become virtual and has no limit...**

Climatic hazards and production volatility

The evolution of the business environment (export)



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Features	20 ^{ème} century	21 ^{ème} century
Relationship to distance	Consumption of local wines	Consumption of wines from all over the world (with a local bias for producing regions)
Origin	European	Worldwide (American, Chinese, European mainly)
Age	Quite old	Mixed (largely rejuvenated)
Type	Male	Feminization of consumption
Social class	Popular - elite (dichotomous consumption)	Mixed (with a bias towards the CSP+)
Type of wine	Basic wines (grand cru for the elite but low volumes)	Very strong differentiation (search for variety) - varied packaging
Frequency of consumption	High to daily	Occasional (party, friends, etc.), excluding meals
Level of information	Either uninformed or knowledgeable (elite)	Net increase thanks to the Internet (smartphone applications, etc.)

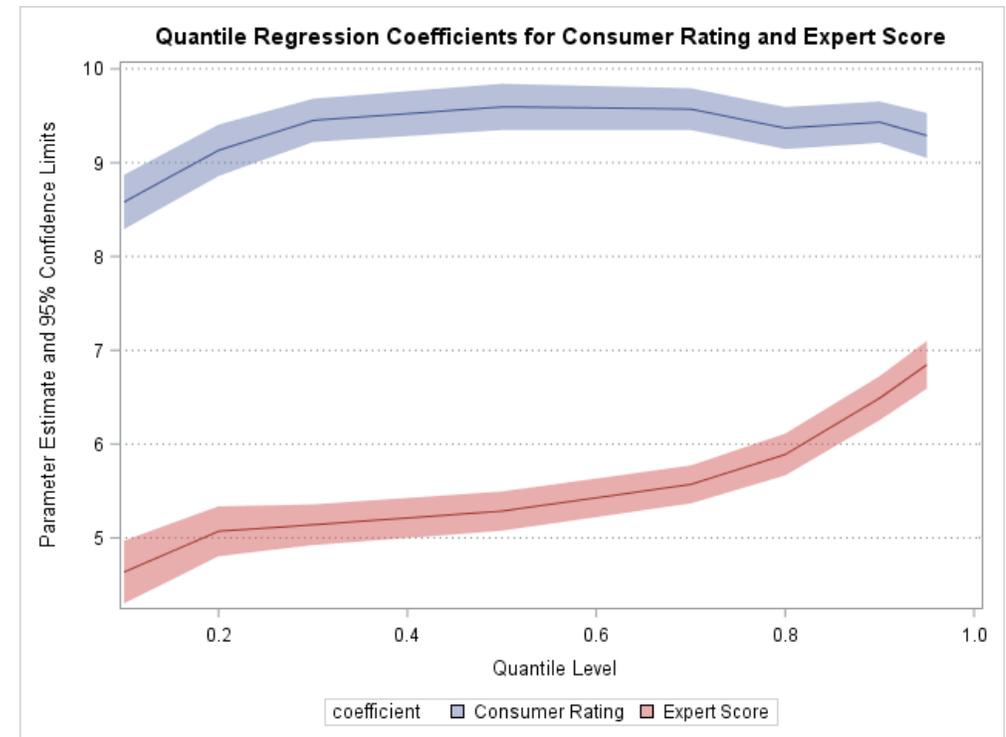
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Consumers are changing the way they search information about wine. There is a “rating revolution”: hotels, restaurants, and now wine

A forthcoming study on 37,000 French red wines rated by both consumers and experts shows that the impact of consumers ratings on wine prices is largely higher than the impact of experts ratings



Trends for the wine industry after Covid

E-commerce, digitalization and DTC, (virtualization?)

