WINE INTELLIGENCE

Opportunities in the US market for Portuguese wines

October 2019

CONTENTS

CONTENTS

INTRODUCTION

Project objective

Project objective:

To provide the Portuguese wine industry with relevant and insightful information regarding the US market, particularly in terms of opportunity for Portuguese wines. The research was done using a combination of secondary sources with primary consumer and trade data.

We believe that this can be a powerful tool for the Portugal wine industry to better understand the dynamics of the largest wine marketplace in the world.

Wine Intelligence team is available for clarifying any doubts arising from users of this report.

CONTENTS

MANAGEMENT SUMMARY
US MARKET OVERVIEW

US market trends

1. **American wines** drive the US wine market, yet Italian, French, Portuguese, New Zealand and Argentinean wines also perform strongly
   - California ranks number one for purchase and awareness while French wines are seen as the best quality

2. **Shifts in consumption trends** lead consumers towards more **premium wine choices**
   - The worldwide luxury market is growing
   - The US has the largest number of premium wine drinkers (22 million) – 26% share among all regular wine drinkers within the US

3. **Rapidly** changing trends in consumer behaviour, with a **generational shift** of consumers and values
   - The share of Millennial wine drinkers in the US has grown over the past decade and are now predicted to overcome Gen Xers as the biggest fine wine drinking generation by 2026
   - Knowledge about wine has decreased due to increases in sources of information, while consumers remain equally as confident in the wine category in the US since 2015

4. **Increasing concerns for health and the environment** leading to heightened consciousness of ingredients and production methods
   - Health trends are primarily driven by Millennials who are more concerned about implementing healthy lifestyles as well as care for the environment

US market trends

5. **Trump's tariff war** could still deal a blow to the **global economy** and undermine consumer spending in the US
   - The Trump administration is holding steady on its commitment to 'improve' cross-border trade terms for the US by reducing trade imbalances and deficits

6. **As marijuana sees increasing legalisation** in the US, businesses are preparing to capitalise off it
   - Canna-beverages, drinks that are infused with small doses of CBD or THC are expected to be a USD $1.4 million market by 2023, up from $89 in 2012
   - The wine industry's main concerns centre on whether cannabis-based products will compete with wine at the key wind-down and with-food occasions

7. **Growing popularity of rosé wines** in the US, particularly from **Provence**, as opportunities expand for the category
   - Younger consumers, particularly Millennials, are more open to drinking rosé wines compared to older wine drinkers and consume rosé more frequently
   - With more consumers entering the category there are more opportunities for rosé

8. **Increased consumption of sparkling wine** has led to innovation within the category
   - With greater consumption in the category, occasions for sparkling wine have grown past the typical formal setting
   - Consumers, especially Millennials, are now drinking sparkling wine for casual occasions such as picnics and informal meals, as well as nights out

Portugal positioning in the US market

1. **Portuguese still wine** has been among the **fastest growing categories in the US market**, consistently, over the past 5 years
   - However, Portuguese still wine takes a very small market share of total till wine volume in the US, with 0.5% market share
   - Nevertheless, as a result of the US being the largest wine market in the world, 0.5% market share means a significant volume in the context of Portuguese wine exports: 1501 thousands of 9 litres cases

2. **There are 5.91 million drinkers** of Portuguese wine in the US
   - However, this only accounts for **2.5% of the population**

3. **Portugal has no significant presence in the sparkling wine** market in the US, which has been growing consistently at 4% year on year

4. **Small growth** in the volume of fortified Portuguese wine sold in the US as domestic wines continue to hold the largest proportion of the market share

5. **Awareness of Portugal** as a wine-producing country has remained **stable**, whilst the awareness of California has increased significantly in the long-term

6. **Portugal underperforms** in terms of **converting awareness into consumption**
   - Whilst the consumption of Portuguese wine has remained stable, the consumption of other Old World wine-producing countries has increased

MANAGEMENT SUMMARY
PERCEPTIONS TOWARDS PORTUGAL

Consumer and trade perceptions towards Portugal

1. **Despite not being as prominent as domestic**, Italian or French wines, Portuguese wines are said to be **experiencing growth**

2. **Positive perceptions** towards Portugal from the trade as **increasing numbers of tourists** offers more opportunities for Portugal
   - Portugal is increasingly becoming a popular holiday destination which has led to positive impacts on the economy
   - Secondary sources of data show that there has never been as many American tourists in Portugal as now
   - Despite this evident increase in tourism, others claim that there is still room for growth

3. **Whilst trade experts believe Portugal produces high quality wine**, **more awareness** is needed amongst both **distributors and consumers** to boost sales
   - Promoting Portuguese wine through trade education is vital in order to raise purchase incidence of Portuguese wines
   - Strong relationships between producers and importers should be established in order to successful boost sales of Portuguese wine
   - Importance of teaching consumers about Portuguese wine in a context they are already familiar with by relating unique, lesser-known Portuguese varietals with more mainstream, international varietals

4. **Portuguese wines** are mostly **associated with something consumers would like to know more about**, although in general it has no strong positioning relatively to other European countries of origin
   - Portuguese wine struggles to compete with more mature European markets such as Italy and France, which achieve high recognition from consumers
   - Whilst French wines are associated with being suitable for special occasions and celebrations, Portuguese wines are associated with everyday wines

5. **The main barriers** for Portuguese wine to overcome are a **lack of understanding and availability** in the US market, as countries such as France dominate due to trade agreements

Key opportunities for Portuguese wine

1. **Expansion to non-Portuguese wine markets (states)** is possible by targeting consumers who do not necessarily have access to Portuguese wine, but want to be educated and branch out from the norm
   - The three main options for Portuguese wine to enter the US market: National importers / distributors, regional importers / distributors, and starting one's own company

2. **The recent tourism boom** in Portugal has **driven increases in awareness and purchase** of Portuguese wine
   - Wines of Portugal is deemed as an important organisation which could help improve Portuguese wine associations

3. **Promoting Portuguese wine** through **consumer and trade education** is imperative in order to raise consumer understanding and purchase incidence of Portuguese wines
   - Portuguese wine companies need to emphasise the diversity and range in Portuguese wine varietals which can be done through education
   - Consumers will be less intimated by Portuguese wine through tastings

4. **Defined and improved Portuguese wine styles** offer opportunities, along with the growing importance of educating consumers on how sustainability relates to the wine category
   - Portuguese wine producers need to have more defined wine styles and stick with them to appeal to a higher proportion of consumers by creating volume
   - Sustainability is increasingly important to consumers and an important factor wine producers should communicate to consumers

5. **Trade members agree** that while the sweet price point spot is current **$15-$30**, there is opportunity for Portuguese premium wines
   - Premium categories are performing well in general in the US market
   - Portuguese wines have an opportunity in the premium wine market but with the added support of education and tastings to prove that they can compete in the category

CONTENTS

FACTORS IMPACTING THE US WINE INDUSTRY

- Premiumisation
- Changing generational values
- Health and wellbeing
- Trump's tariff wars
- Cannabis legalisation
- Rosé
- Sparkling wine
- Label design preferences

KEY FACTOR – PREMIUMISATION

Shifts in consumption trends lead consumers towards more premium wine choices, especially in the US

Premiumisation

Premiumisation of wine to address changing consumer preferences

- Worldwide luxury market is growing
- Premiumisation has become a strategy adopted to address the changes in consumer behaviour and preferences. Such trends include increasingly globally-connected cities, consumer interest in personalised and authentic products, convenience and wellness
- US has the largest number of premium wine drinkers (22 million) – 26% share among all regular wine drinkers within the US
- Premium consumers continue to be statistically more likely male than female, more affluent and more likely to enjoy trying new wines regularly
- Similarly, the US premium wine drinking population remains at around a quarter of all monthly wine drinkers and continues to represent just over a third of total wine volume consumed in the US

	2014	2019
Regular wine drinkers (drink wine at least once per month)	90 million [3]	84 million [3]
	26%	26%
US premium wine drinkers	23 million [3]	22 million [3]

Premium wine drinkers are those who drink wine **once or more per week,** *typically* spending over:

USD $15+

United States still wine volumes (by price category)

10 million more cases of Premium wine sold in 2018 than in 2014 in the US

Millions of 9 L cases	Volume			CAGR 14-18	CAGR 18-23	Market share	
	2014	2018	2023			2018	2023
Premium	32	42	53	7%	4%	13%	16%
Non-Premium	279	283	278	0%	0%	87%	84%

IWSR price categories:
- Non-Premium: Under $14.99
- Premium: Over $15.00

Source: Wine Intelligence Vinitrac® Global 2019, Wine Intelligence calibration studies
IWSR 2018

KEY FACTOR – CHANGING GENERATIONAL VALUES

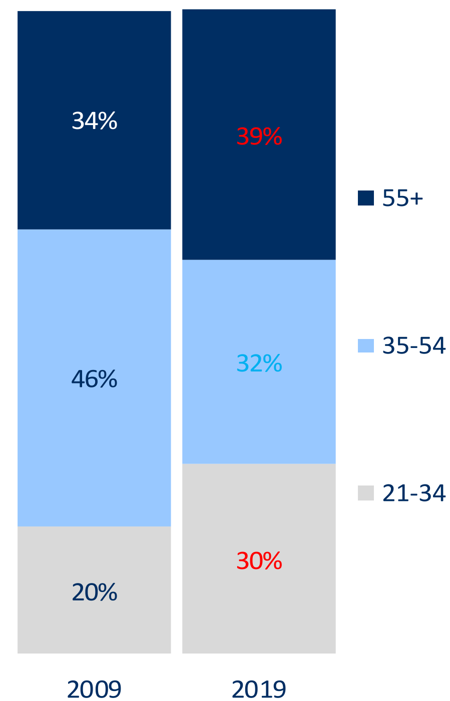
Rapidly changing trends in consumer behaviour, with a generational shift of consumers and values

Changing generational values

Changing trends in consumer behaviour, driven by the increasing proportion of Millennial consumers

- The share of Millennial wine drinkers in the US has grown over the past decade, now accounting for just under a third of all wine drinkers in the US
- While US wine consumers have become more involved and experimental with wine over the past decade, a higher proportion of Millennials are less conservative and enjoy experimenting with new and different products
- This brings lots of new opportunities to the wine market
- The adventurous nature of Millennials is welcoming new packaging and wine formats (i.e. wine in a can)
- Technological advancement is increasing the appeal of the online platform for marketing and sales, with the proportion of consumers shopping for wine online increasing from 6% to 18% over the last decade
- Millennials are predicted to overcome Gen Xers as the biggest fine wine drinking generation by 2026

Share of US wine drinking population



Wine Involvement

	LDA-29	65+
"I enjoy trying new and different styles of wine on a regular basis"	65%	32%
"I don't mind what I buy so long as the price is right"	26%	16%
"I know what I like and I tend to stick with what I know"	9%	51%

Source: Wine Intelligence, Vinitrac® US, 2009-2019, n>=2,000 US regular wine drinkers
https://www.businessinsider.com/millennials-changing-wine-industry-walmart-2019-3?r=US&IR=T
https://www.theiwsr.com/news-and-comment-forecasting-the-future-nyc-2019/

KEY FACTOR – CHANGING GENERATIONAL VALUES

Knowledge about wine has decreased while consumers remain equally as confident in the wine category in the US since 2015

Changing generational values

Due to increase in sources of information, it is no longer necessary to have a lot of wine knowledge to be confident in the category

- Wine knowledge has decreased since 2015 while confidence has increased for US consumers; although for younger drinkers, their confidence has not grown as much as older consumers
- Information is currently more readily available than ever, making the need for recalled wine knowledge less important as wine descriptors and risk reducers such as taste and flavour cues and reviews from others are immediately available

Wine **knowledge** index

Recalled wine knowledge index (0-100) is calculated based on consumer-reported awareness of wine-producing countries, wine-growing regions and wine brands
Base: n>2,000 regular wine drinkers in US

Age group	2015	Index change	2019
All US RWD	34.2	-5.6	28.6
21-34	26.6	-7.3	19.3
35-54	33.9	-5.8	28.1
55+	40.2	-4.0	36.2

Wine **confidence** index

Wine confidence index (0-100) is calculated based on the extent to which consumers feel competent about their wine knowledge
Base: n>2,000 regular wine drinkers in US

Age group	2015	Index change	2019
All US RWD	53.0	+1.5	54.5
21-34	54.8	-0.8	54.0
35-54	54.6	+1.8	56.4
55+	50.0	+3.4	53.4

Red / Blue : statistically significantly higher / lower than previous wave(s) at a 95% confidence level
Source: Wine Intelligence, Vinitrac® US, 2009-2019, n>=2,000 US regular wine drinkers

KEY FACTOR – HEALTH AND WELLBEING

Increasing concerns for health and the environment leading to heightened consciousness of ingredients and production methods

Health and wellbeing

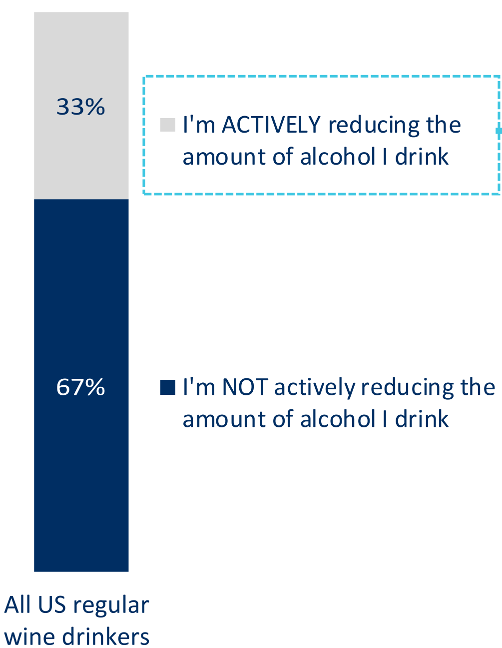
Increasing concern for personal health and for the environment

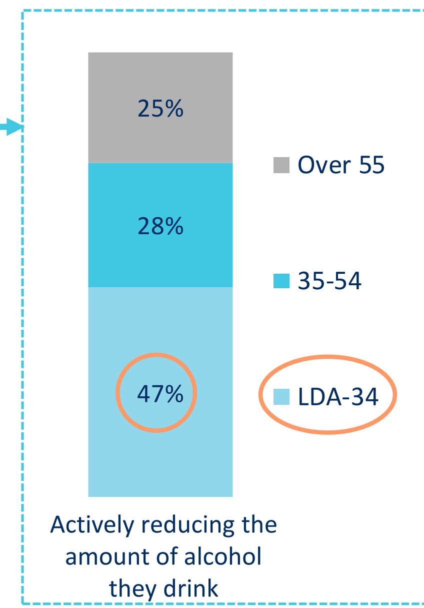
- Consumers in the US are becoming increasingly health conscious, with a third of US wine drinkers actively moderating their alcohol intake
- People are becoming more sensitive to the ingredients they put into their bodies, redefining food culture by seeking fresh, natural and minimally-processed foods
- Such health trends are primarily driven by Millennials, who are more concerned about implementing healthy lifestyles as well as care for the environment
- Environmental concern is rising worldwide, consumers are more consciously implementing environmentally responsible behaviours through recycling and purchase behaviours
- This is enabled a rise of alternative wine styles such as lower alcohol, organic or sustainably-produced wines

There is growing interest in low and no alcohol because of the health discussion. The whole concept of no alcohol is growing but it is mainly done by beer, which is dominant in that growth, but we expect wine to follow
Wine Business Consultant

We perceive a new trend for wines that are easier to drink with lower alcohol. New wine products with lower alcohol are being released; people are more conscious on that regard
Commercial and Marketing Director

In the US sustainability has become a buzzword – you can spin around any label and it talks about sustainability
Wine Retailer Operator





Source: Wine Intelligence, Vinitrac® US July 2018, March 2019 (n≥2,000), regular wine drinkers
Wine Intelligence trade interview program 2019

KEY FACTOR – TRUMP´S TARIFF WARS

Trump's tariff war could still deal a blow to the global economy – and undermine consumer spending in the US

Trump's tariff wars

US trade war inflicts economic harm at home and abroad

- The Trump administration is holding steady on its commitment to 'improve' cross-border trade terms for the US by reducing trade imbalances and deficits
- In October, the World Trade Organisation allowed President Trump to impose tariffs on over USD $7 billion European products annually as a rebuttal to a decade-old conflict regarding European subsidies to Airbus, the aircraft manufacturer, that the US argues allows Airbus to sell its products at a rate that harms America's Boeing
  - Wine is included in this, with a result that could raise the price of French, Spanish, German and UK wine in US stores by up to 30 percent
- Heightening trade tensions with the European Union inflict uncertainty on an already precarious situation in the area due to Brexit, creating concern for the future stability of the global economy

Tariff wars could bring an economic downturn
Wine Importer

Trade wars are a threat, especially if you work with imports. Any tariff implications or changes that happen as a result of external factors increase our price or lower our margins, and that is a threat
Wine Distributor and Importer

The current environment of trade tensions and looming tariffs, particularly between the U.S. and Europe, may pose a big challenge for all large wine growing countries in the European Union
Wine Journalist

"[Trump's trade war] is certainly going to give a big haircut to the global economy. And if you shave off… almost a percentage point of growth that means less investment, less jobs, more unemployment, reduced growth"
Christine Lagarde, incoming head of the European Central Bank

Wine Intelligence trade interview program 2019
The IWSR, BBC

KEY FACTOR – CANNABIS LEGALISATION

As marijuana sees increasing legalisation in the US, businesses are preparing to capitalise off it

Cannabis legalisation

Legalisation continues to evolve throughout the US

- Marijuana is legal for medical purposes in nearly half of US states, with many of them also decriminalising recreational marijuana. This trend of legalisation is expected to continue throughout the United States with time
- US businesses are actively seeking ways to commercialise products featuring its psychoactive ingredient THC and to position themselves to be ready for when the US sees total legalisation
- Canna-beverages, drinks that are infused with small doses of CBD or THC are expected to be a USD $1.4 million market by 2023, up from $89 in 2012
- The wine industry's main concerns centre on whether cannabis-based products will compete with wine at the key wind-down and with-food occasions
    - Winemakers are concerned that consumers will turn to cannabis instead of wine for relaxation
    - Some worry that the cannabis industry will bring competition for resources such as labour, water, land and tourism

Rebel Coast winery Cannabis Infused Beverage

Coalition Brewing Two Flowers IPA CBD beer

CannaWine Wines with hemp extract

CannaWine

> The greatest opportunity in wine will be cannabis-infused products – though the taste is still an issue. It's a threat, but it is also an opportunity because it is an adjacent category to wine and in some respects has similar characteristics such as a varying state-by-state regulatory picture. It will be part of our conversation in the wine category, whether we like it or not
> *Marketing director*

KEY FACTOR – ROSÉ

Growing popularity of rosé wines in the US, particularly from Provence, as opportunities expand for the category

Rosé

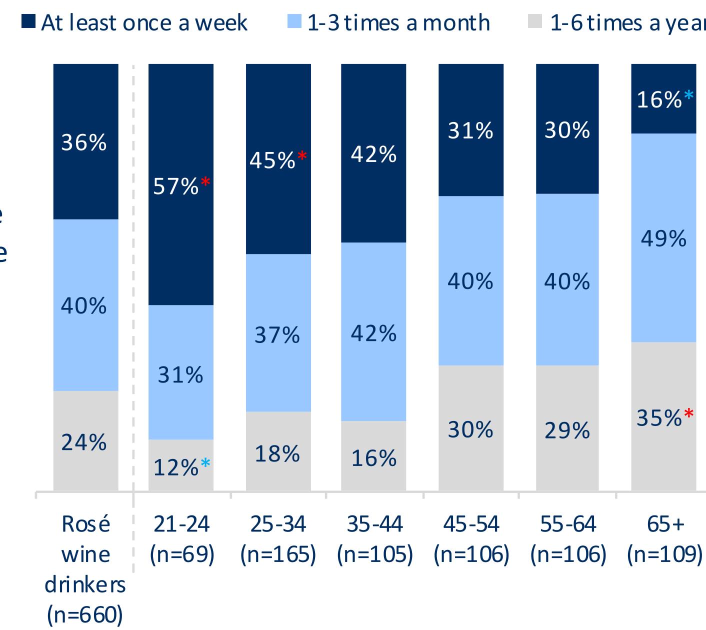
Increasing popularity of rosé wine

- Around ten years ago, rosé wine began to be seen as a separate category from blush wines when French Provence rosé imports began to grow exponentially, they were the impetus of the rosé movement
- There have been several powerful rosé brands which have helped to develop the rosé wine market and improved the perception of rosé wines in the minds of the consumer
- Younger consumers, particularly Millennials, are more open to drinking rosé wines compared to older wine drinkers and consume rosé more frequently
- Rosé now has a strong presence in the US market, particularly varieties from Provence
- With more consumers entering the category there are more opportunities for rosé

Whispering Angel by Château d'Esclans

Launched in the US market just over 10 years ago, Château d'Esclans exported approximately 160,000 cases of Whispering Angel Provence rosé into the US market in 2016. When it first began, the owners of Château d'Esclans identified a gap in the US wine market and set about educating wine consumers in the US about Provencal rosé. Since then it has developed a cult following and is considered to be one of the most successful brands in the US wine market

Consumption frequency of rosé wine by age



Slowly but surely the media started talking about the elegance of Provençal rosé, Provence this and Provence that and it was localised as a summer product category
Online retailer

There has been a shift recently. Rosé has moved on from being a very summery drink, to being a year-round drink
Market expert

/: statistically significantly higher/lower than all US regular wine drinkers who drink rosé wine at a 95% confidence level
Source: Wine Intelligence, Vinitrac® US, Oct'17, n=2,003 US regular wine drinkers
Wine Intelligence trade interview programs 2018-19
http://www.decanter.com/wine-news/anson-thursday-whispering-angel-new-rose-dawn-300757/

KEY FACTOR – SPARKLING WINE

The wine category has seen large expansion in the past few years, led by sparkling wine

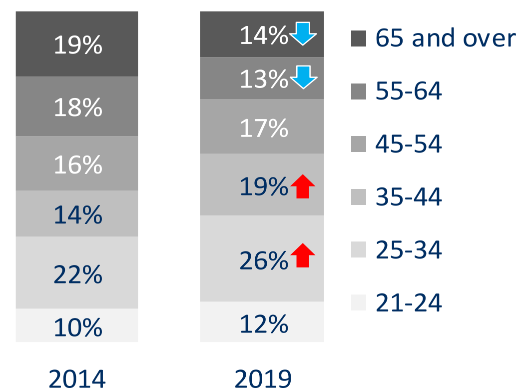
Sparkling wine

Increased consumption of sparkling wine has led to innovation within the category

- With greater consumption in the category, occasions for sparkling wine have grown past the typical formal setting
- Consumers, especially Millennials, are now drinking sparkling wine for casual occasions such as picnics and informal meals, as well as nights out
- Packaging types have also seen a shift in both the off- and on-trade
- US consumers now purchase wine in addition to and in formats alternative to the 750mL bottles, including single-serve bottles (187 mL), Magnums (1.5L), half bottles (375 mL) and single-serve cans

I think Millennials are having a different approach and are more open to bubbles in general
Wine Producer

Age distribution of US sparkling wine drinkers
2014 vs. 2019



United States sparkling wine volumes (total and by country of origin)

Thousands of 9 litre cases	2014	2015	2016	2017	2018	CAGR 14-18	CAGR 17-18	Market share
Total	23,446	25,017	26,820	28,109	29,100	6%	4%	100%
Domestic	11,040	11,607	12,444	12,896	12,951	4%	0%	45%
Imported	12,406	13,410	14,376	15,213	16,150	7%	6%	55%

⬆ / ⬇: statistically significantly higher / lower than previous wave(s) at a 95% confidence level
Source: Wine Intelligence, Vinitrac® US, May'18 and May '19, n>=2,000 drinkers of sparkling wine in the US
Wine Intelligence trade interview programs 2018-19
https://www.bloomberg.com/news/articles/2018-11-27/beyond-prosecco-these-italian-sparkling-wines-are-for-more-than-mimosas

KEY FACTOR – LABEL DESIGN PREFERENCES

Increasing importance of visual cues, with central and traditional designs gaining a stronger appeal in the US market due to quality implications

Label design preferences

Rising visual impact

- The appeal of the bottle and / or label design has become increasingly important for US consumers when buying wine
- Central and traditional labels have stronger appeal in the US market, delivering higher quality perceptions and yielding a higher likelihood to buy
- Younger regular wine drinkers in the US market are more adventurous and open-minded with their label selection, with less traditional styles performing better with them than for other age brackets – however, they still rate more traditional labels as more attractive with a stronger likelihood to buy

"The appeal of the bottle and / or label design is important to me when choosing wine"

% who agree or strongly agree with the above statement

	2009		2019
Total US	33%	(+7 points) →	40%
21-34	52%	(+3 points) →	55%

Distinctive → **Central**

Cartoon Retro | **Vintage** | **Bold Text** | **Simple Contemporary** | **Boutique** | **Simple Elegance** | **Prestigious** | **Classic** | **Vineyard Stately**

Source: Wine Intelligence Vinitrac® US, 2009-2019 (n>2,000) US regular wine drinkers

KEY FACTOR – LABEL DESIGN PREFERENCES

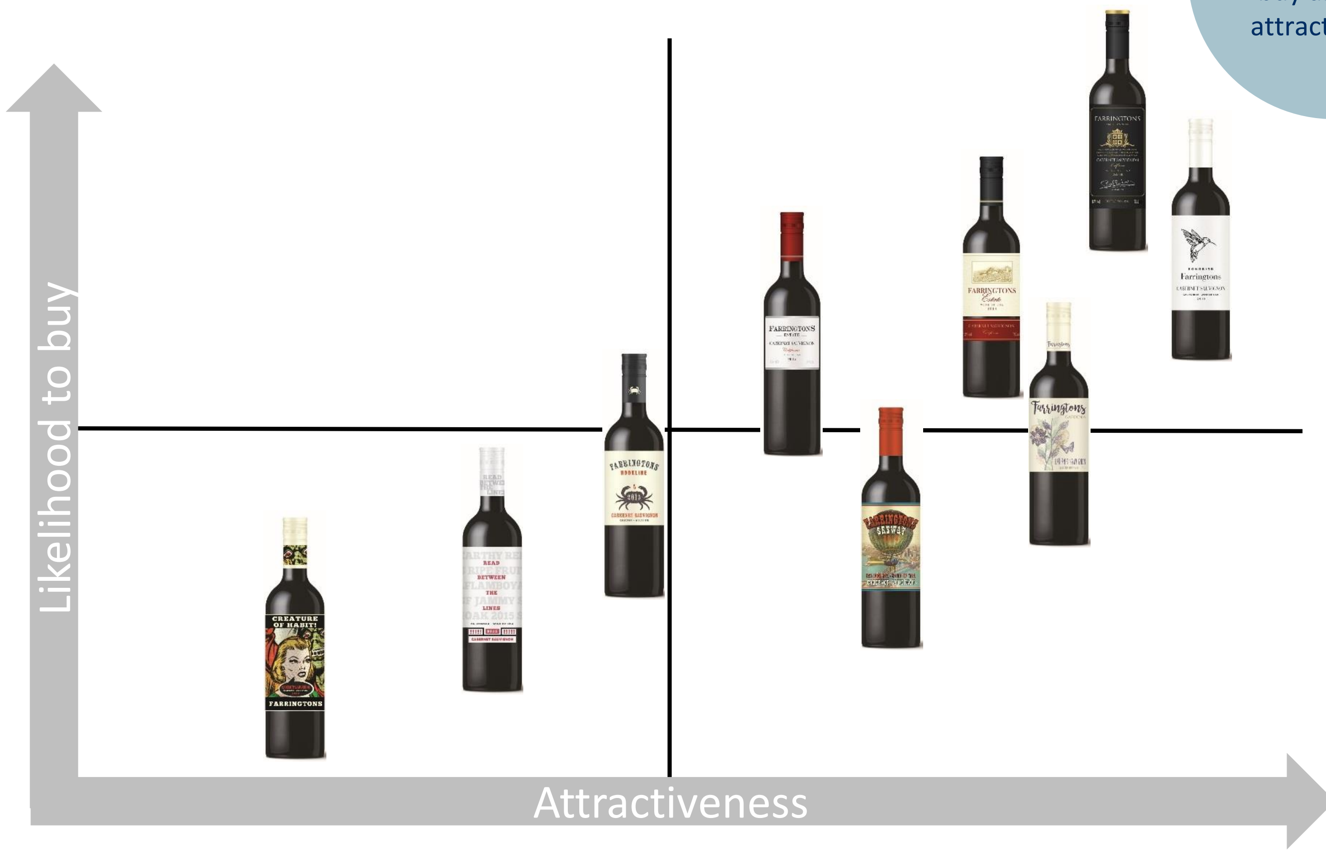
Successful wine brands strike a balance between centrality and distinctiveness

Label design preferences

Label likelihood to buy and attractiveness

Analysis of mean likelihood to buy score and mean perception of attractiveness (mean score out of 5, where 1 is very unattractive, and 5 is very attractive)
Base = All US regular wine drinkers (n=2,028)

Higher likelihood to buy and high attractiveness



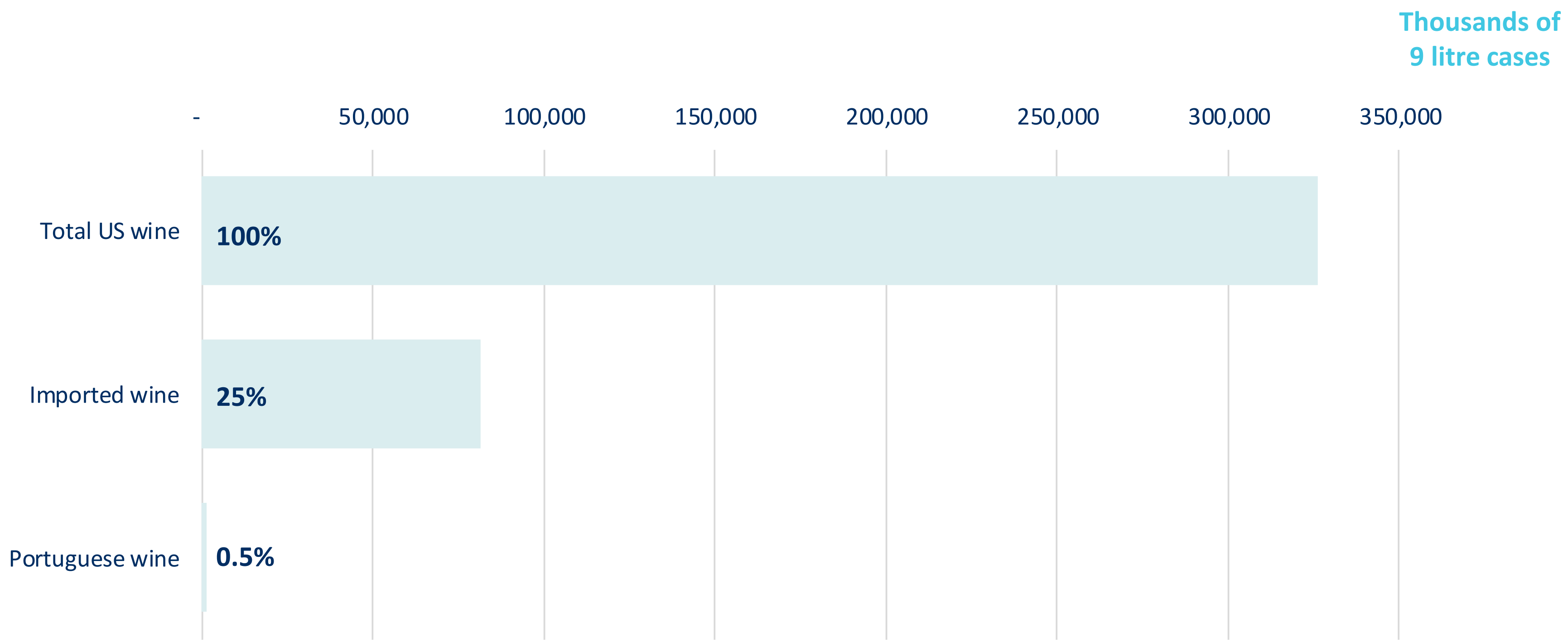
Source: Wine Intelligence Vinitrac® US, 2009-2019 (n>2,000) US regular wine drinkers

CONTENTS

CONTEXT OF PORTUGUESE WINE IN THE US

Portuguese still wine takes a very small market share of total still wine volume in the US. Still, being the largest wine market in the world, 0.5% market share means a significant volume in the context of Portuguese wine exports: **1501 thousands of 9 litres cases**

United States still wine volumes



Source: IWSR 2018

CONTEXT OF PORTUGUESE WINE IN THE US

There are 5.91 million drinkers of Portuguese wine in the US, only accounting for 2.5% of the population

Adult population: 239 million [1]

45%

Wine drinkers: 108 million [2]

78%

Regular (i.e. at least once per month) **wine drinkers**: 84 million [2]

Sample for this study

7%

Portuguese wine drinkers (past 6 months): 5.91 million [3]

35% 2.5%

Source: 1 Adults aged 21+, US Census Bureau
2 Wine Intelligence online calibration studies with YouGov and SSI, September '18, n=2,164 US adults,21+. Wine=still light wine (red, white, rosé), recalibrated to Census Bureau population data
3 Wine Intelligence, Vinitrac® US, July 2019 (n=2,530) US regular wine drinkers

CONTENTS

How Portraits work

What are Portraits?

- Portraits is a consumer segmentation based on behaviour and attitudes, rather than on demographics
- Portraits are a series of reports designed by Wine Intelligence to provide wine businesses with a reference segmentation model of wine drinkers which can be applied to individual brands, regions, countries of origin, style categories and retailers

How we make Portraits…

- Wine Intelligence uses factor and cluster analysis to group consumers into distinct segments based on their answers to questions about their wine-drinking behaviour and their attitude towards wine. Once consumers have been identified as belonging to a specific segment, these segments are profiled based on a set of output variables, which in addition to the input variables above include demographic information and more detailed questions on wine-drinking behaviour
- Portraits are based an integrated research methodology utilising both quantitative and qualitative techniques
  - **Quantitative**: Analysis for US Portraits is based on a sample of 12,632 US regular wine drinkers collected in October 2017 and January / March 2018 via Wine Intelligence's Vinitrac® online survey
  - **Qualitative**: Focus groups were conducted across the US in September and October 2018

US CONSUMERS – PORTRAITS

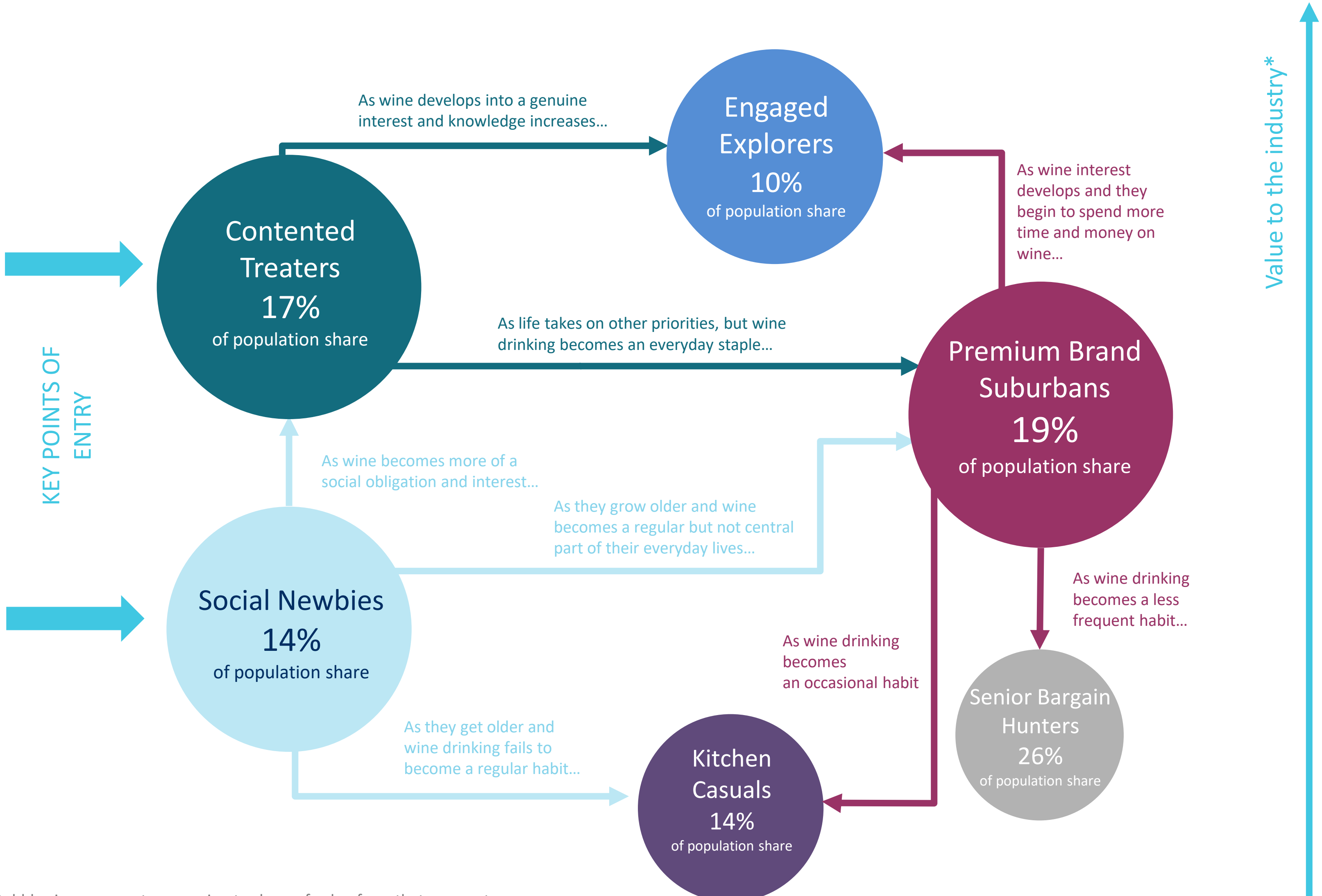
The US consumers can be divided into 6 categories

	Engaged Explorers	Premium Brand Suburbans	Contented Treaters	Social Newbies	Senior Bargain Hunters	Kitchen Casuals
Who are they?	Younger, confident wine drinkers who enjoy discovering new wines	Mid to older aged, frequent wine drinkers, lower spending but very knowledgeable	Infrequent, but high spending drinkers, who know what they like	The youngest segment, drinking fairly frequently and rely on recommendations due to lack of knowledge	Most infrequent and one of the oldest segments with good knowledge due to a long time in the category	One of the oldest, very infrequently drinking segments, they have little interest in the category
Why do they drink wine?	Wine is part of their lifestyle and social life so they spend time and money in the category	They enjoy wine in social situations in the on-premise for casual occasions	They have wine infrequently but enjoy it in social situation as a treat or to pair with their dinner	Wine is often consumed in the on-premise and in social situations with friends and family	Low confidence in their knowledge, wine drinking centers around casual occasions at home	Not understanding much about wine and little interest to learn more, they mostly drink at home for informal occasions
Where?	Enjoy buying from wine shops and wineries and are highest spenders in on- and off-premise	Get wine from the supermarket or previously known wineries, often in bulk to get value	They buy wine from liquor stores or wine shops or from wineries they visit to stock up	Main factor when buying wine is convenience, so many wine-buying channels are used	Most consumers get their wine from the supermarket, being strongly value-driven	Very price-conscious, their primary channel is the supermarket, rarely branching out
What do they drink?	Have the broadest repertoire and enjoy trying new varietals, regions and types of wine	Very broad repertoire, however they know what they like and prefer domestic wine-producing regions	They know what they like and stick to the more mainstream varietals preferably from domestic regions	They are exploring the category and enjoy trying more niche varietals and regions of origin	Despite their good knowledge of varietals and places of origin, they stick to what they know and drink from a narrow repertoire	Drink from a very narrow repertoire and stick to what they know

Source: Wine Intelligence, Vinitrac® US, Oct'17, Jan'18, Mar'18 n=12,632 US regular wine drinkers

US CONSUMERS – PORTRAITS

As wine drinkers progress through life and their interests and priorities evolve, they tend to migrate between segments in a consistent pattern



*Bubble size represents approximate share of value from that segment

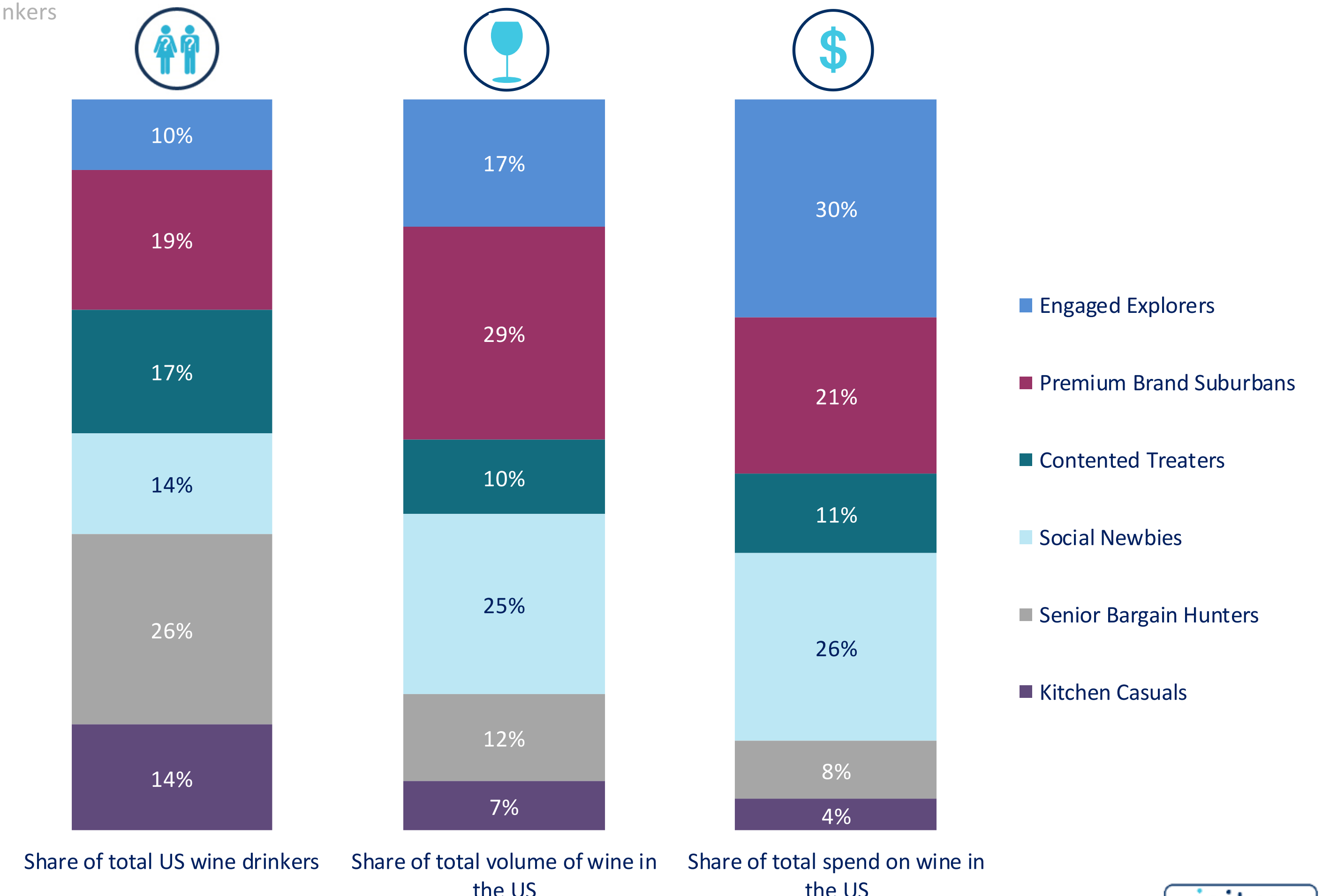
Source: Wine Intelligence, Vinitrac® US, Oct'17, Jan'18, Mar'18 n=12,632 US regular wine drinkers