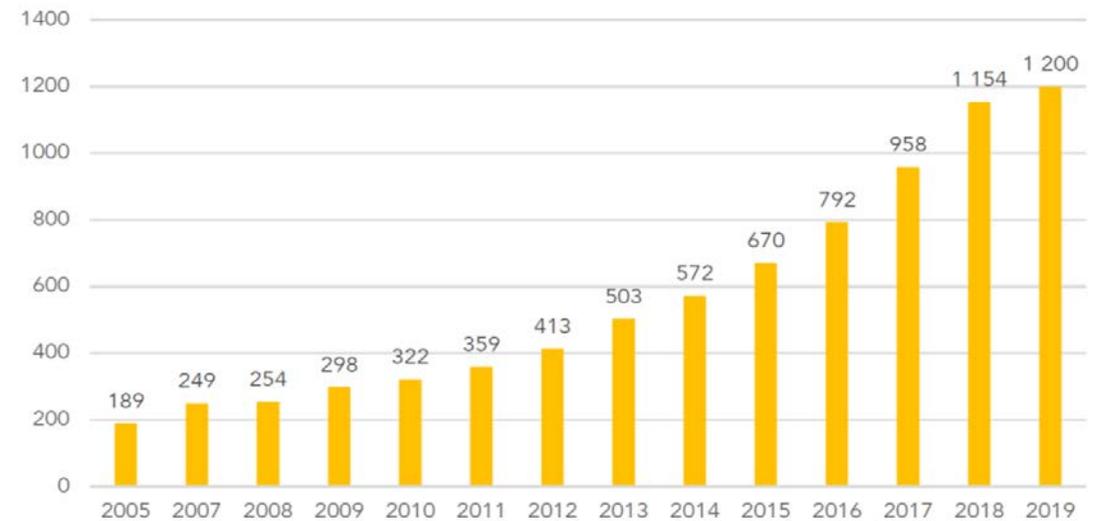
Big trend: rising interest in sustainability issues, including health issues

➔ Demand for organic wines but also for no/low wines increase their market shares

Health (alcohol) & environmental sustainability (organic)

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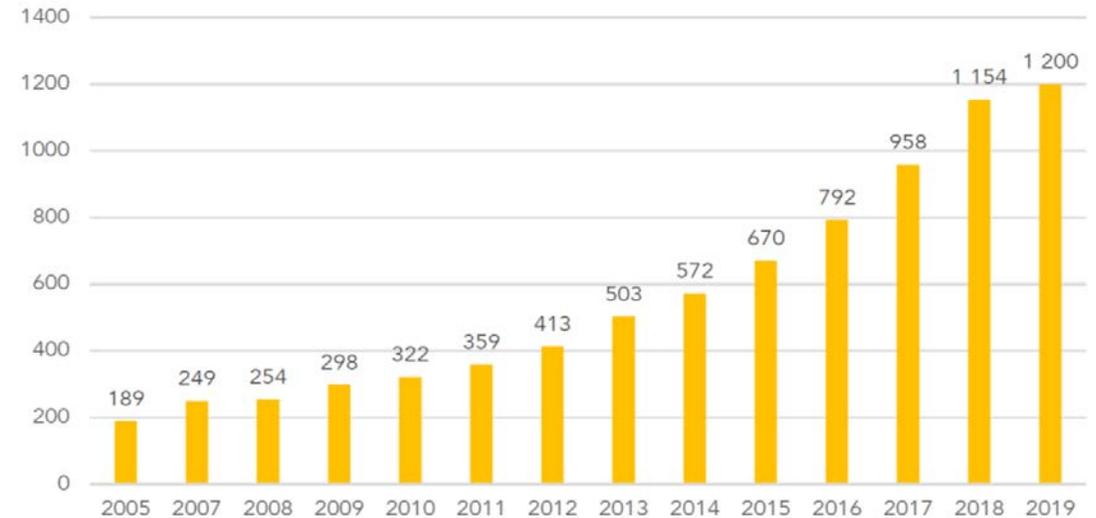
Health (alcohol) & environmental sustainability (organic)