US CONSUMERS – PORTRAITS

Despite Senior Bargain Hunters accounting for the largest proportion of the total share of US wine drinkers, Engaged Explorers who are highly involved with wine hold the largest share of total spend on wine followed by Social Newbies

Population, share of wine volume and share of spend on wine

Proportion represented by each segment, with consumption and spend estimated based on recalled usage frequency and spend data
Base = All US regular wine drinkers

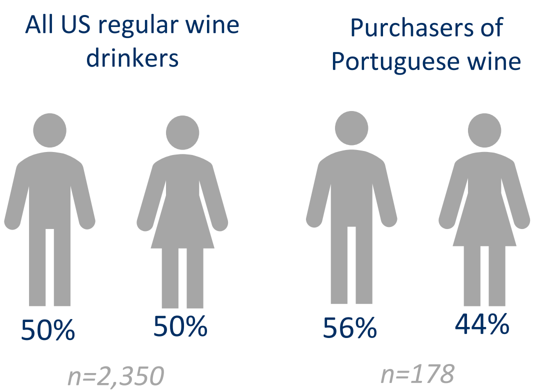


Source: Wine Intelligence, Vinitrac® US, Oct'17, Jan'18, Mar'18 n=12,632 US regular wine drinkers

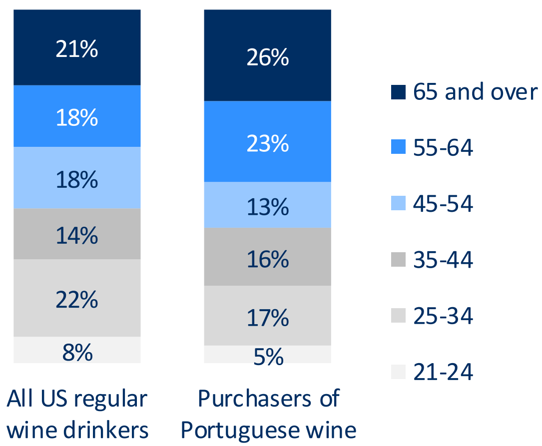
US CONSUMERS – PROFILE OF CONSUMERS OF PORTUGUESE WINE

wine intelligence

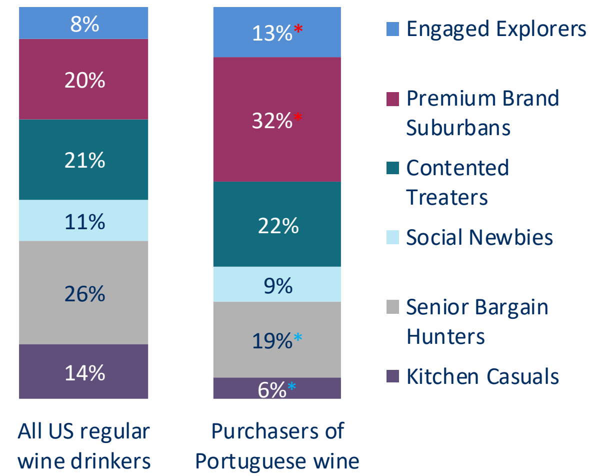
Gender



Age



Portraits



US divisions

	All US regular wine drinkers	Purchasers of Portuguese wine
New England	6%	10%
Middle Atlantic	14%	20%
East North Central	13%	8%
West North Central	4%	4%
South Atlantic	20%	19%
East South Central	5%	3%
West South Central	11%	7%
Mountain	6%	6%
Pacific	21%	22%

Yearly total household income (before tax)

	All US regular wine drinkers	Purchasers of Portuguese wine
Under $39,999	23%	9%
$40,000 - $69,999	25%	26%
$70,000 - $99,999	20%	19%
$100,000+	27%	43%
Prefer not to answer	5%	4%

Red / Blue: Statistically significantly higher / lower than all US regular wine drinkers at a 95% confidence level
Source: Wine Intelligence, Vinitrac® US, July 2019 (n=2,530) US regular wine drinkers

vinitrac.

CONTENTS

COUNTRIES OF ORIGIN – TRENDS – POSITIVE PERFORMANCES

Californian wines drive the US wine market, yet Italian, French, Portuguese, New Zealand and Argentinean wines also perform strongly

✓ California

- The domestic market is primarily driven by Californian wines, which are widely known competing at all price segments. They perform very strongly in the US market and are expected to continue to do so

✓ Italy

- Positive performance dominated by Prosecco success
- Strong in different styles and segments. Pinot Grigio still strong

✓ France

- The popularity of Rosé and Champagne contribute to the success of French wines
- Strong in offering multiple styles and segments

✓ Portugal

- Despite not being as prominent as domestic, Italian or French wines, Portuguese wines are said to be experiencing growth

✓ New Zealand

- Wines from New Zealand continue to perform well due to the efforts of prominent American companies to drive Sauvignon Blanc sales

✓ Argentina

- Well received by consumers, as it delivers products with good value for money, particularly Malbec

> The domestic wines, so the US based wines in California, have been doing very well
> *Wine Importer and Producer*

> Italy is certainly driven by Prosecco which has been doing very well
> *Wine Importer and Producer*

> For import wines, Italy, certainly driven by the Prosecco, has been doing very well. France, driven by rosé and Champagne, has also been doing well
> *Wine Importer and Producer*

> The trends from Portugal have been very high. I have just started with Portugal this past year, but the trends and the statistics have been very positive from that country
> *Wine Importer and Producer*

> New Zealand Sauvignon Blanc has done very well and it's a category that provides sufficient critical mass and the category has been driven by the top four wine marketers in the United States
> *Wine Importer*

> Argentina is doing well with Malbecs. I think the key to their success is you can deliver a great product at a value
> *Wine Retailer*

Source: Wine Intelligence trade interview program 2019

COUNTRIES OF ORIGIN – TRENDS – NEGATIVE PERFORMANCES

Australian, Chilean and Spanish wines are all perceived to be struggling due to shifting consumer preference and the dominance of domestic wines in the mainstream wine styles

X **Australia**

- No longer as dominant as they once were, with trade members attributing this decline to changing consumer tastes
- Nevertheless, dominant Australian brands Yellow Tail and 19 Crimes still perform strongly

X **Chile**

- Caught in the shadow of California's success and struggling to retain purchasers over the years

X **Argentina**

- Though some feel that Argentinean wines are successful due to good value for money, others find it's growth tailing off

X **Portugal**

- While some trade members feel Portuguese wine is performing strongly, others find it to be missing opportunities and competing in the wrong (low) price segments

X **Spain**

- Struggling to get recognition and not targeting the popular sub-categories in the US market

I think that Australia is suffering. Aside from Yellow Tail and 19 Crimes, they do have tremendous value. There is a shift in what the consumer wants
Wine Retailer

Chile is struggling, with the Californian wine industry continuing to take more and more of the market share. There are a tremendous amount of mergers occurring on the domestic side, where some of the larger companies are buying up the smaller brands; such as Prisoner / Charles Shaw. They are increasing the distribution of these brands meaning that they are taking away shelf space that Chile would have enjoyed
Wine Importer

Australia, Argentina and Chile have had some issues at the moment from what I understand. In terms of sales trends, those are countries that have had trouble growing over the past few years
Wine Importer and Producer

I don't think Spain is getting as much as they could, and I would probably say Portugal is probably not having as much impact as they could. I believe that Spain and Portugal could be so much better than they are
Master of Wine

Source: Wine Intelligence trade interview program 2019

COUNTRIES OF ORIGIN – STILL WINE

US wine domintates with 75% market share. Imported wine performing strongly include France and New Zealand. Portuguese still wine has been among the fastest growing categories in the US market, consistently, over the past 5 years, but still from a low base and low average price point

US still wine volumes and price per bottle (total and by country of origin)

Thousands of 9 litre cases	2014	2015	2016	2017	2018	CAGR 14-18	CAGR 17-18	Market share	Retail price per 0.75L 2018 (US$)	Retail price CAGR 14-18	Retail price CAGR 17-18
Total	311,134	314,785	320,251	325,118	326,019	1%	0%	100%	8.13	1%	1%
Domestic	232,539	234,152	238,693	242,878	244,579	1%	1%	75%	7.62	1%	1%
Imported	78,595	80,634	81,559	82,239	81,440	1%	-1%	25%	9.67	1%	2%
Italian	26,580	27,041	27,448	27,909	27,595	1%	-1%	8%	9.75	2%	2%
Australian	15,851	15,713	15,570	14,808	14,388	-2%	-3%	4%	6.09	-4%	4%
French	9,484	10,086	10,514	11,670	12,632	7%	8%	4%	12.45	2%	2%
New Zealand	4,370	4,998	5,347	5,680	5,911	8%	4%	2%	12.80	-2%	0%
Chilean	6,509	6,624	6,621	6,159	5,665	-3%	-8%	2%	7.93	0%	0%
Argentinian	6,002	6,139	5,974	5,577	5,245	-3%	-6%	2%	9.78	2%	1%
Spanish	4,091	4,166	4,193	4,484	4,131	0%	-8%	1%	10.93	2%	1%
German	2,639	2,458	2,314	2,247	2,120	-5%	-6%	1%	9.85	0%	0%
Portuguese	1,150	1,325	1,379	1,426	1,501	7%	5%	0.5%	7.80	2%	1%
South African	739	779	793	848	795	2%	-6%	0.2%	9.96	1%	0%

Source: IWSR 2018

COUNTRIES OF ORIGIN – SPARKLING WINE

Portugal has no significant presence in the sparkling wine market in the US, which has been growing consistently at 4% year on year. Growing dominance of Italian sparking wine dominated by Prosecco

US sparkling wine volumes and price per bottle (total and by country of origin)

Thousands of 9 litre cases	2014	2015	2016	2017	2018	CAGR 14-18	CAGR 17-18	Market share	Retail price per 0.75L 2018 (US$)	Retail price CAGR 14-18	Retail price CAGR 17-18
Total	23,446	25,017	26,820	28,109	29,100	6%	4%	100%	13.55	1%	1%
Domestic	11,040	11,607	12,444	12,896	12,951	4%	0%	45%	9.72	0%	1%
Imported	12,406	13,410	14,376	15,213	16,150	7%	6%	55%	16.62	1%	0%
Italian	7,857	8,663	9,414	10,086	10,771	8%	7%	37%	12.48	3%	1%
French	2,273	2,400	2,545	2,694	2,791	5%	4%	10%	38.71	0%	0%
Spanish	1,779	1,824	1,911	1,926	2,076	4%	8%	7%	10.02	0%	0%
Argentinian	182	213	206	207	203	3%	-2%	1%	10.04	0%	0%
German	89	102	104	112	123	9%	10%	0%	9.15	0%	1%
Australian	130	105	92	80	76	-13%	-5%	0%	9.83	1%	1%
International	50	51	53	56	58	4%	4%	0%	11.28	0%	0%
South African	20	25	25	26	25	6%	-4%	0%	8.99	0%	0%
New Zealand	14	15	14	14	16	3%	14%	0%	11.99	0%	0%
Chilean	7	6	7	6	5	-7%	-20%	0%	9.99	-2%	0%
Israeli	4	4	4	5	4	2%	-20%	0%	22.99	0%	0%
Hungarian	2	2	2	2	2	6%	50%	0%	8.99	0%	0%

Source: IWSR 2018

COUNTRIES OF ORIGIN – FORTIFIED WINE

Portugal dominates the imported fortified wine category which accounts for 18% market share. Portuguese fortified wine, which includes Port and Madeira, has been growing consistently year on year

US fortified wine volumes and price per bottle (total and by country of origin)

Thousands of 9 litre cases	2014	2015	2016	2017	2018	CAGR 14-18	CAGR 17-18	Market share	Retail price per 0.75L		
									2018 (US$)	CAGR 14-18	CAGR 17-18
Total	4,433	4,296	4,212	4,183	4,045	-2%	-3%	100%	7.36	0%	1%
Domestic	3,707	3,578	3,503	3,469	3,324	-3%	-4%	82%	5.68	0%	0%
Imported	726	718	709	715	722	0%	1%	18%	15.12	0%	0%
Portuguese	386	387	385	394	401	1%	2%	10%	17.64	0%	0%
Spanish	180	175	170	171	173	-1%	1%	4%	13.64	1%	1%
International	119	115	114	111	110	-2%	-1%	3%	8.97	0%	0%
Italian	41	41	40	39	38	-2%	-4%	1%	12.99	0%	0%

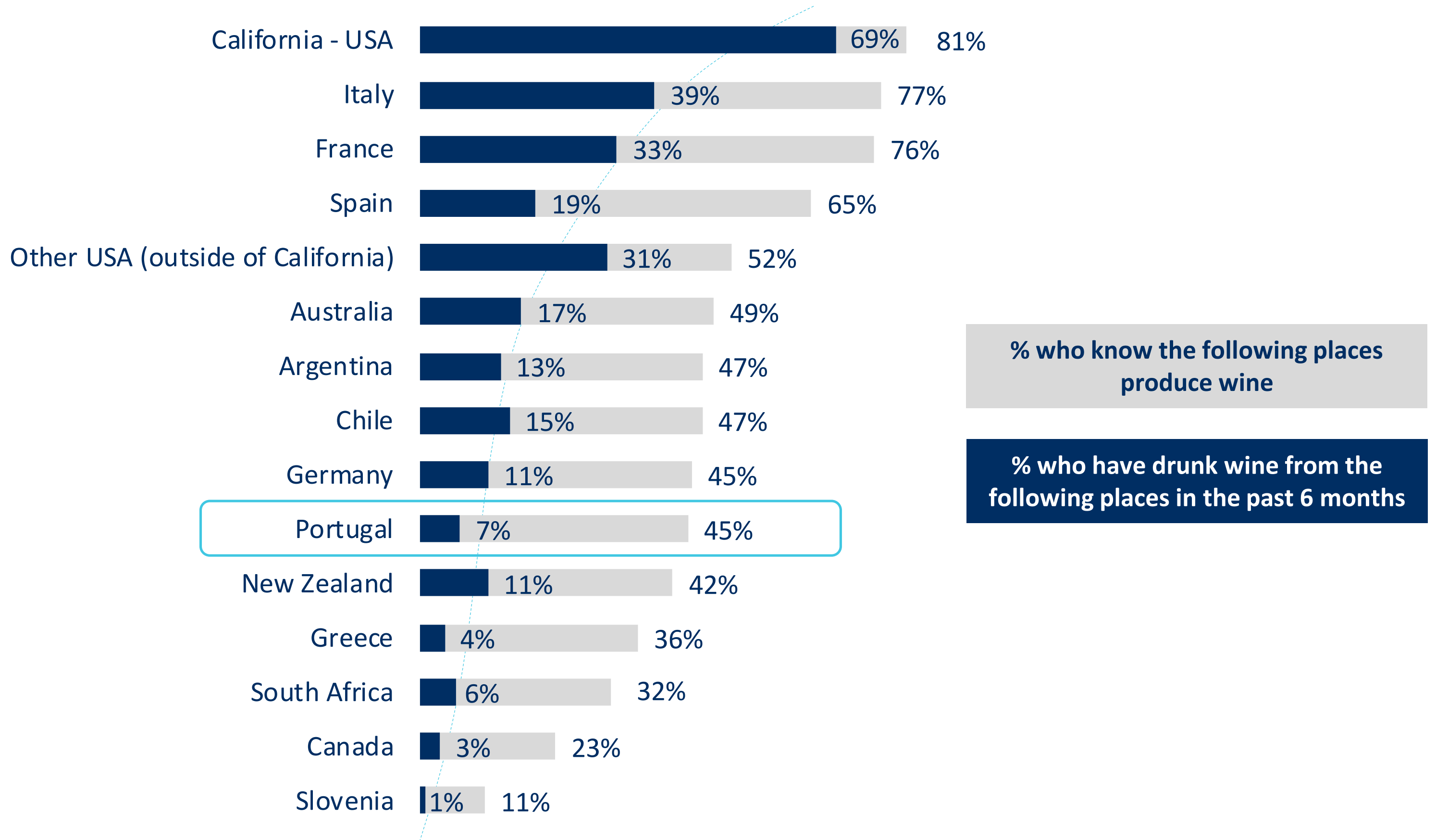
Source: IWSR 2018

COUNTRIES OF ORIGIN – AWARENESS VS. CONSUMPTION

US wine consumers are strongly drawn to domestic wine, with California being the most successful in converting those aware into purchasers. Portugal seems to be underperforming in terms of converting awareness into consumption

Country of origin awareness and consumption

% who know the following places produce wine / % who have drunk wine from the following places in the past 6 months
Base = All US regular wine drinkers (n=4,532)



Source: Wine Intelligence, Vinitrac® US, July 2019 (n=4,532) US regular wine drinkers

COUNTRIES OF ORIGIN – AWARENESS

Awareness of Portugal as a wine-producing country has remained stable, whilst the awareness of California has increased significantly in the long-term

Country of origin awareness: Tracking

% who know the following places produce wine
Base = All US regular wine drinkers (n≥2,000)

Rank 2019	n=	2015 *2,000*	2017 *6,000*	2019 *4,532*	Tracking vs. '15	Tracking vs. '17
1	California - USA	72%	80%	81%	↑	→
2	Italy	75%	75%	77%	→	↑
3	France	74%	74%	76%	→	→
4	Spain	65%	63%	65%	→	↑
5	Other USA (outside of California)	60%	53%	52%	↓	→
6	Australia	51%	46%	49%	→	↑
7	Argentina	47%	45%	47%	→	↑
8	Chile	50%	46%	47%	↓	→
9	Germany	48%	44%	45%	↓	→
10	Portugal	44%	43%	45%	→	→
11	New Zealand	43%	40%	42%	→	→
12	Greece	n/a	36%	36%	n/a	→
13	South Africa	34%	30%	32%	→	→
14	Canada	n/a	24%	23%	n/a	↓
15	Slovenia	n/a	n/a	11%	n/a	n/a
16	Other	3%	3%	2%	↓	→

↑ / ↓: Statistically significantly higher / lower than previous wave(s) at 95% confidence level
Source: Wine Intelligence, Vinitrac® US, July 2015 (n=2,000), July 2017 (n=6,000) and July 2019 (n=4,532) US regular wine drinkers

COUNTRIES OF ORIGIN – CONSUMPTION

wine intelligence

While the consumption of Portuguese wine has remained stable, the consumption of other Old World wine-producing countries has increased significantly since 2017

Country of origin consumption: Tracking

% who have drunk wine from the following places in the past 6 months
Base = All US regular wine drinkers (n≥2,000)

Rank 2019	*n=*	2015 *2,000*	2017 *6,000*	2019 *4,532*	Tracking vs. '15	Tracking vs. '17
1	California - USA	56%	67%	69%	⬆	⬆
2	Italy	36%	35%	39%	⬆	⬆
3	France	31%	31%	33%	➡	⬆
4	Other USA (outside of California)	38%	32%	31%	⬇	➡
5	Spain	20%	17%	19%	➡	⬆
6	Australia	22%	17%	17%	⬇	➡
7	Chile	15%	14%	15%	➡	➡
8	Argentina	15%	12%	13%	➡	➡
9	Germany	13%	10%	11%	⬇	⬆
10	New Zealand	15%	11%	11%	⬇	➡
11	Portugal	8%	7%	7%	⬇	➡
12	South Africa	8%	5%	6%	⬇	⬆
13	Greece	n/a	4%	4%	n/a	➡
14	Canada	n/a	4%	3%	n/a	⬇
15	Slovenia	n/a	n/a	1%	n/a	n/a
16	Other	1%	2%	1%	➡	⬇

⬆ / ⬇: Statistically significantly higher / lower than previous wave(s) at 95% confidence level
Source: Wine Intelligence, Vinitrac® US, July 2015 (n=2,000), July 2017 (n=6,000) and July 2019 (n=4,532) US regular wine drinkers

vinitrac®

COUNTRIES OF ORIGIN – CONSUMPTION

US consumers who reside in New England, Middle Atlantic and Pacific are more likely to drink Portuguese wine compared with all US regular wine drinkers

Country of origin consumption: US divisions

% who have drunk wine from the following places in the past 6 months
Base = All US regular wine drinkers (n=54,016)

Rank in 2019	Country	All US regular wine drinkers	US Divisions: New England	Middle Atlantic	East North Central	West North Central	South Atlantic	East South Central	West South Central	Mountain	Pacific
	n=	54,016	3,120	8,042	6,905	2,756	10,629	2,307	5,586	3,363	11,308
1	California - USA	68%	69%	64%	64%	68%	66%	65%	66%	73%	76%
2	Italy	37%	44%	43%	35%	30%	38%	32%	35%	37%	33%
3	Other USA (outside of California)	32%	30%	34%	35%	39%	31%	30%	32%	35%	29%
4	France	31%	34%	31%	27%	26%	31%	29%	31%	31%	31%
5	Spain	19%	19%	20%	16%	14%	20%	14%	19%	19%	20%
6	Australia	18%	21%	19%	16%	16%	18%	15%	16%	20%	16%
7	Chile	14%	17%	16%	11%	10%	15%	9%	14%	15%	15%
8	Argentina	13%	16%	14%	10%	10%	14%	9%	13%	14%	13%
9	Germany	11%	11%	12%	13%	14%	12%	9%	11%	13%	10%
10	New Zealand	11%	14%	11%	10%	9%	11%	8%	9%	12%	11%
11	Portugal	7%	12%	8%	5%	5%	7%	4%	5%	7%	8%
12	South Africa	5%	8%	6%	5%	4%	7%	4%	4%	5%	5%
13	Greece	4%	4%	5%	4%	3%	5%	3%	4%	4%	4%
14	Canada	4%	3%	5%	4%	3%	4%	3%	3%	4%	4%
15	Slovenia	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
16	Other	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
17	None of these	4%	4%	4%	5%	6%	5%	6%	5%	4%	2%

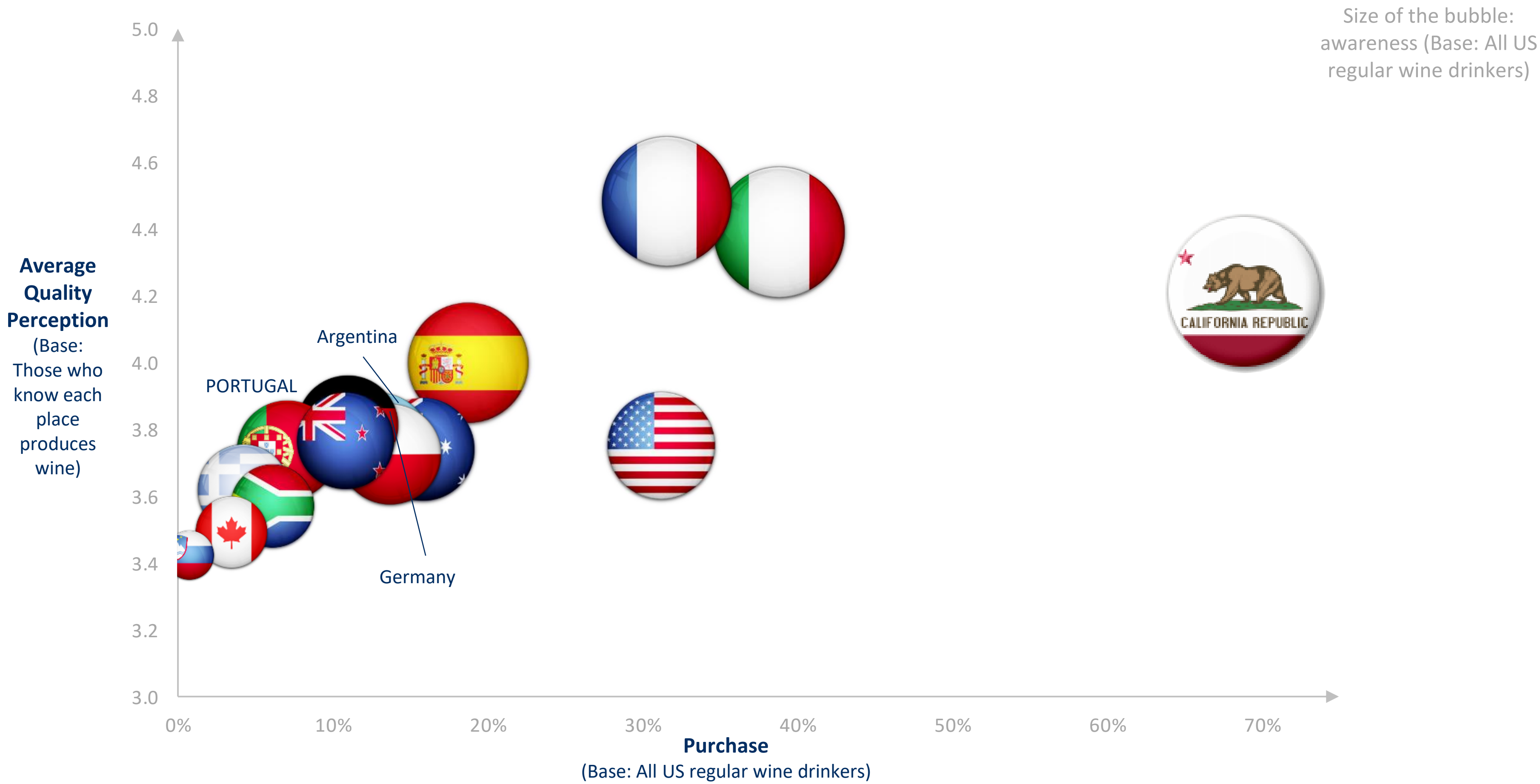
Red / Blue: Statistically significantly higher / lower than all US regular wine drinkers at a 95% confidence level
Source: Wine Intelligence, Vinitrac® US, 2017 - 2019 (n=54,016) US regular wine drinkers

COUNTRIES OF ORIGIN – COUNTRY POWER

Despite Californian wines ranking number one for purchase and awareness, French wines are seen as the best quality

Country of origin power

Base = All US regular wine drinkers (n=2,530) / Those who know each place produces wine



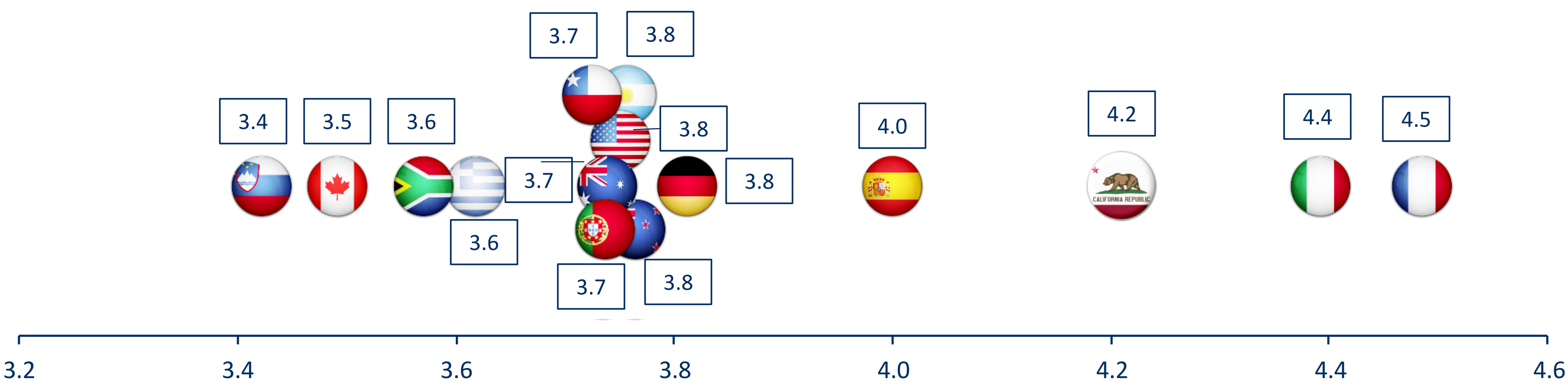
Source: Wine Intelligence, Vinitrac® US, July 2019 (n=2,530) US regular wine drinkers

COUNTRIES OF ORIGIN – QUALITY PERCEPTION

The majority of countries tested were rated around 3.8 out of 5, with Spain, California, Italy and France edging ahead. Portugal is part of a larger group which includes New Zealand, US, Chile, Argentina and Australia

Country of origin quality perception averages

% who found the wine from the following countries low quality / high quality on a scale from 1-5
Base = Those who know each place produces wine

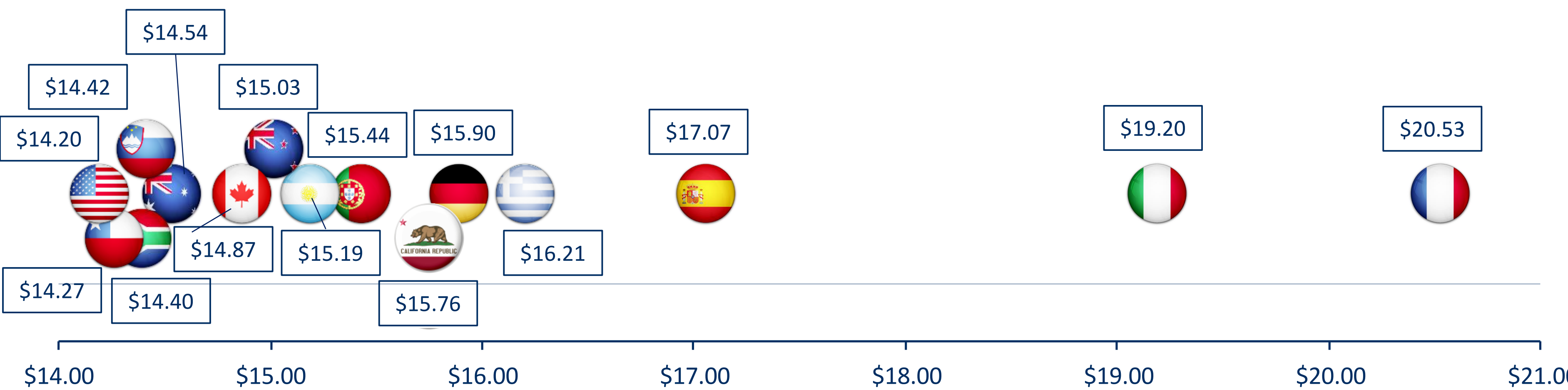


COUNTRIES OF ORIGIN – PRICE EXPECTATION

Similar to quality perception, France, Italy and Spain are perceived to have a higher price than other countries tested

Country of origin price expectation averages

% who would expect a bottle of wine to cost the following from each country
Base = Those who know each place produces wine



Source: Wine Intelligence, Vinitrac® US, July 2019 (n=2,530) US regular wine drinkers

CONTENTS

PERCEPTIONS TOWARDS PORTUGAL – AS A COUNTRY

Positive perceptions towards Portugal from the trade as increasing numbers of tourists offers more opportunities for Portugal to differentiate itself from other European countries

Portugal perceptions

- Trade experts believe that Portugal has received positive tourism in recent years, increasingly becoming a popular holiday destination which has led to positive impacts on the economy
- Secondary sources of data show that there has never been as many American tourists in Portugal as now
- Despite this evident increase in tourism, others claim that there is still room for growth, particularly in terms of positioning, as Portugal is confused with and often overshadowed by it's neighbour Spain
- Similar to other European countries, Portugal is mostly associated with history

Portugal has finally reached a point where it is becoming much less of a provincial country. There is much less of a North vs South mentality. The younger generation of Portugal has a greater pride in being Portuguese
Wine Importer

The trends from Portugal have been very high. I have just started with Portugal this past year, but the trends and the statistics have been very positive from that country
Wine Importer and Producer

Portugal is living through the pinnacle of tourism from the US and hopefully this will continue to grow. When consumers come back, they can identify easier with Portugal than with any of the regions
Wine Importer

There have been a number of positive articles and journalism about Portugal and Portugal tourism. The problem is that that only goes so far. I think there is still a big disconnect between someone reading a magazine article or reading something online and that then changing into a purchase decision
Wine Importer and Producer

I think there isn't a whole lot known about Portugal. It is probably often confused with Spain and there is probably an impression of it being from history time and explorers around the world
Wine Importer and Producer

Source: https://www.reuters.com/article/us-portugal-tourism/portugal-tourist-arrivals-spike-12-percent-to-new-record-in-2017-idUSKCN1FY1S9
Wine Intelligence trade interview program 2019

PERCEPTIONS TOWARDS PORTUGAL – AS A ORIGIN OF WINE

Whilst trade experts believe Portugal produces high quality wine, more awareness is needed amongst both distributors and consumers to boost sales

Portugal as a wine-producing country perceptions

- Trade experts perceive the quality of Portuguese wine to be of a high quality, but the fundamental challenge they agree that Portugal faces as a wine-producing country is awareness
- Portuguese wine struggles to compete with more mature European markets such as Italy and France, which achieve high recognition from consumers as a result of strong campaigns based on the different wine-producing regions with high proportions of consumers
- As consumers are less aware of Portugal, they are less likely to be motivated to purchase wine from there in favour of well-known regions
- Trade experts view awareness as the main driving force for Portugal to be a successful wine-producing country in the future
- An increased awareness of Portuguese wine will assist in creating more affinity with consumers
- Awareness is not only important at a consumer level, but also at a distributor level in order to ensure that Portuguese wine is sold efficiently with a good understanding of the differences between grape varieties and regions

I think it's an amazing wine-producing country, I think they have incredible quality. Yes, there are some beautiful still wines you can see, primarily from the Douro. Other than that, people don't know specifically about Portugal
Master of Wine

There is a disconnect on understanding Portuguese wine and if the distributor doesn't understand the grape variety and understand the region, they are not going to sell it because it's to difficult
Master of Wine

The industry still faces a lot of challenges, where the number of small producers is greater than ever
Wine Importer

I can't compare it a lot to other wine countries because many others are much more mature; such as France and Italy. What I see from other countries today is that much of their campaigns are based on regions, whether it is France focusing on Bordeaux or Spain focusing on Rioja. They have the ability to do that because their categories have become significantly larger and consumers have much better awareness of the category and are now developing a better awareness of the regions. At the moment I believe Portugal needs to continue to drive awareness around Portugal
Wine Importer

Source: Wine Intelligence trade interview program 2019

PERCEPTIONS TOWARDS PORTUGAL – FROM CONSUMERS

Portuguese wines are mostly associated with something consumers would like to know more about, although in general it has no strong positioning relatively to other European countries of origin

Country of origin imagery perception

% who think the following statements are appropriate for each country
Base = Those who know each place produces wine

Green = relative strength to all
Red = relative weakness to all

Rank in 2019	Imagery statements	Italy	France	Spain	Germany	**Portugal**	Greece	Slovenia
	n=	*1,936*	*1,911*	*1,632*	*1,127*	*1,126*	*931*	*262*
1	Premium wines	51%	59%	29%	26%	20%	19%	15%
2	Wines for special occasions	45%	52%	28%	21%	17%	20%	15%
3	Everyday wines	32%	23%	28%	31%	27%	27%	23%
4	Wines I would like to know more about	27%	24%	27%	23%	28%	29%	29%
5	Wines for people like me	37%	29%	26%	25%	23%	18%	22%
6	Wines to celebrate	40%	44%	25%	21%	16%	19%	15%
7	Easy-to-like wines	33%	28%	26%	28%	21%	21%	18%
8	Good price / quality relationship wines	32%	24%	28%	25%	23%	20%	22%
9	Mysterious wines	13%	13%	14%	12%	14%	17%	22%
10	Wines with prizes	19%	22%	12%	10%	9%	10%	9%
11	None of these	6%	7%	13%	15%	16%	18%	21%

Source: Wine Intelligence, Vinitrac® US, July 2019 (n=2,530) US regular wine drinkers

PERCEPTIONS TOWARDS PORTUGAL – FROM CONSUMERS

Whilst French wines are associated with being suitable for special occasions and celebrations, Portuguese wines are associated with everyday wines and wines to learn more about

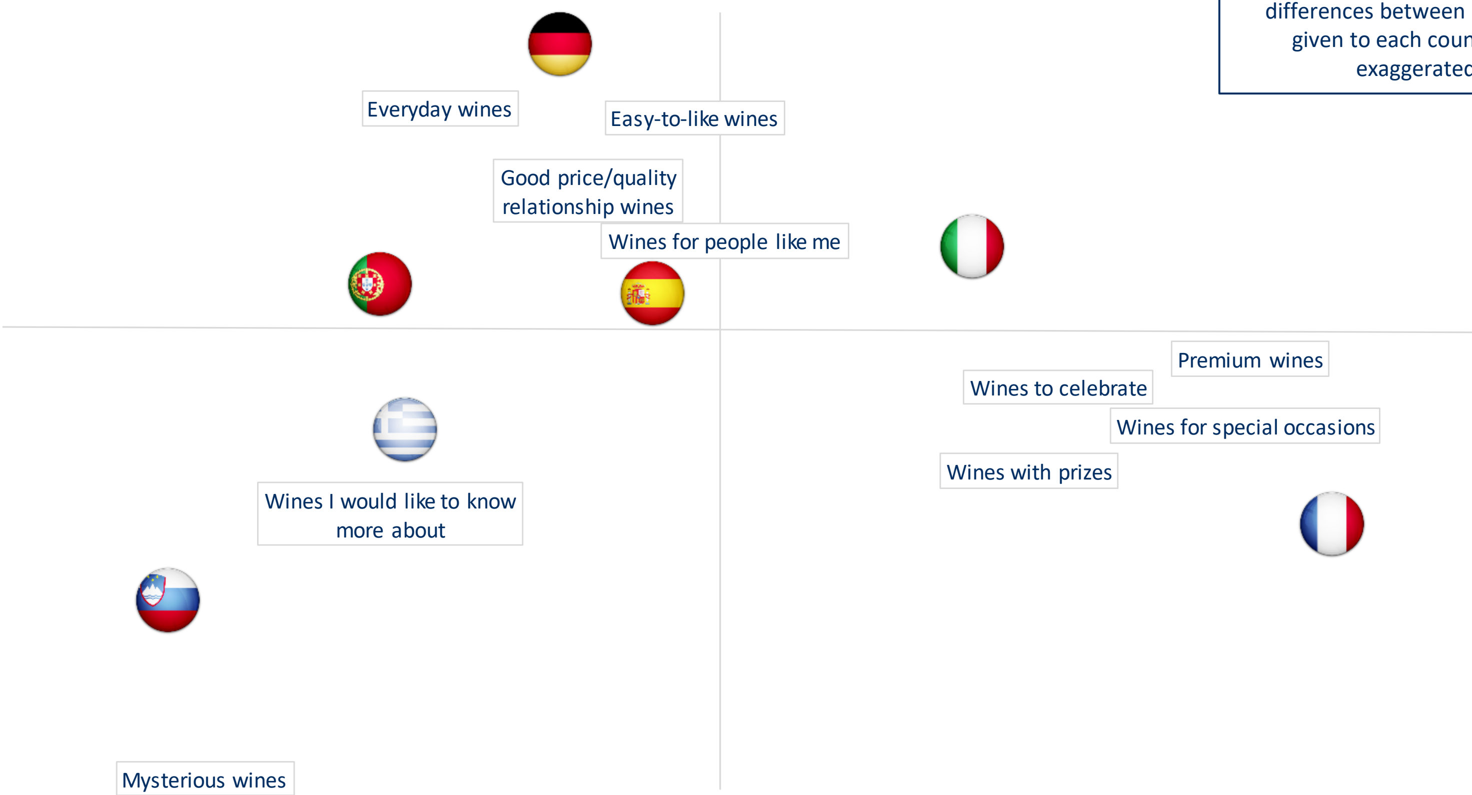
Country of origin imagery perception: European countries

The positioning map is a geographical representation of the association between countries and statements. The strength of the association is measured by how far the country and the statement are from the centre

% who think the following statements are appropriate for each country

Base = Those who know each place produces wine

Mapping is a method of showing imagery comparatively in which the differences between attributes given to each country are exaggerated



Source: Wine Intelligence, Vinitrac® US, July 2019 (n=2,530) US regular wine drinkers

PERCEPTIONS TOWARDS PORTUGAL – BARRIERS FOR CONSUMERS

Lack of information is the top barrier amongst US consumers for purchasing Portuguese wine. Those who are purchasers are more likely to find accessibility and status as barriers compared with all US regular wine drinkers

Barriers to buy Portuguese wine

% who think the following statements are barriers for drinking Portuguese wine
Base = All US regular wine drinkers (n = 2,530)

Rank in 2019	Statement	All US regular wine drinkers	Portugal: Non-awares	Portugal: Awares	Portugal: Non-buyers	Portugal: Buyers
	n=	***2,530***	*1,404*	*1,126*	*2,352*	*178*
1	Information – I don't know enough about Portuguese wine	**50%**	51%	50%	52%	37%
2	Accessibility – It is hard to find Portuguese wine	**29%**	23%	36%	27%	45%
3	Price – I think Portuguese wine is expensive	**14%**	14%	14%	14%	18%
4	Quality – I didn't like the Portuguese wines I tasted so far	**12%**	14%	10%	12%	10%
5	Status – Portuguese wine is not well seen / has bad reputation	**9%**	10%	8%	9%	14%
6	Other	**2%**	1%	4%	2%	8%
7	I don't know	**22%**	25%	18%	23%	13%