Climatic hazards

The evolution of



Why Wine is Damaging Our Body More Than We Thought



What we do
Who we are
Products & Services

No- and Low-Alcohol in Key Global Markets Reaches Almost US\$10 Billion in Value

No/low alcohol continues to outperform full-alcohol and increase share of the total beverage alcohol market

Trends for the wine industry after Covid

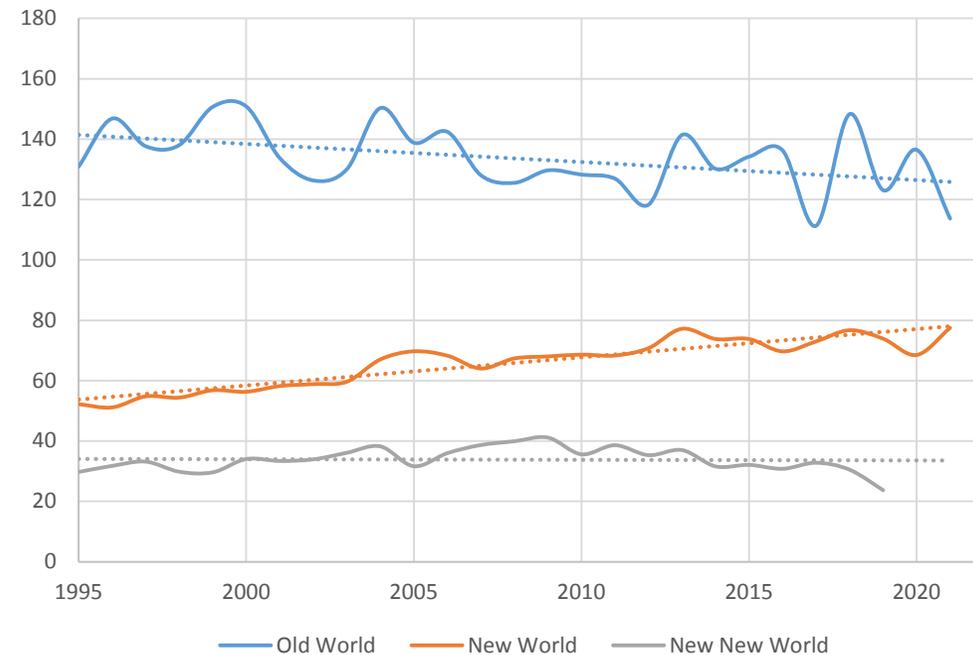
E-commerce, digitalization and DTC, (virtualization?)

Sustainability in the wine industry is first: climate change issues → global warming but also climatic hazards (drought, water excess, hail, frozen...)

**The question is:
Who will lead the wine market/production in 2040?
The Old World, New World or New Challengers?**

Climatic hazards and production volatility

The evolution of the business environment (export)



Source : OIV data

Trends for the wine industry after Covid

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Despite international wine trade record in 2021, deglobalization is progressing
→ Multiplication of tariff and non-tariff barriers to trade (China, Russia, USA...)

The evolution of the business environment (export)

Australian wine exports tank as full impact of China tariffs becomes clear

WINE

Australia's wine exports plummeted by 30 per cent or \$860 million in 2021, as the first full year of China's crippling tariffs on bottled Australian wine resulted in its previously top market falling to 14th place.

New China import rules bring headaches for food and beverage makers

What about the very short term ?

As mentioned by Pau Roca (OIV), the year 2022 could be complicated

Based on recent works delivering price and income elasticities of wine demand, the war in Ukraine could heavily affect the wine industry

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→ rising material and transportation costs will erode margins or create a shortage

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→ the decline in global growth of at least 1% could reduce wine demand by an average of 2-3%

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→ rising material and transportation costs will erode margins or create a shortage

→ the decline in global growth of at least 1% could reduce wine demand by an average of 2-3%.

→ rising inflation in Europe and worldwide will affect the demand for non-essential goods, a drop of 5-10% in wine demand is expected

Thank you for your attention

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