Red / Blue: Statistically significantly higher / lower than all US regular wine drinkers at a 95% confidence level
Source: Wine Intelligence, Vinitrac® US, July 2019 (n=2,530) US regular wine drinkers

PERCEPTIONS TOWARDS PORTUGAL – BARRIERS FOR THE TRADE

For the trade, the main barriers for Portuguese wine to overcome are a lack of understanding / awareness and availability in the US market, as countries such as France dominate due to trade agreements

Lack of understanding

- Consumers have a lack of understanding about Portuguese wine and therefore are less likely to purchase an unfamiliar product
- Consumers are intimidated by unknown varietals and prefer to purchase wine from recognised places with good reputations such as France and Italy

> Education is important such as knowing the areas
> *Wine Retailer*

> Intimidation of the unknown varietals and names. Unknown if the quality is good or not. It is easy to go to wines from Italy or France or a place that has a reputation for fine wines. Portugal is something unique so it could be intimidating
> *Wine Importer and Producer*

Lack of availability

- It is clear that a lack of availability is the number one barrier to purchasing Portuguese wine
- Hand in hand with a lack of understanding, access to Portuguese wine is limited in the current market place

> The most difficult part is there is not a large number of Portuguese restaurants that would naturally support wines from Portugal
> *Wine Importer and Producer*

> The number one barrier is lack of availability, I cannot emphasise that enough. The access to Portuguese wines for your typical American consumer is very low
> *Wine Importer*

> The biggest barrier is lack of availability in the market
> *Wine Importer*

Source: Wine Intelligence trade interview program 2019

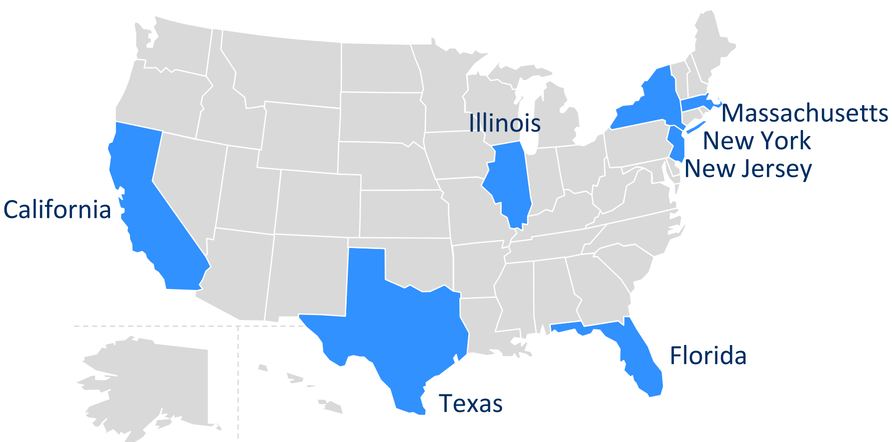
CONTENTS

OPPORTUNITIES FOR PORTUGUESE WINE – DISTRIBUTION

Expansion to non-Portuguese wine markets (states) is possible by targeting consumers who do not necessarily have access to Portuguese wine, but want to be educated and branch out from the norm

Expansion to non-Portuguese markets

- Views from the trade suggest that opportunities lie in non-Portuguese markets, where potential consumers can be educated about the wine to satisfy their curious and adventurous nature
- Nowadays, consumers consistently seek something a little different and unique across all categories, including wine. This desire to branch out and try different wines from around the world may benefit those looking to enter non-Portuguese wine markets by both attracting and retaining consumers
- Places in the United States with higher purchasing power such as **California**, **Florida**, **Illinois**, **Massachusetts**, **New Jersey**, **New York** and **Texas** are states that Portuguese wine producers should focus on entering



People need to focus outside of the markets that the Portuguese communities exist. They need to find a way to get into those markets to taste their wines with people. Most importantly, they need to make sure their distributors have sufficient inventory and that the wine is priced competitively for the distributor and the retailer to make sufficient margin for where they want to build the product
Wine Importer

In some way it is about its uniqueness of the varietals that they are unlike wines that can be found anywhere else. You get a very high quality for your money. I don't think that is the best position to promote though because value is certainly appreciated by the consumer
Wine Importer and Producer

People do like drinking something new, so I mean obviously Sommeliers want something different, they're always looking for something new and different. As well they're looking for value, so there's an opening there
Wine Journalist

The producer needs to start by researching distributors by market. Analyse what sort of portfolios they have and seeing if they have other brands from likeminded countries. Finally, they should contact the distributor to see if they would represent their brands
Wine Importer

Source: Wine Intelligence trade interview program 2019

OPPORTUNITIES FOR PORTUGUESE WINE – DISTRIBUTION

43% of a list made by Wine Intelligence of medium and large US importers don't have any Portuguese wines in their repertoire at the moment

Large importers in the USA

Allied Importers	Compass Wines and Spirits	Frontier Wine Imports	Kobrand	Shaw-Ross International Importers	USA Wine West
Apollo Fine Wine & Spirits	Constellation brands	Gaurachi Wine Partners	Lanterna Distributors Inc	Siema Wines	Vine Street Imports
Authentic Wine Selections	Cream imports	Grape Expectations Inc	LGL Imports	Solstars	Vintage Imports
Banfi	Delicato Family Vineyards	HGC imports	Lionstone International	Sommelier Imports Inc.	Vinum Importing
Banville Wine Merchants	Deutsch Family Wine and Spirits	Iberia Wines & Spirits	M Imports	Ste. Michelle Wine Estates	Vision Wine & Spirits
Bliss Wine Imports	Dimitri Wine & Spirits	Iberian Tastes	Milestone Beverage, LLC	Taub Family Selections	VOS Selections
Bourget Imports, LLC	Dreyfus Ashby & Co.	Iberian Wine Importers	Moet-Hennessy USA	Terlato Wines International	Well Crafted Beverage
Bowler Wine	E & J Gallo	Ideal Wine and Spirits	NLC Wines	The Opici Wine	Wilson Daniels
Bronco Wine Co.	Eco Valley	Intertrade USA Company	Olé & Obrigado	The Rare Wine Co.	Wine Bridge Imports
Cardona Wines	Epic Wines and Spirtis	IPO Wines	Palm Bay International	The Sorting Table	Wine Craft
Chatham Imports Inc	European Cellars	Jackson Family Wines	Park Street Imports LLC	Total Beverage Solution	Wine Sellers Ltd
Circo Vino	Folio Fine Wine Partners	JVS Imports	Pernod Ricard USA	Total Wine & More	Winebow
Communal Brands	Frederick Wildman and Sons	Kermit Lynch	Quintessential Wine Importers	Trinchero Family Estates	

Importers without Portuguese wine in their portfolio

Source: Wine Intelligence secondary research on each importer's website

OPPORTUNITIES FOR PORTUGUESE WINE – DISTRIBUTION

There are several options for Portuguese wine to enter the US market: National importers / distributors, regional importers / distributors, and starting one's own company

Views of the trade when chosing a route to market:

The first step of any producer is identifying how they want to bring their product to market
Wine Importer

First, you work with a sole importer who is going to work on a margin of 35 points. This will then sell to a distributor on a margin of 30 points who sells to a retailer who works on a margin of 33 points. There's a supply chain there, so if you are a Portuguese producer you need to take all three margins into account and think about where your brand will be positioned
Wine Importer

Second, you can work with a regional importer and distributor, where they work with smaller margins. They buy your brands and only focus on a handful of markets. Their margins are smaller so your price can be higher and as a result of this you should, theoretically, be able to reinvest in the market that the person built. Although, then you may have to find multiple distributors to work with across the country. As you are finding more distributors and you don't have enough critical mass, you start to find you have inventory issues because won't be able to buy your brand with enough sufficiency to really build your brand
Wine Importer

The third one is where you set up your own company in the US or work through a compliance company in the US. That company will deal with all the registration. You will then set up your markets internally and sell to distributors. You can warehouse your wine in the US and offer it either through a state side warehouse or direct from the winery
Wine Importer

Source: Wine Intelligence trade interview program 2019

OPPORTUNITIES FOR PORTUGUESE WINE – TOURISM

The recent tourism boom in Portugal has driven increases in awareness and purchase of Portuguese wine, with Wines of Portugal deemed as an important organisation which could help improve Portuguese wine associations

Recent tourism boom

- Increased spend on tourism and the number of tourist visits to Portugal in recent years has positive outcome on Portugal as a brand, particularly when is comes to wine
- The boom in tourism has led not only to increased positive associations with Portugal as a country, but also to increased awareness and purchase of Portuguese wines

"Portugal" on the labels

- Trade experts are aware of Wines of Portugal but have varying levels of involvement in events
- Trade experts believe that Wines of Portugal have been successful in promoting Portuguese wine and host numerous types of events to engage consumers and educate them about Portuguese wine
- Having "Portugal" on the label of bottles is seen as growing in importance as it helps create awareness of Portuguese wine for consumers to associate with
- Wines from Portugal have benefitted from the tourism boom in Portugal. It is particularly essential for supporting tourism as Portugal is becoming an increasingly popular holiday destination and having "Portugal" clear on labels of bottles would assist consumers in identifying Portuguese wines when purchasing wine back home

I've heard of Wines of Portugal. I haven't attended any of the events, but I've seen a number of emails, I am aware that they're doing stuff
Wine Journalist

Yes, I have heard of Wines of Portugal. I go to a full circle wine solutions beverage conference which Wines of Portugal participates in. I think Wines of Portugal has done a very good job of promoting Portuguese wine
Wine Importer

I have attended quite a few Wines of Portugal events in NY, a lot of different trade tastings, as well as going specifically to wine schools, and talking about Portuguese wines. There's usually like a representative or ambassador of Portuguese wines giving a class on Portuguese wines during WSET or something like that, which was great
Master of Wine

I think Wines of Portugal is growing in importance as Portugal itself is increasing in terms of awareness and tourism. Portugal is living through the pinnacle of tourism from the US and hopefully this will continue to grow. When consumers come back, they can identify easier with Portugal than with any of the regions
Wine Importer

I think people like Portugal. It's becoming a more popular destination for tourism, and I think there is a positive association
Wine Journalist

Source: Wine Intelligence trade interview program 2019

OPPORTUNITIES FOR PORTUGUESE WINE – PROMOTION

Promoting Portuguese wine through trade education is imperative in order to raise purchase incidence of Portuguese wines

Engagement with trade members

- An opportunity lies in hosting seminars for various stakeholders in the industry including buyers, sommeliers and those in the media to best educate them on Portuguese wine
- Seminars can educate those in the trade than just tastings as they can have a deeper understanding
- Creating engaging seminars and trainings which relate back to Portugal and the grape varietals is deemed important so help create give members of the trade more understanding of the speciality of Portuguese varietals which they can relay onto consumers
- Trade fairs hosted by Wines of Portugal are perceived as successful, with numerous events in New York which engage trade members and educate them

> There are a lot of different trade tastings and fairs, as well as going specifically to wine schools, and talking about Portuguese wines. There's usually a representative or ambassador of Portuguese wines giving a class on Portuguese wines during WSET or something like that, which was great
> *Wine Journalist*

> I would look for education of the trade and then I would look for trial opportunities. I think I would focus very much on the people that are passionate about Portuguese wine and make sure they are very strongly educated and then give them to tools to introduce the wines to people. Whether that be through events, sampling opportunities, in-store tastings. These things help to introduce others to the wines
> *Wine Importer and Producer*

> I would find a grape and try and define it within a style that they already know. If I was training people on Portuguese wine, I would say you have Touriga Nacional that is not as tannic as Cab and has broad structures like Merlot, but it has a very different set of characteristics like Blackroot you often see in favourite grape varieties like Malbec and Merlot, but it has the touch of pepperiness and black spice that you have in Shiraz. I am trying to get them to understand it by looking at a framework that already exists
> *Master of Wine*

> I would spend my time doing a certain number of buyers seminar, even split it between a retail seminar, a sommelier seminar, and a media seminar
> *Master of Wine*

> A seminar, I think that is more effective. There's always people saying that big tastings are not as useful as they once were a couple of years ago
> *Wine Journalist*

Source: Wine Intelligence trade interview program 2019

OPPORTUNITIES FOR PORTUGUESE WINE – PROMOTION

Strong relationships between producers and importers should be established in order to successful boost sales of Portuguese wine

Establishing relationships and building a community

- Trade experts believe it is important to establish a good relationship between Portuguese wine producers and stakeholders in the US trade network
- One particular method recommended is to organise group trips to Portugal with decision makers (importers and distributors) as growing the category is the number one priority
- Each Portuguese producer should relentlessly identify who is their network of interest in the US from Importer to Retailer and consumer and build relationships
- Sending regular emails with news from the vine is seen as a simple way to engage
- Having an exclusive relationship with an importer has proven to be successful with other brands such as Alamos, which had Gallo as their exclusive importer
- Building a strong supply chain is fundamental in gaining a good position for Portuguese wine brands in the market

> There are three business models for entering the US market. First, is that you work with a sole importer who is going to work on a margin of 35 points. Your second option is to work with a regional importer and distributor, where they work with smaller margins. The third one is where you set up your own company in the US or work through a compliance company in the US
> *Wine Importer and Producer*

> The producer needs to start by researching distributors by market. Analyse what sort of portfolios they have and seeing if they have other brands from likeminded countries. Finally, they should contact the distributor to see if they would represent their brands
> *Wine Importer and Producer*

> Gallo became the exclusive importer to a brand called Alamos. When they picked them up, they were doing 300,000 cases a year and 5 years later they were doing over a million cases of it. Alamos rose the tide for all other Argentinian wines
> *Wine Importer and Producer*

Source: Wine Intelligence trade interview program 2019

OPPORTUNITIES FOR PORTUGUESE WINE – PROMOTION

Promoting Portuguese wine through consumer education is imperative in order to raise consumer understanding and purchase incidence of Portuguese wines

Educate consumers on Portuguese grape varieties

- Portuguese wine companies need to emphasise the diversity and range in Portuguese wine varietals which can be done through education
- Importance of teaching consumers about Portuguese wine in a context they are already familiar with by relating unique, lesser-known Portuguese varietals with more mainstream, international varietals
- This could be done through tastings in store, where consumers can taste the wine and be provided with information about the varieties and how to pair the wine with food
- Consumers will be less intimated by Portuguese wine through tastings
- In-store activities seen as very powerful for boosting resale

I think tasting opportunity through education. So in-store tastings and point of sale information to get people to try something new, such as a recipe pairing. Things that make the consumer feel confident
Wine Importer and Producer

The wine retail industry is getting very competitive every year, and that comes down to the people going into the store. Anybody can read a label on a shelf and look up stuff on their phone but it takes a hard-sell approach to make it come to life
Wine Director

At the moment the wines need to be hand sold and explained to the consumer. So, I would say that campaigns that target the trade gate-keeper, education, tasting seminars
Wine Importer and Producer

A seminar, I think that is more effective. There's always people saying that big tastings are not as useful as they once were a couple of years ago
Wine Journalist

Source: Wine Intelligence trade interview program 2019

OPPORTUNITIES FOR PORTUGUESE WINE – STYLES

Defined and improved Portuguese wine styles are opportunities as stated by the trade, along with the growing importance of educating consumers on how sustainability relates to the wine category

Defining wine styles

- Some trade experts believe that Portuguese wine producers need to have more defined wine styles and stick with them to appeal to a higher proportion of consumers by creating volume
- Simple to understand styles, easy stories but unique, are the key to success
- Importance of emphasising not only the unique varieties Portugal has to offer, but also the regions
- Easy common packaging cues seen as fundamental

Red blends

- Opportunity for flagging one red style from Portugal with a drier, age profile and full body

Sustainability

- Sustainability is increasingly important to consumers and an important factor wine producers should communicate to consumers
- However, more education is still needed on sustainable wines as consumers who seek out to buy these alternative wine types only recognise a small number of brands

For more wine savvy people, emphasizing the regional diversity in Portugal and between different grape varieties is important. If you are looking to appeal to the masses, they need to pick one and elevate that area to create recognition. If you talk about California, there are all these wine making areas but there needed to be a recognition of where the best wine is made. For example, in France there is Bordeaux, same thing in Italy but most well-known are Chianti and Tuscany
Wine Retailer

It'll take more than one or two years but for the next stage for Portugal they have to create some red wines that elevate the styles that they already have. Drier, age profiled and full body wines would help
Wine Retailer

I think red blends are very hot. When you blend wines you can get a niche taste. You can achieve a consumer taste by not just using one varietal but by blending and moving towards what the customer wants
Wine Retailer

Sustainability is a very important message to communicate, although still small, it is increasingly important
Wine Importer

Source: Wine Intelligence trade interview program 2019

OPPORTUNITIES FOR PORTUGUESE WINE – PRICE POINTS

Trade members agree that while the sweet price point spot is current $15-$30, there is opportunity for the Portuguese premium wines priced from $25-$30 through education and tastings

Below $10 category

- The view among the trade is that wines priced below $10 are not expected to grow
- Consumers who purchase wine for $10 and under, tend to buy it in bulk (in cases)
- Portuguese wines tend to be priced at $10 and under which may negatively impact the sales of Portuguese wine in the US market
- Recommendation that Portuguese wines shouldn't (never) be priced below $10

Above $15 category

- Premium categories doing very well in general in the US market
- At present, trade members agree that while price points vary, the $15-$30 segment is doing well and is expected to grow
- Portuguese wines have an opportunity in the premium wine market but with the added support of education and tastings to prove that they can compete in the category, which can be difficult

> $15-25 is offering the biggest opportunity right now for growth
> *Wine Retailer*

> The growth is not 10 dollars and under, the growth is 15 dollars and above
> *Master of Wine*

> The person who buys a lot of under $10, buys cases of it, so if they are purchasing under $10 they will purchase multiple. Whereas the consumer who buys a bottle of wine every couple of days for dinner they are more inclined to go higher in terms of the price range. That is closer to the $15 range
> *Wine Retailer*

> It is a difficult transition. I feel like Australia tried to do that [push premium wines on consumers]. They represented a lot of good value in wines but then they started pushing the more premium wines and then the consumer rebelled against it
> *Wine Retailer*

> Well, you've got wines that are expensive getting more expensive. The growth is not 10 dollars and under, but the growth is 15 dollars and above. 15 and all of the above
> *Master of Wine*

> $15-30 tends to be where we do very well. We do very well at $20 and $25. Below $10 isn't something that we do much business with. Above $30 the business becomes very small. So $20 tends to do very well
> *Wine Importer and Producer*

Source: Wine Intelligence trade interview program 2019

CONTENTS

ROUTES TO THE US MARKET

The Three-tier system for alcohol distribution

wine intelligence

Producer / Importer — Distributor — Retailer

- The distribution of alcohol is governed by the Three-Tier System, created after the Prohibition repeal, where:
  - The **first tier** is the supplier or producer of the product, or the importer of the product into the United States
  - The **second tier** is the distributor: company operating in a specific state who is licenced to buy from an importer or producer and resell to on and off-premise in that particular state
  - The **third tier** is the retailer or restaurant who can sell directly to the final consumer
- Exceptions to this system do exist, and generally fall into three categories:
  1. Brewpubs and domestic winery cellar door operations which act as producer and retailer, with no distributor tier
  2. Importers & distributors which are now part of the same holding company (e.g. Winebow / The Henry Wine Group) but which maintain trading relationships for regulatory purposes
  3. Retailers in the state of Washington (home of Costco) which can buy direct from producers / importers without having to deal with distributors
- Generally for selling wine in the US, **foreign wine producers** must work through an importer; in some cases this company may also produce and / or sell domestic wine
- They MUST have a licenced importer (which can be a separate entity or a subsidiary which has acquired its own licence – see Route E)
- This importer MUST deal with a distributor (which can be a third party or their own subsidiary, but on an arms-length basis)
- This distributor MUST sell to a licenced retail / restaurant / bar within a given state for which it has distribution rights
- As with any legislation devolved to 50 states, plus the District of Columbia, there are always amendments, updates, changes and exceptions, rendering any fixed document quickly out of date. Our advice would be to use the sources listed in this study for the latest information, and to take legal advice before making any decisions.

Source: Wine Intelligence qualitative research in the US

ROUTES TO THE US MARKET

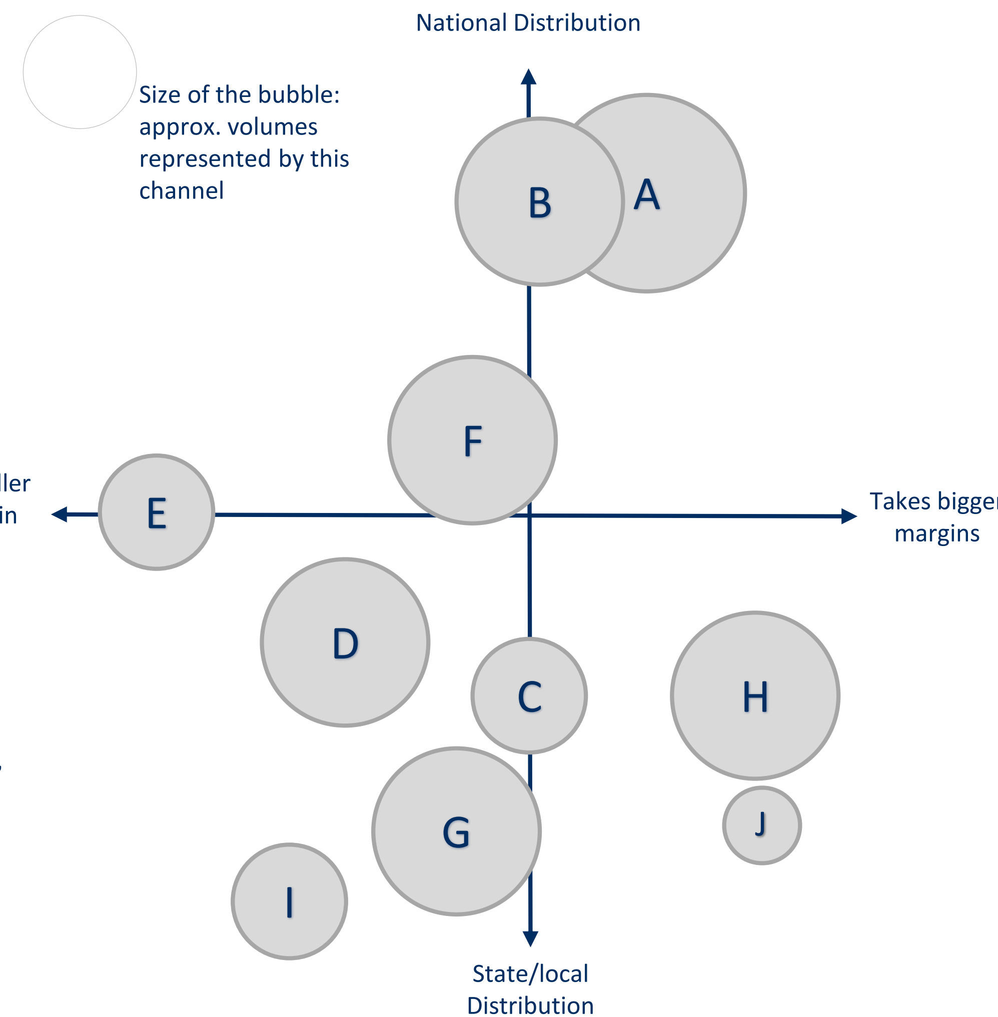
Ten routes in which wine can progress through the system

- A Large importer/US producer with national distribution
- B Specialist importer/foreign producer with national distribution
- C Regional or multi-state importer
- D Specialist importer and distributor

"CONVENTIONAL" ROUTES

- E Set up own import company
- F "Pass-through" service business
- G Large distributor with own import operations
- H Chain retailer exclusive brand
- I Direct import through a Control State
- J Wine club/E-commerce/Flash site

"UNCONVENTIONAL" ROUTES



Source: Wine Intelligence assessment

ROUTES TO THE US MARKET

1. Large importer / US producer with national distribution

- A Large importer/US producer with national distribution
- B Specialist importer/foreign producer with national distribution
- C Regional or Multi-state importer
- D Specialist importer and distributor
- E Set up own import company
- F "Pass-through" service business
- G Large distributor with own import operations
- H Chain retailer exclusive brand
- I Direct import through a Control State
- J Wine club/E-commerce/Flash site

Pros

- Existing national distribution network
- Benefits from their portfolio strength
- Sponsored events that attract trade and press
- Large sales force
- Existing marketing department and PR agencies
- Existing business relationships with chain accounts
- Use of existing licences

Cons

- Small brands struggle in large portfolios
- Owned brands are prioritised
- No control over pricing, margins, brand priority, creative choices and product placement
- Internal competition for company's resources
- Higher focus on big volume brands
- Margins to producer will be lower / shared with the importer

- Created in 2014 with the merger of The Vintner Group and Winebow
- The **Winebow Group** represents a comprehensive **portfolio** of 100+ global suppliers
- The group sells directly to restaurants, retailers, chains, clubs and grocery stores
- Distribution over 21 states that comprises more than 70% of all U.S. wine consumption
- The Winebow group has continued to expand; from June 2017, it has started to distribute to Rhode Island
- Mundovino (Winebow's national import and distribution company) imports several Portuguese brands

Source: Wine Intelligence qualitative research in the US
https://www.winebow.com/

ROUTES TO THE US MARKET

2. Specialist importer / foreign producer with national distribution

- A Large importer/US producer with national distribution
- **B Specialist importer/foreign producer with national distribution**
- C Regional or Multi-state importer
- D Specialist importer and distributor
- E Set up own import company
- F "Pass-through" service business
- G Large distributor with own import operations
- H Chain retailer exclusive brand
- I Direct import through a Control State
- J Wine club/E-commerce/Flash site

Pros

- Existing national distribution network
- Sponsored events that attract trade and press
- On staff marketing personnel
- Existing business relationships with chain accounts
- Category expertise

Cons

- Small brands struggle in large portfolios
- No control over pricing, margins, brand priority, creative choices and product placement
- Limited sales management presence in multiple states
- Limited in house marketing and sales resources
- Risk of limited appeal due to specialisation
- Potential for conflict of interest

TOTAL BEVERAGE Solution

"We travel great distances to find innovative and exciting brands to introduce to the US market"

- Founded in 2002, headquarters in South Carolina
- **Total beverage solution** provides distributors with a greater selection of imported products
- Specialising in importing from family-owned wineries
- Particular efforts in introducing smaller brands to the U.S. market
- Currently doesn't sell Portuguese brands

INTERNATIONAL SPIRITS & WINES

CAPE CLASSICS FINE WINE SINCE 1992

CASTLE BRANDS

HOTALING & CO. IMPORTER—DISTILLER

Source: Wine Intelligence qualitative research in the US
https://www.totalbeveragesolution.com/

ROUTES TO THE US MARKET

3. Regional or multi-state importer

- A Large importer/US producer with national distribution
- B Specialist importer/foreign producer with national distribution
- **C Regional or multi-state importer**
- D Specialist importer and distributor
- E Set up own import company
- F "Pass-through" service business
- G Large distributor with own import operations
- H Chain retailer exclusive brand
- I Direct import through a Control State
- J Wine club/E-commerce/Flash site

Pros

- More focused and nimble approach given smaller size
- Brand receives more attention and doesn't risk getting lost in the portfolio
- Specialised in a specific area (country of origin, indigenous varietal, price, etc.)

Cons

- Limited geographic reach
- Limited capital and credit
- Limited resources, small sales force, marketing and PR functions often outsourced
- Preference in working with smaller, specialty distributors rather than large distribution
- Limited interest in investing in the brand
- Different importers in different states entail facing more compliance requirements

ALLIED IMPORTERS U.S.A.

- **Allied Importers** is an importer and distributor of fine wines and spirits based in Long Island City, New York
- They are one of the largest importers and distributors of kosher wines in the United States
- They distribute within New York and New Jersey mainly
- Quevedo Port is in their portfolio but they do not currently have any Portuguese table wines

THE ENYE GROUP ESENZIA LATINA

GUARACHI WINE PARTNERS Since 1985

Source: Wine Intelligence qualitative research in the US
http://alliedimporters.com/

ROUTES TO THE US MARKET

4. Specialist importer and distributor

wine intelligence

- A Large importer/US producer with national distribution
- B Specialist importer/foreign producer with national distribution
- C Regional or Multi-state importer
- **D Specialist importer and distributor**
- E Set up own import company
- F "Pass-through" service business
- G Large distributor with own import operations
- H Chain retailer exclusive brand
- I Direct import through a Control State
- J Wine club/E-commerce/Flash site

Pros

- More motivated as they control two levels of margin
- Focus on major markets / cities
- Specialised in specific areas (country of origin, indigenous varietals, price, etc)
- Due to vertical integration, they might require lower margins

Cons

- Relatively limited sales force
- Limited geographic reach
- Limited resources, marketing and PR functions often outsourced
- Not sustainable price structure if move to traditional importer / distributor relationship
- Different importers in different states entail facing more compliance requirements

OPICI FAMILY DISTRIBUTING
MetroNY & Upstate New York

- Wine producer, importer and distributor, headquarters in New Jersey

- During the 1990s, **Opici Family** started investing more in the distribution business, by purchasing wholesale operations in Connecticut and Florida
- The company distributes mainly to the East Coast
- Broad portfolio of wines from all over the world
- Specialising in Italian wines
- They currently do not have Portuguese wines in their portfolio

SLOCUM & SONS
IMPORTERS & PURVEYORS OF FINE WINES & SPIRITS

VOS selections

Source: Wine Intelligence qualitative research in the US
http://opicifamilydistributing.com/

ROUTES TO THE US MARKET

5. Set up own import company

A Large importer/US producer with national distribution

B Specialist importer/foreign producer with national distribution

C Regional or Multi-state importer

D Specialist importer and distributor

E Set up own import company

F "Pass-through" service business

G Large distributor with own import operations

H Chain retailer exclusive brand

I Direct import through a Control State

J Wine club/E-commerce/Flash site

Pros

- Complete devotion to your brand
- Total control over every operation: marketing, sales, pricing, distribution, margin, focus, message
- Save on importer margin
- Better suited for spirits rather than wine

Cons

- Bearing all the costs and all the risks
- High volume capabilities necessary
- Recruiting all the personnel needed will require time

ZONIN1821

- Over time, they have built a distribution network covering over 100 countries around the world
- **Zonin branch** are present in USA, UK and China
- Removing the intermediaries in the key markets by establishing their own trading company

SCHMITT SÖHNE WINES

BAZZINI WINE

Source: Wine Intelligence qualitative research in the US
https://www.zoninusa.com/

ROUTES TO THE US MARKET

6. "Pass-through" service business

- A Large importer/US producer with national distribution
- B Specialist importer/foreign producer with national distribution
- C Regional or Multi-state importer
- D Specialist importer and distributor
- E Set up own import company
- **F "Pass-through" service business**
- G Large distributor with own import operations
- H Chain retailer exclusive brand
- I Direct import through a Control State
- J Wine club/E-commerce/Flash site

Pros

- Very efficient
- Cost savings on logistics, freight consolidation, etc.
- Billed for only the services used
- They handle cash flow, invoicing, billbacks, other price modifications and distributor deals
- Faster market entry

Cons

- No marketing campaign
- A representative in the country is necessary for marketing, sales planning, distributors management, inventory, pricing, etc.
- Distribution network setup is also needed

WX WINE › BEER › SPIRITS

- The company **develops exclusive** brands of wine, beer and spirits for retailers around the world

- With headquarters in California, the **Winery Exchange/WX** stands as the largest and most successful of the supply contract / "pass-through" companies
- Deals range from a pure supply basis (their brand, your liquid) through to logistics support for a brand with its own customers and importers
- WX is expanding, buying Californian wine brands

T. Elenteny IMPORTS

park street

Source: Wine Intelligence qualitative research in the US
https://www.wxbrands.com/

ROUTES TO THE US MARKET

7. Large distributor with own import operations

- A Large importer/US producer with national distribution
- B Specialist importer/foreign producer with national distribution
- C Regional or Multi-state importer
- D Specialist importer and distributor
- E Set up own import company
- F "Pass-through" service business
- **G Large distributor with own import operations**
- H Chain retailer exclusive brand
- I Direct import through a Control State
- J Wine club/E-commerce/Flash site

Pros

- Built-in distribution network
- Benefits of vertical integration (lower margins)
- Existing sales force
- Can devote more attention than a large national importer
- Their primary business is distribution and sales

Cons

- Big brands are prioritised compared to smaller brands
- No effort in building brands
- Do not maintain business relationships with multi-state chains that have operations outside their markets
- In the areas where they do not operate it will be difficult to find other distributors as they don't tend to cooperate with each others

REPUBLIC NATIONAL DISTRIBUTING COMPANY

- Founded in 1997 and based in Louisiana, **RNDC** has locations throughout the US
- It stands as one of the nation's leading wholesale wine and spirit distributors
- 9,000 associates across 22 states and the District of Columbia
- Specialising in wines, spirits and beers, it also provides services such as national accounts, trade marketing, and category management

Young's Market Company

Southern Glazer's Wine and Spirits

Source: Wine Intelligence qualitative research in the US
https://www.rndc-usa.com/

ROUTES TO THE US MARKET

8. Chain retailer exclusive brand

- A Large importer/US producer with national distribution
- B Specialist importer/foreign producer with national distribution
- C Regional or Multi-state importer
- D Specialist importer and distributor
- E Set up own import company
- F "Pass-through" service business
- G Large distributor with own import operations
- **H Chain retailer exclusive brand**
- I Direct import through a Control State
- J Wine club/E-commerce/Flash site

Pros

- "Shadow" distributors demand very low margin so retailers can apply aggressive pricing
- Easy to quickly establish distribution in multiple states
- Minimal marketing costs
- Immediate volume with first order

Cons

- Extra margin doesn't usually accrue to supplier
- Limited to selling through that retailer or retailer group
- Limited opportunity to grow brand outside dedicated distribution
- No on-premise business
- Business limited to the states in which the retailer operates

Total Wine & More

- A family-owned company founded in 1991, they have more than 199 stores in 23 states
- **Total wine & more** grew steadily through the 1990s, expanding down the East Coast and now operates nationally
- They sell mid-to-high end wines, spirits and craft beer
- The company is committed to having the lowest prices on wine, spirits and beer every day
- Strong buying power with a large range of Portuguese wines

WINE AND SPIRITS GUILD OF AMERICA

67 WINE SINCE 1941

Wine Library™ www.winelibrary.com

Source: Wine Intelligence qualitative research in the US
https://www.totalwine.com/

ROUTES TO THE US MARKET

9. Direct import through a Control State

- A Large importer/US producer with national distribution
- B Specialist importer/foreign producer with national distribution
- C Regional or Multi-state importer
- D Specialist importer and distributor
- E Set up own import company
- F "Pass-through" service business
- G Large distributor with own import operations
- H Chain retailer exclusive brand
- **I Direct import through a Control state**
- J Wine club/E-commerce/Flash site

Pros

- Being successful in one state can grow credibility to tackle other import options
- Experienced brokers with relationships in the state can facilitate

Cons

- Distribution limited to a single state
- Not a scalable strategy
- Brokers only knowledgeable about that specific state

- **New Hampshire Liquor & Wine Outlets** operates 80 stores all over the state

- They sell both national brands as well as more exclusive and rare brands of wine
- The brand selection process requires Commission approval
- Once approved, the product is introduced with a standard price, then it is assigned a mark-up
- Wide selection of Portuguese wines

Source: Wine Intelligence qualitative research in the US
https://www.liquorandwineoutlets.com/

ROUTES TO THE US MARKET

10. Wine clubs / E-commerce / Flash sites

- A Large importer/US producer with national distribution
- B Specialist importer/foreign producer with national distribution
- C Regional or Multi-state importer
- D Specialist importer and distributor
- E Set up own import company
- F "Pass-through" service business
- G Large distributor with own import operations
- H Chain retailer exclusive brand
- I Direct import through a Control State
- **J Wine club/E-commerce/Flash site**

Pros

- Retailer assumes burden of marketing costs and securing customers
- Allows to sell without needing a distributor
- Good option for initial entry

Cons

- Limited reach to only their customer base
- No real brand building for the long-term
- Every sale involves a DTC shipping cost to retailer, leaving a lower margin for the supplier
- Do not provide huge volume potential (yet)

- **Wine.com** is a San Francisco based online wine retailer with a wide range of wines

- The online retailer sells over 2 million bottles per year, with a stock of more than 17,000 bottles of wine, shipping throughout the United States
- In 2010, Wine.com launched a members-only website called WineShopper
- In addition, they have a mobile app for consumers to use

Source: Wine Intelligence qualitative research in the US
https://www.wine.com/

CONTENTS

STATE-LEVEL INFO – NEW YORK

Key 2018-19 figures

State consumption in 2018
(9-litre cases, still light wine)

24.7 Million

% share of total US wine volume 2018

8.0%

Per capita consumption index
(US average = 100)

131

Total wine drinking population in state
(% of US total)

7.9 million (8.5%)

% of population within state who drink wine monthly

40.0% (US average 30%)

Average stated spend

$15 off-premise
$29 on-premise

Notional total tax added to a $10 bottle of still wine

$1.77 (US average $3.35)

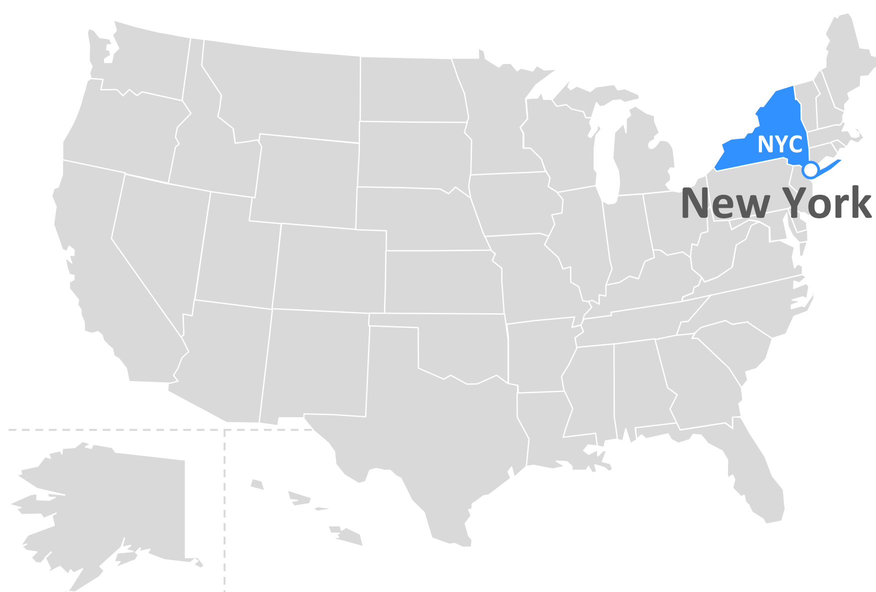
Restrictions / variations to the Three Tier System

Licence restrictions: Every licence to sell wine or spirits at retail for off-premise consumption must be held by a single individual who lives within a few miles of the store and holds no other such licences in the state. No retail licences to sell liquor and/or wine for off-premise consumption shall be granted for any premises which shall be located on the same street or avenue, and within two hundred feet of a building occupied exclusively as a school, church, synagogue or other place of worship.

DTC Wine Shipment Licence: A licence costing $375 is required for both onsite and offsite sales, and must be renewed every three years

Compliance Record Retention: Winery must keep direct shipping records in case of audit for both onsite and offsite sales to this region. Records of excise tax for all sales made under the direct shipping permit must be kept for at least three years from the date of sale

Special Shipping Label: "Contains Wine – Signature of Person Aged 21 or Older Required for Delivery – Not for Resale"



DTC allowed? YES

Wine available at: Liquor stores only

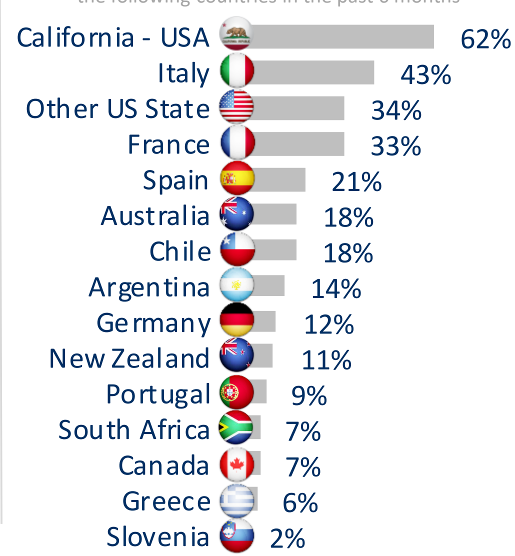
Sales Hours: Mon/Sat 8am-12am, Sun 12pm-9pm

Bars closing time: 2am (NYC till 4am)

Market accessibility: ●●●●○
Combination of retail landscape, DTC permissions, excise duty and cultural barriers for wine consumption

Top stated wine usage by origin

% who state that they have consumed wine from the following countries in the past 6 months



STATE-LEVEL INFO – MASSACHUSETTS

Key 2018-19 figures

State consumption in 2018
(9-litre cases, still light wine)

12.2 Million

% share of total US wine volume 2018

3.9%

Per capita consumption index
(US average = 100)

188

Total wine drinking population in state
(% of US total)

2.3 million (2.5%)

% of population within state who drink wine monthly

33.8% (US average 30%)

Average stated spend

$13 off-premise
$24 on-premise

Notional total tax added to a $10 bottle of still wine

$2.25 (US average $3.35)

Restrictions / variations to the Three Tier System

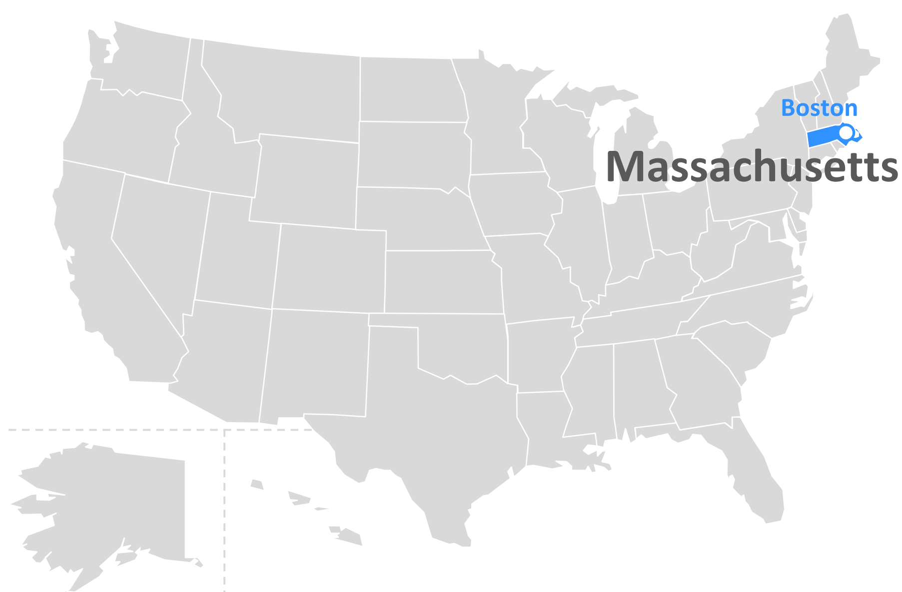
Retail Licence restrictions: Entities are limited to five liquor licences in total, so many grocery chains do not sell liquor

DTC Wine Shipment Licence: A licence costing $300 is required for both onsite and offsite sales with subsequent Renewal Fee of $150

Volume Limit: This region has a limit of 12 cases per individual per calendar year for combined onsite and offsite sales

Compliance Record Retention: Winery must keep direct shipping records in case of audit for both onsite and offsite sales to this region. Records of excise tax for all sales made under the direct shipping permit must be kept for at least three years from the date of sale

Special Shipping Label: Parcels transported or delivered shall be clearly labeled with words indicating the package contains alcohol and the signature of a person, aged 21 years or older, is required



DTC allowed? YES

Wine available at: Liquor and Grocery stores

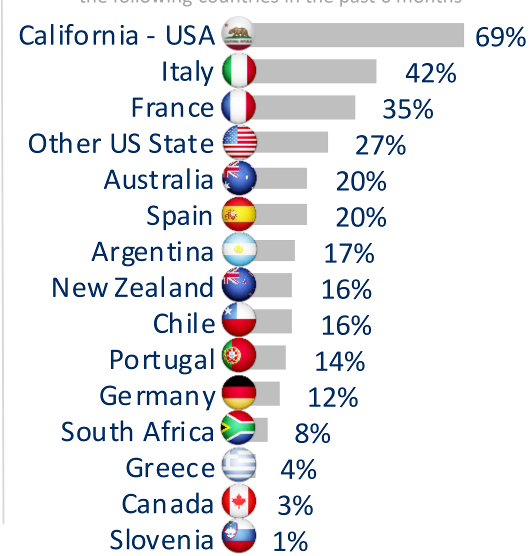
Sales Hours: Mon-Sat 8am-11pm, Sun 10am-11pm

Bars closing time: 2am

Market accessibility: ●●●●◐
Combination of retail landscape, DTC permissions, excise duty and cultural barriers for wine consumption

Top stated wine usage by origin

% who state that they have consumed wine from the following countries in the past 6 months



Source: Wine Intelligence US Routes to Market Report

STATE-LEVEL INFO – NEW JERSEY

Key 2018-19 figures

State consumption in 2018
(9-litre cases, still light wine)

14.2 Million

% share of total US wine volume 2018

4.6%

Per capita consumption index
(US average = 100)

167

Total wine drinking population in state
(% of US total)

2.5 million (2.6%)

% of population within state who drink wine monthly

27.5% (US average 30%)

Average stated spend

$14 off-premise
$25 on-premise

Notional total tax added to a $10 bottle of still wine

$2.64 (US average $3.35)

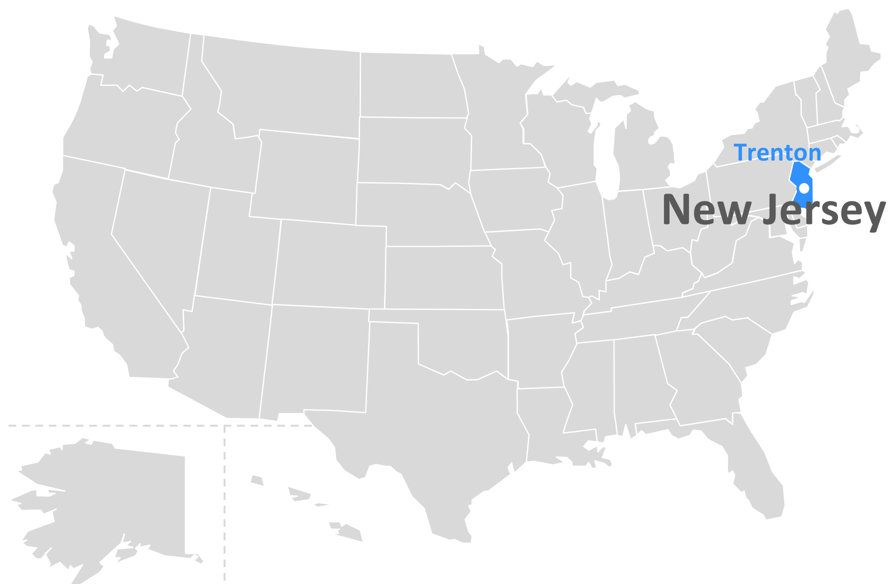
Restrictions / variations to the Three Tier System

Retail Licences restrictions: The number of licences to sell alcohol for consumption on-premise and off-premise within a municipality is determined based upon the population. A municipality may issue one consumption licence for every 3,000 of its population. As for distribution licences, which allow the sale of alcohol for off-premise consumption, a municipality may issue one Licence for every 7,500 of its population. A municipality is allowed to ban all sales of alcohol within its borders if it so desires.

Due to the high cost of liquor licences in New Jersey, many establishments have a BYOB policy allowing patrons to bring their own wine or beer for consumption. If a bar has an off-premise permit, it can sell until the bar's closing time. Grocery chains are limited to 2 liquor licences for the entire state, so most supermarkets do not sell alcohol

DTC Wine Shipment Licence: A licence costing $938 is required for both onsite and offsite sales, and must be renewed within a year from date of issue

Volume Limit: 12 cases / individual / year for combined onsite and offsite sales



DTC allowed? Partially

Wine available at: Liquor stores only

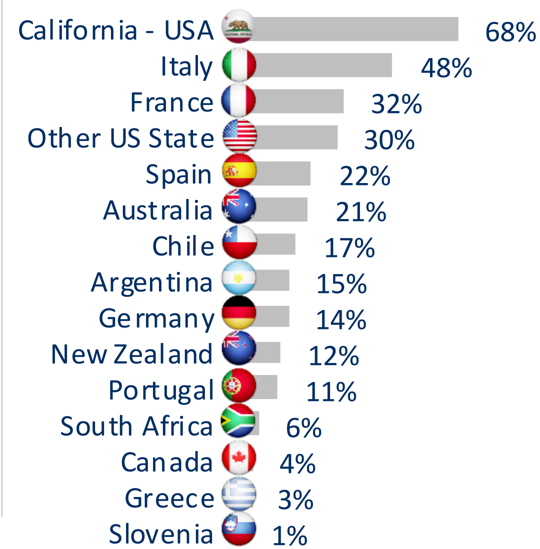
Sales Hours: Mon-Sun 9am-10pm, Sun except Bergen County

Bars closing time: 2am, 3am Hoboken and Jersey City, Atlantic City no closing time

Market accessibility:
Combination of retail landscape, DTC permissions, excise duty and cultural barriers for wine consumption

Top stated wine usage by origin

% who state that they have consumed wine from the following countries in the past 6 months



STATE-LEVEL INFO – CALIFORNIA

Key 2018-19 figures

State consumption in 2018
(9-litre cases, still light wine)

56.6 Million

% share of total US wine volume 2018

18.3%

Per capita consumption index
(US average = 100)

152

Total wine drinking population in state
(% of US total)

12.3 million (13.2%)

% of population within state who drink wine monthly

31.3% (US average 30%)

Average stated spend

$14 off-premise
$29 on-premise

Notional total tax added to a $10 bottle of still wine

$1.87 (US average $3.35)

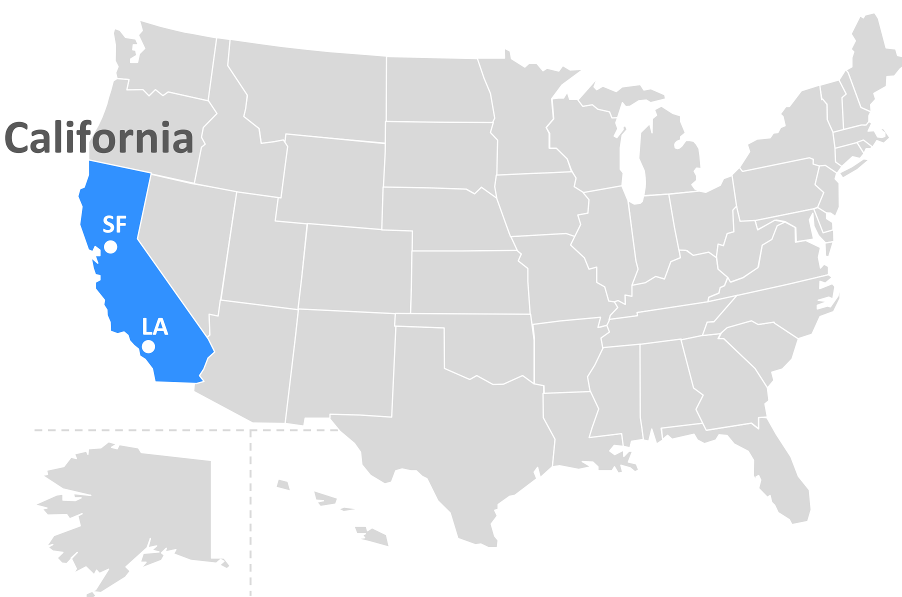
Restrictions / variations to the Three Tier System

Licences required: Importer type 9 ($67) and type 10 ($296); Wholesaler type 17 ($296); Retailer type 20 ($242), type 21 and 66 ($537)

DTC Wine Shipment Licence: Wineries outside of California are required to pay a $10 fee and complete Type 82 form

Compliance Record Retention: Winery must keep direct shipping records in case of audit for both onsite and offsite sales to this region. Records of excise tax for all sales made under the direct shipping permit must be kept for at least three years from the date of sale

Special Shipping Label: “Package cannot be delivered to a minor or to an intoxicated person"



DTC allowed? YES

Wine available at: Liquor and Grocery stores

Sales Hours: Mon-Sun 6am-2am

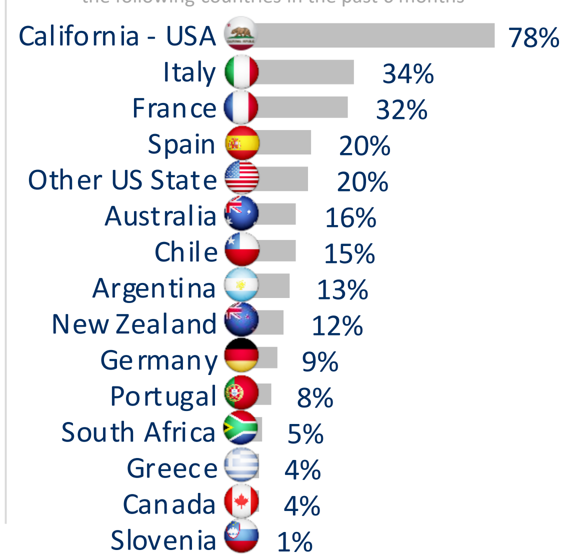
Bars closing time: 2am

Market accessibility:

Combination of retail landscape, DTC permissions, excise duty and cultural barriers for wine consumption

Top stated wine usage by origin

% who state that they have consumed wine from the following countries in the past 6 months



vinitrac.

Source: Wine Intelligence US Routes to Market Report

STATE-LEVEL INFO – TEXAS

Key 2018-19 figures

State consumption in 2018
(9-litre cases, still light wine)

13.6 Million

% share of total US wine volume 2018

4.4%

Per capita consumption index
(US average = 100)

51

Total wine drinking population in state
(% of US total)

5.9 million (6.3%)

% of population within state who drink wine monthly

21.1% (US average 30%)

Average stated spend

$14 off-premise
$26 on-premise

Notional total tax added to a $10 bottle of still wine

$1.90 (US average $3.35)

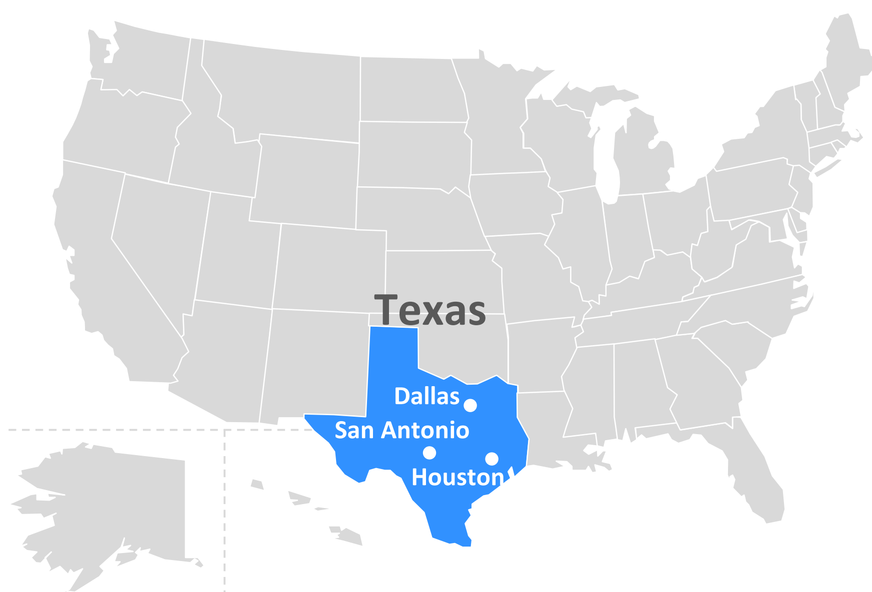
Restrictions / variations to the Three Tier System

DTC Wine Shipment Licence: A licence costing $526 is required for both onsite and offsite sales, and must be renewed within 2 years from date of issue

Volume Limit: The total of shipments to all consumers in this region have an aggregate volume limit of 35000 gallons per year for combined onsite and offsite sales. This region has a limit of nine gallons per individual per month and of 36 gallons per year per individual for combined onsite and offsite sales.

Compliance Record Retention: Winery must keep direct shipping records in case of audit for both onsite and offsite sales to this region. Records of compliance for all sales made under the direct shipping permit must be kept for at least five years from the date of sale with the following exception: maintain complete sales and delivery records for all sales and deliveries for at least five years from the date of sale

Special Shipping Label: "Contains alcohol: signature of person aged 21 years or older required for delivery"



DTC allowed? YES

Wine available at: Liquor and Grocery stores

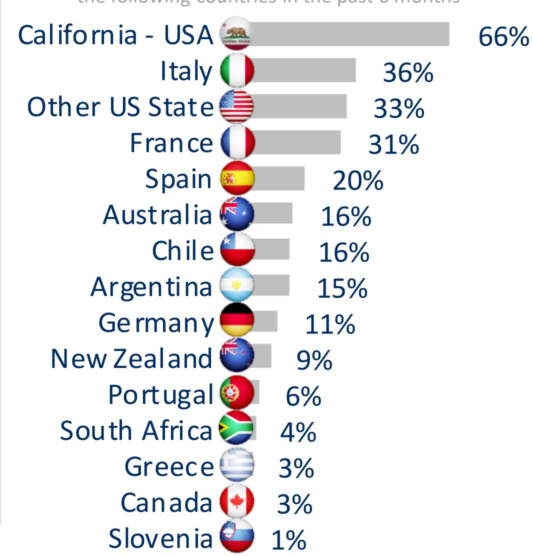
Sales Hours: Mon/Fri 7am-12am (1am Sat) Sun 12pm-12am

Bars closing time: 2am

Market accessibility: ●●●●◐
Combination of retail landscape, DTC permissions, excise duty and cultural barriers for wine consumption

Top stated wine usage by origin

% who state that they have consumed wine from the following countries in the past 6 months



STATE-LEVEL INFO – FLORIDA

Key 2018-19 figures

State consumption in 2018
(9-litre cases, still light wine)

26.0 Million

% share of total US wine volume 2018

8.4%

Per capita consumption index
(US average = 100)

133

Total wine drinking population in state
(% of US total)

6.9 million (7.5%)

% of population within state who drink wine monthly

33.6% (US average 30%)

Average stated spend

$13 off-premise
$25 on-premise

Notional total tax added to a $10 bottle of still wine

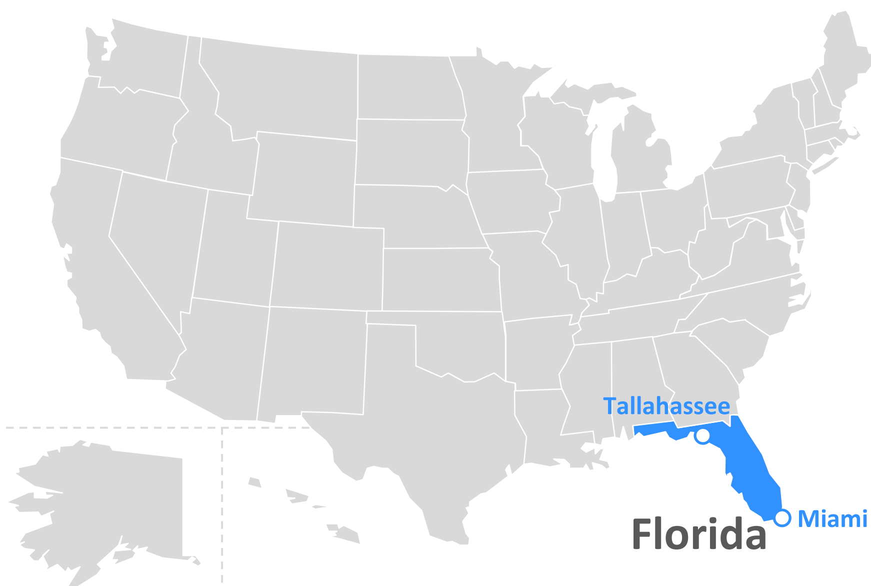
$3.92 (US average $3.35)

Restrictions / variations to the Three Tier System

Volume Limit: This region has a limit of one gallon per container

Compliance Record Retention: Winery must keep direct shipping records in case of audit for both onsite and offsite sales to this region. Records of compliance for all sales made under the direct shipping permit must be kept for at least three years from the date of sale

Reporting Information Requirement: Suppliers shipping to this region must submit the following reporting data for both onsite and offsite sales, and must be filed within 10 Days After every month starting January 1: Ship To Name, ShipTo Address, Product Type, Product Volume, Product ABV (%), Purchase Date, Invoice Number



DTC allowed? YES

Wine available at: Liquor and Grocery stores

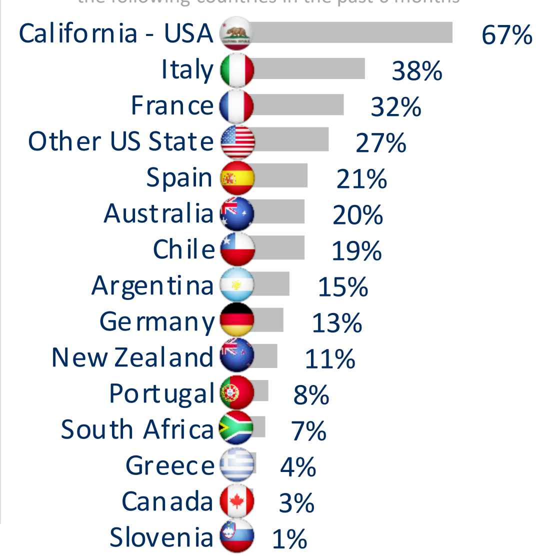
Sales Hours: Mon-Sun 7am-3am

Bars closing time: 2am

Market accessibility: ●●●●○
Combination of retail landscape, DTC permissions, excise duty and cultural barriers for wine consumption

Top stated wine usage by origin

% who state that they have consumed wine from the following countries in the past 6 months



Source: Wine Intelligence US Routes to Market Report

STATE-LEVEL INFO – ILLINOIS

Key 2018-19 figures

State consumption in 2018
(9-litre cases, still light wine)

12.3 Million

% share of total US wine volume 2018

4.0%

Per capita consumption index
(US average = 100)

101

Total wine drinking population in state
(% of US total)

3.9 million (4.2%)

% of population within state who drink wine monthly

30.2% (US average 30%)

Average stated spend

$14 off-premise
$29 on-premise

Notional total tax added to a $10 bottle of still wine

$3.09 (US average $3.35)

Restrictions / variations to the Three Tier System

DTC Wine Shipment Licence: A licence costing $350 - $1500 is required for both onsite and offsite sales, and must be renewed within year from date of issue

Volume Limit: This region has a limit of 12 cases per individual per year for combined onsite and offsite sales

Compliance Record Retention: Winery must keep direct shipping records in case of audit for both onsite and offsite sales to this region. Records of compliance for all sales made under the direct shipping permit must be kept for at least three years from the date of sale

Special Shipping Label: "Recipient must be over 21"

DTC allowed? YES

Wine available at: Liquor and Grocery stores

Sales Hours: Mon-Sat Determined at town level

Bars closing time: 1am/5am determined at town level

Market accessibility:
Combination of retail landscape, DTC permissions, excise duty and cultural barriers for wine consumption

Top stated wine usage by origin

% who state that they have consumed wine from the following countries in the past 6 months

California - USA	64%
Italy	39%
Other US State	31%
France	30%
Spain	19%
Australia	16%
Germany	14%
Chile	14%
Argentina	12%
New Zealand	12%
Portugal	6%
Greece	6%
South Africa	6%
Canada	4%
Slovenia	2%

Source: Wine Intelligence US Routes to Market Report

CONTENTS

IMPORTERS IN THE US MARKET

wine intelligence

List of major US Importers*: Company and headquarters

Company Name	Headquarters	Company Name	Headquarters	Company Name	Headquarters
Allied Importers	New York	Frontier Wine Imports	New Jersey	Siema Wines	Virginia
Apollo Fine Wine & Spirits	New York	Gaurachi Wine Partners	California	Solstars	New York
Authentic Wine Selections	California	Grape Expectations Inc	California	Sommelier Imports Inc.	New York
Banfi	New York	HGC imports	California	Ste. Michelle Wine Estates	Washington
Banville Wine Merchants	New York	Iberia Wines & Spirits	Connecticut	Taub Family Selections	New York
Bliss Wine Imports	California	Iberian Wine Importers	Massachusetts	Terlato Wines International	Illinois
Bourget Imports, LLC	Minnesota	Ideal Wine and Spirits	Massachusetts	The Opici Wine	New Jersey
Bowler Wine	New York	Intertrade USA Company	Illinois	The Rare Wine Co.	California
Bronco Wine Co.	California	IPO Wines	New York	The Sorting Table	California
Cardona Wines	Illinois	Jackson Family Wines	California	Total Beverage Solution	South Carolina
Chatham Imports Inc	New York	JVS Imports	California	Total Wine & More	Maryland
Circo Vino	Arizona	Kermit Lynch	California	Trinchero Family Estates	California
Communal Brands	New York	Kobrand	Arkansas	USA Wine West	California
Compass Wines and Spirits	Illinois	Lanterna Distributors Inc	Maryland	Vine Street Imports	New jersey
Constellation brands	New York	LGL Imports	Massachusetts	Vintage Imports	Pennsylvania
Cream imports	Illinois	Lionstone International	Illinois	Vinum Importing	Washington
Delicato Family Vineyards	California	M Imports	Texas	Vision Wine & Spirits	Massachusetts
Deutsch Family Wine and Spirits	Connecticut	Milestone Beverage, LLC	South Carolina	VOS Selections	New York
Dimitri Wine & Spirits	Iowa	Moet-Hennessy USA	New York	Well Crafted Beverage	Virginia
Dreyfus Ashby & Co.	New York	NLC Wines	New York	Wilson Daniels	California
E & J Gallo	California	Olé & Obrigado	New York	Wine Bridge Imports	California
Eco Valley	North Carolina	Palm Bay International	New York	Wine Craft	Ohio
Epic Wines and Spirtis	California	Park Street Imports LLC	Forida	Wine Sellers Ltd	Illinois
European Cellars	North Carolina	Pernod Ricard USA	New York	Winebow	Virginia
Folio Fine Wine Partners	California	Quintessential Wine Importers	California		
Frederick Wildman and Sons	New York	Shaw-Ross International Importers	Florida		

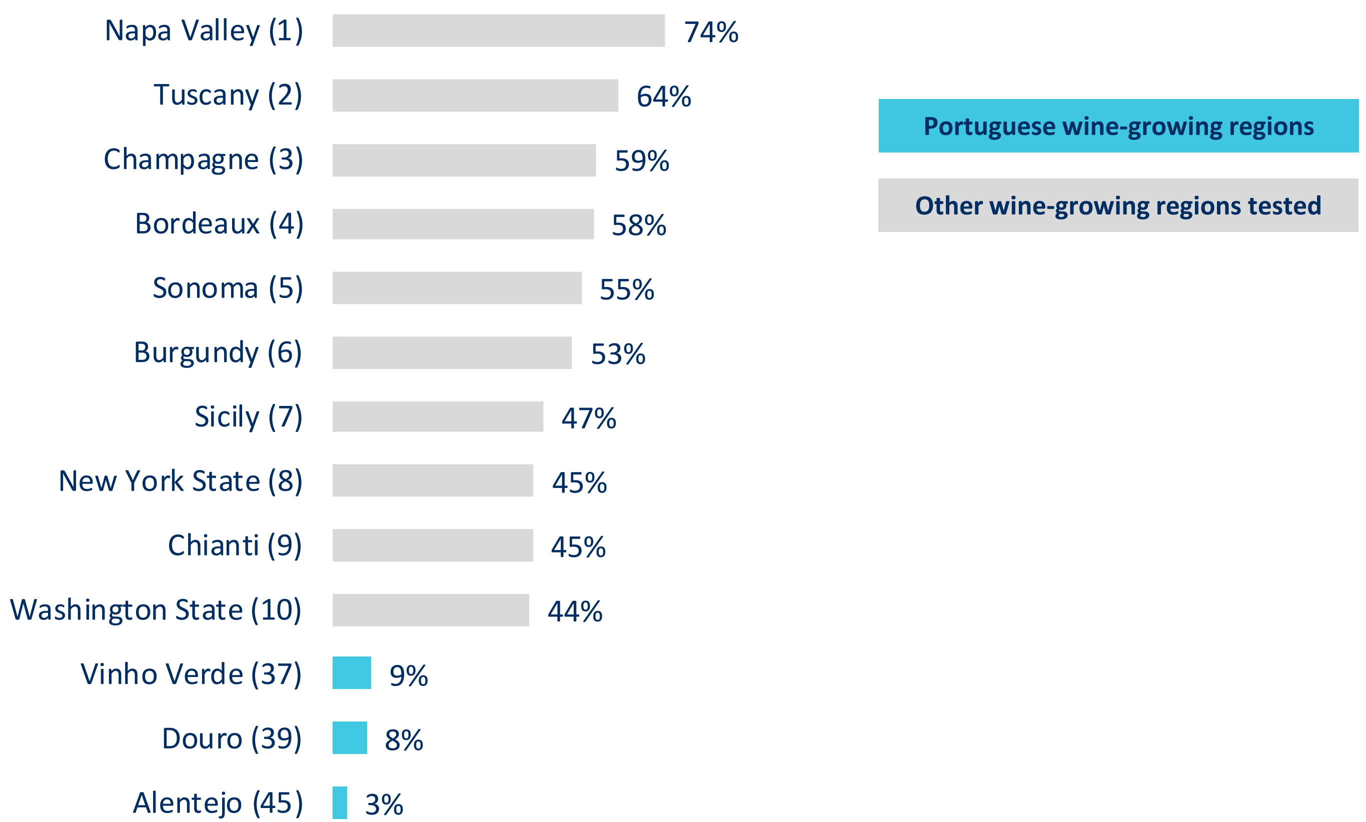
*This list was made by Wine Intelligence and is a proxy for the largest win importers in the USA
Source: Wine Intelligence secondary research on each importer's website

REGION OF ORIGIN AWARENESS

US consumers are more aware of Californian regions and dominant regions of France including Champagne, Bordeaux and Burgundy

Region of origin awareness: Top 10 and Portuguese regions

% who have heard of the following wine-growing regions
Base = All US regular wine drinkers (n=2,530)



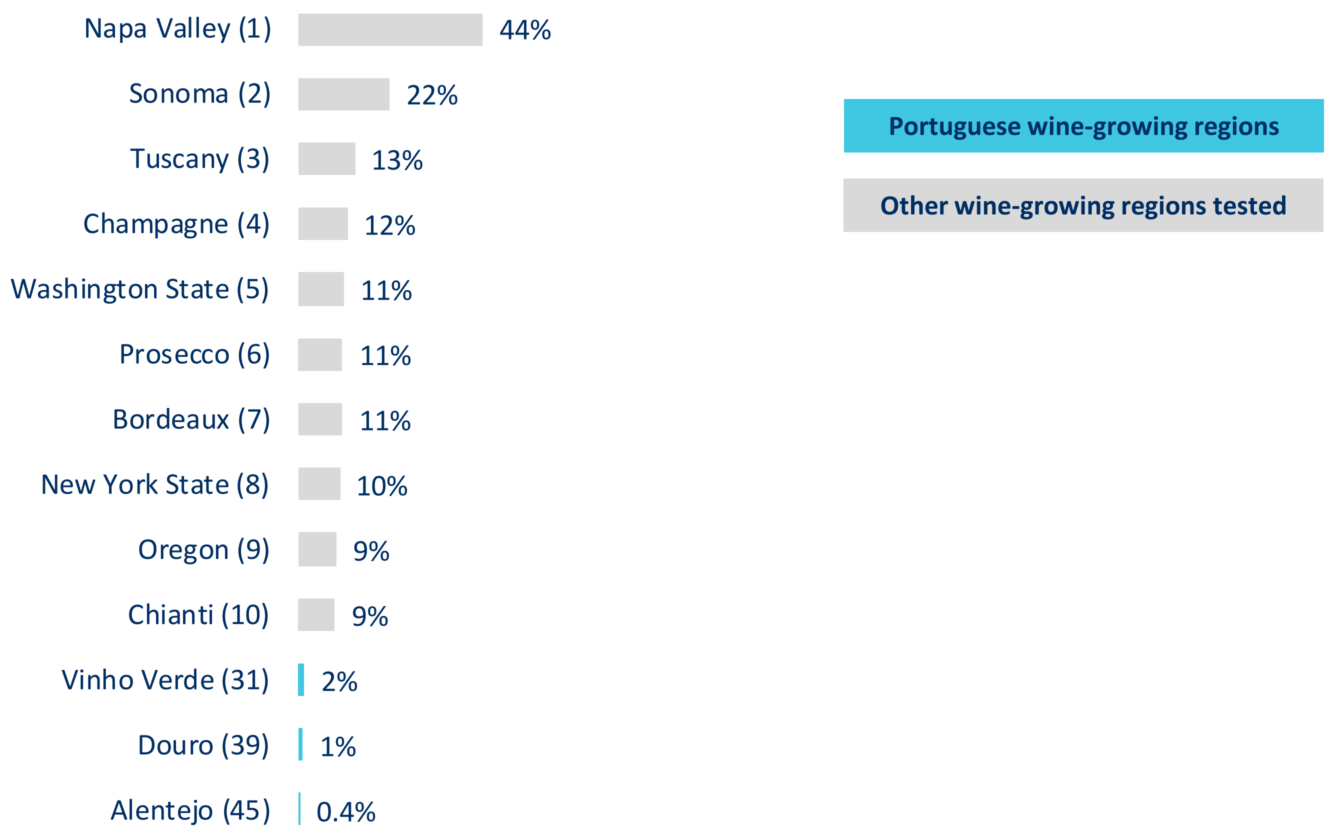
( ) = ranking in 2019 among wine-growing regions
Source: Wine Intelligence, Vinitrac® US, July 2019 (n=2,530) US regular wine drinkers

REGION OF ORIGIN PURCHASE

Region awareness levels translate into purchase behaviour for Napa Valley which achieves the highest purchase amongst the wine-growing regions

Region of origin purchase: Top 10 and Portuguese regions

% who have bought wine from the following wine-growing regions in the past 3 months
Base = All US regular wine drinkers (n=2,530)



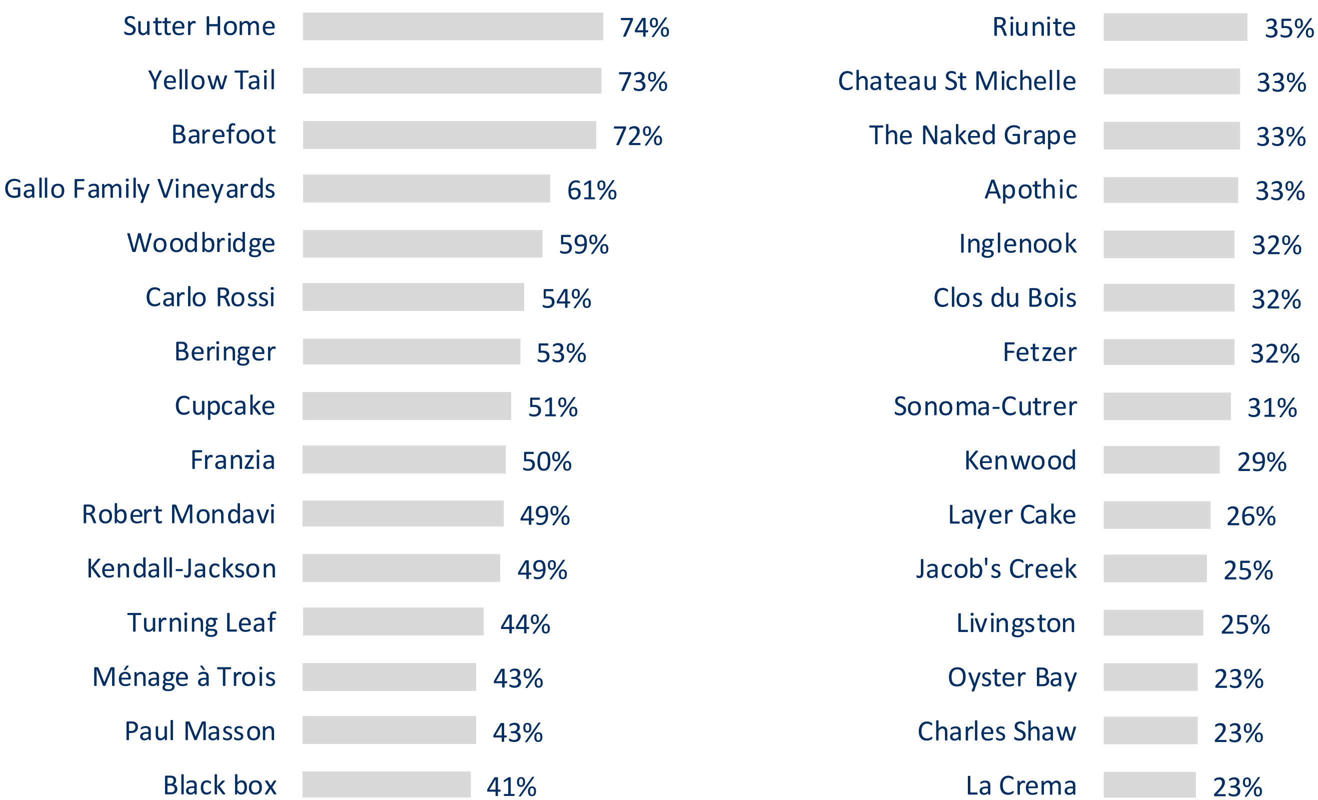
( ) = ranking in 2019 among wine-growing regions
Source: Wine Intelligence, Vinitrac® US, July 2019 (n=2,530) US regular wine drinkers

BRAND AWARENESS

As domestic wines hold the largest proportion of the market share, it is not surprising that US regular wine drinkers are more aware of domestic brands, although Australian brand Yellow Tail ranks 2nd

Brand awareness: Top 30

% who have heard of the following brands
Base = All US regular wine drinkers (n=2,530)



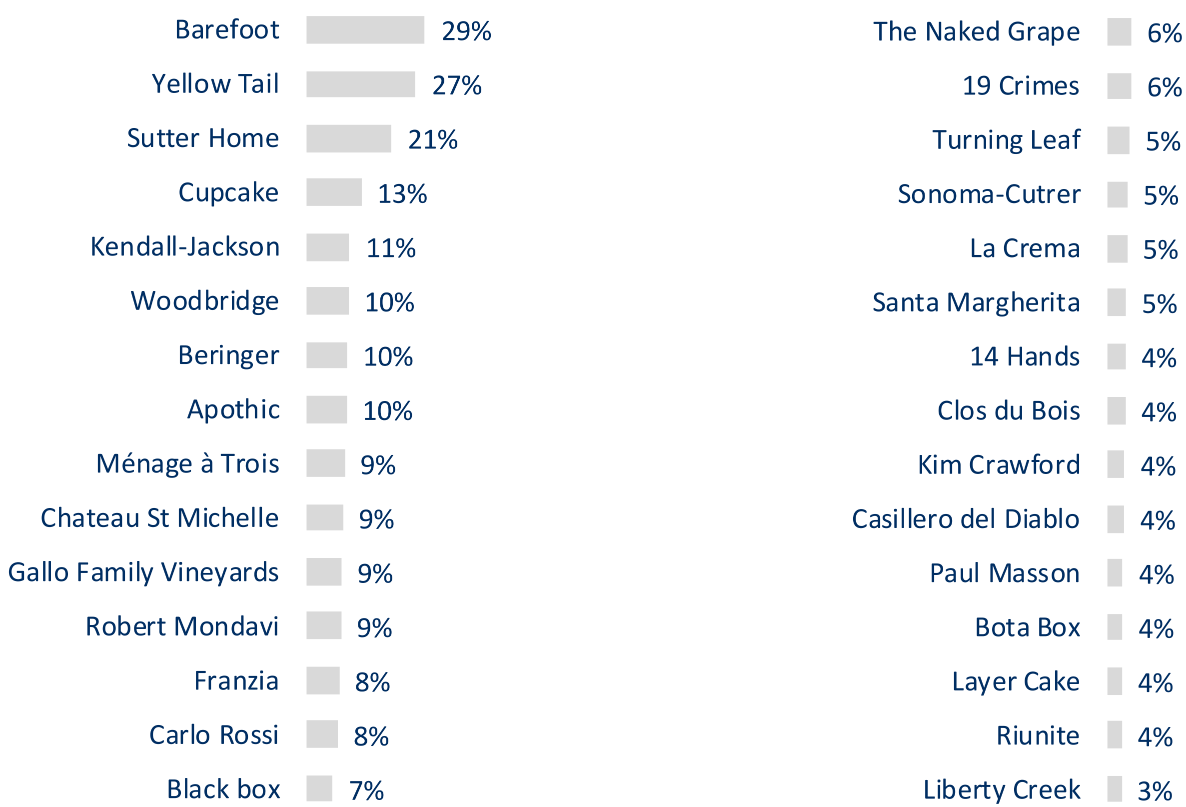
Source: Wine Intelligence, Vinitrac® US, July 2019 (n=2,530) US regular wine drinkers

BRAND PURCHASE

Despite ranking as 1st for brand awareness, Sutter Home ranks 3rd for purchase with Australian brand Yellow Tail and domestic brand Barefoot edging ahead

Brand purchase: Top 30

% who have bought the following brands in the past 3 months
Base = All US regular wine drinkers (n=2,530)



CONTENTS

QUANTITAVE RESEARCH

Vinitrac® US

The data for this report was collected in the US in July 2019

Data was gathered via Wine Intelligence's Vinitrac® online survey:

- 2,530 US regular wine drinkers (July 2019)

Respondents were screened to ensure that they drink wine at least once a month; drink red, white, rosé or blush wine; and buy wine in the off-premise or in the on-premise

Invalid respondents (those who sped through the survey or gave inconsistent answers to selected questions) were removed before analysis

The data is representative of US regular wine drinkers in terms of age, gender and US divisions

The distribution of the sample is:

		Jul-19
	n=	***2530***
Gender	Male	50%
	Female	50%
	Total	***100%***
Age	21-24	8%
	25-34	22%
	35-44	14%
	45-54	18%
	55-64	18%
	65 and over	21%
	Total	***100%***
Region	New England	6%
	Middle Atlantic	14%
	East North Central	13%
	West North Central	4%
	South Atlantic	20%
	East South Central	5%
	West South Central	11%
	Mountain	6%
	Pacific	21%
	Total	***100%***

Source: Wine Intelligence, Vinitrac® US, July 2019 (n=2530) US regular wine drinkers

QUALITATIVE RESEARCH

Trade interview methodology

- Trade interviews were conducted with five experienced industry professionals in US wine trade in October 2019

- Interviews followed a pre-determined discussion guide, and covered overall market trends, opportunities for different wine styles, retail channels and pricing

- The five interviewees were members of the wine trade working in different roles within the industry:
  - *x 1 Wine Retailer*
  - *x 1 Wine Importer*
  - *x 1 Wine Importer and Producer*
  - *x 1 Wine Journalist*
  - *x 1 Master of Wine*

SECONDARY RESEARCH

Secondary research sources

- Secondary research was conducted to offer deeper insights into the US market
- The following sources were used:
  - *Past Wine Intelligence reports and trade interviews*
  - *Business Insider*
  - *The IWSR*
  - *Wine Intelligence US Sustainable, Organic and Lower Alcohol report 2019*
  - *Wine Intelligence Vinitrac® Global 2019*
  - *Wine Intelligence calibration studies*
  - *The IWSR*
  - *BBC*
  - *The Washington Post*
  - *Wines Vines Analytics*
  - *Reuters*
  - *Forbes*
  - *Decanter*
  - *Bloomberg*

Connecting wine businesses with knowledge and insights globally

Wine Intelligence London (Head Office)

109 Maltings Place
169 Tower Bridge Road
London
SE1 3LJ

Telephone: +44 (0)20 7378 1277
Email: info@wineintelligence.com
Website: www.wineintelligence.com
Follow us: