

Overview of the U.S. Wine Market





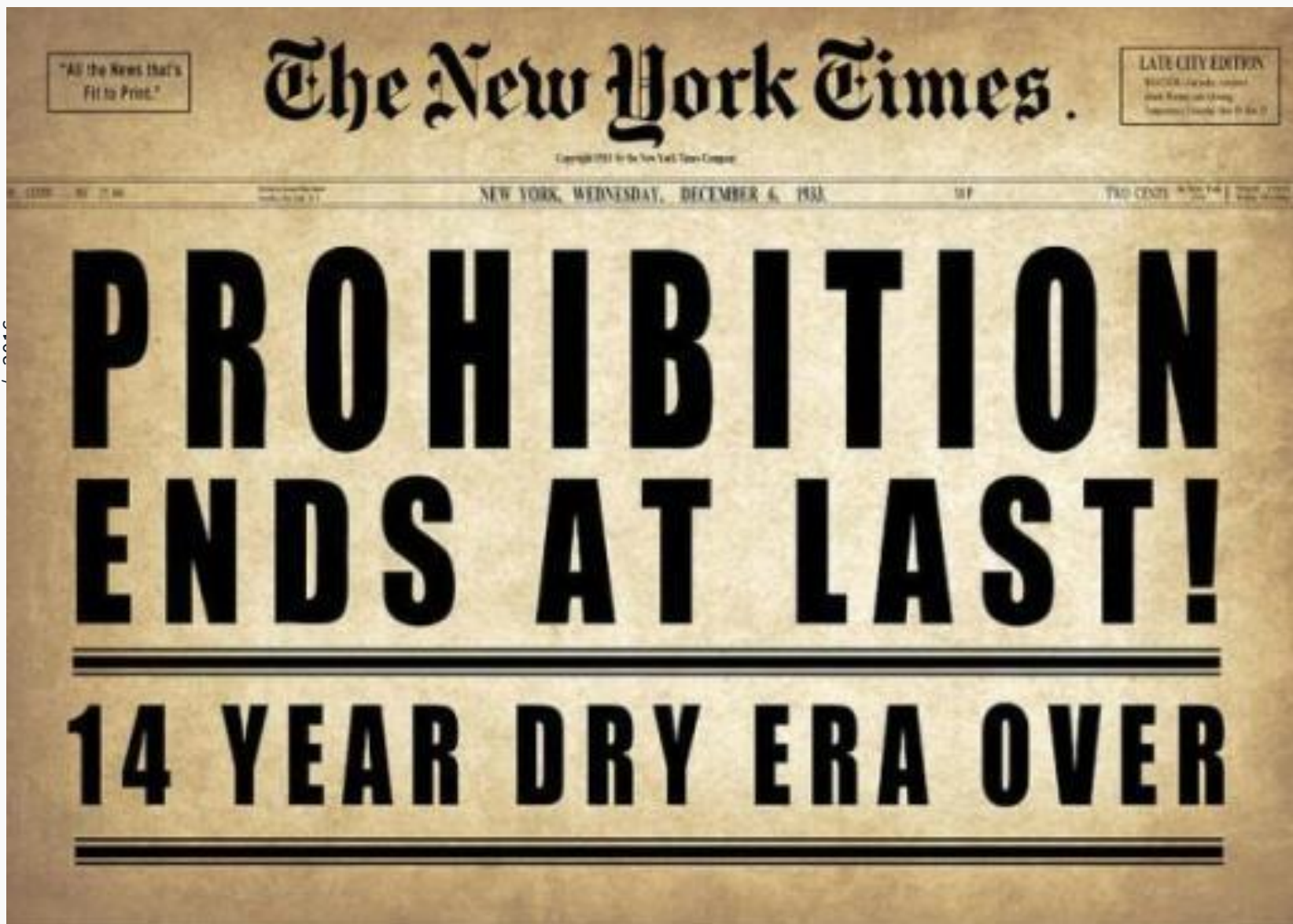
***Steve Raye, President
Bevology, Inc.***



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**Temperance
Movement Drives
Prohibition
Jan. 17th, 1920**





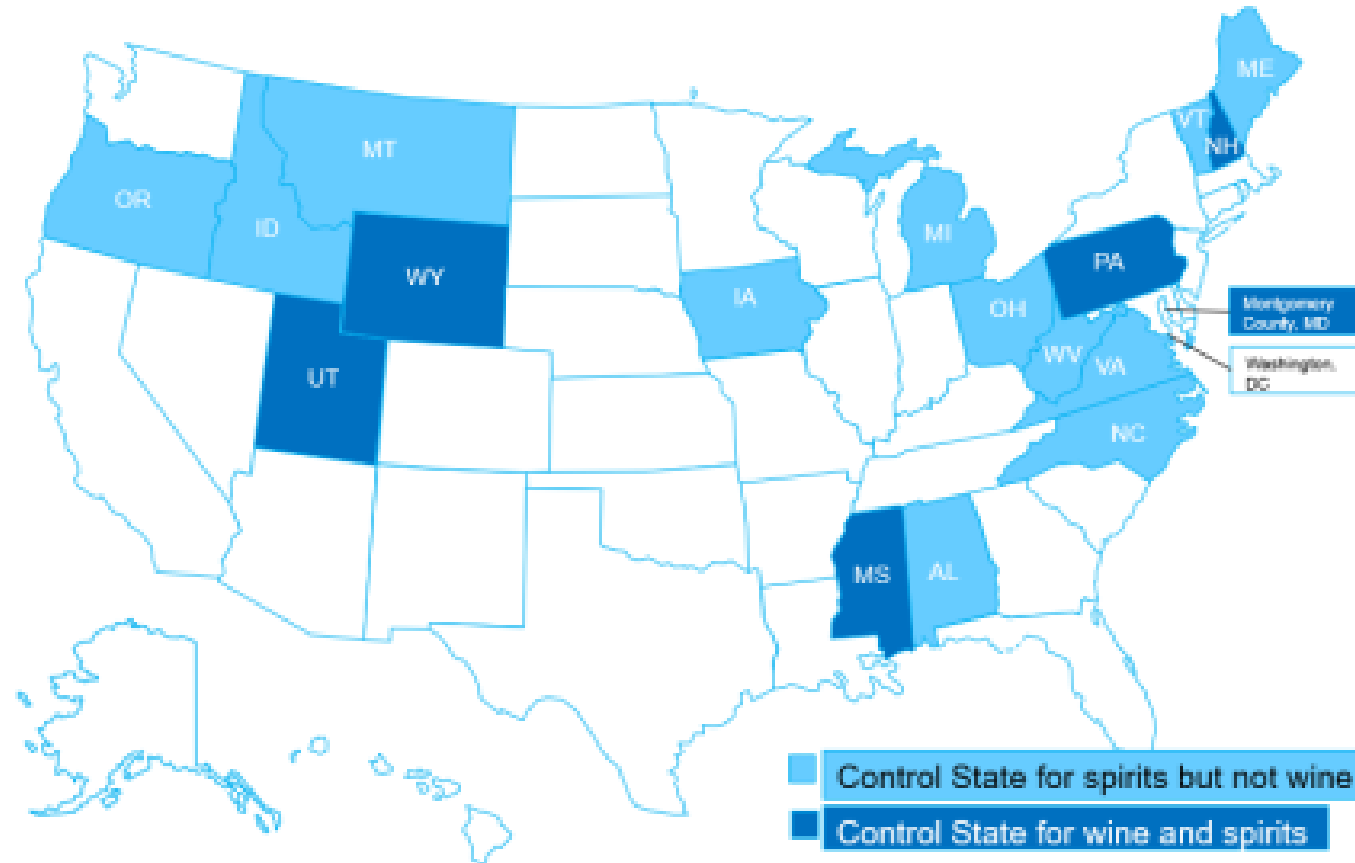
**1933: "Repeal"
Passes**

17 Control States; 33 Open States + DC, Montgomery County, MD

“Control” = Monopoly

The state functions as distributor or as distributor and retailer.

“Control” aka Monopoly States for Wine



U.S. is not one market, it is 52 Different “Countries”. A control state is generally defined as control for spirits, not wine.

The Three-Tier System



Tier One

Producer/Supplier/Importer

Tier Two

Wholesaler/Distributor

Tier Three

**Retailer, Bars,
Restaurants, Hotels**

There is no alternative route-to-market for imported brands



Major Trends

In the U.S. Market

U.S. Market Wine Demographics



Sources: Liz Thatch, Sonoma State; Nielsen; BW166 2019

Females dominate wine purchase

Major Trends in U.S.

+10% **RED BLENDS**

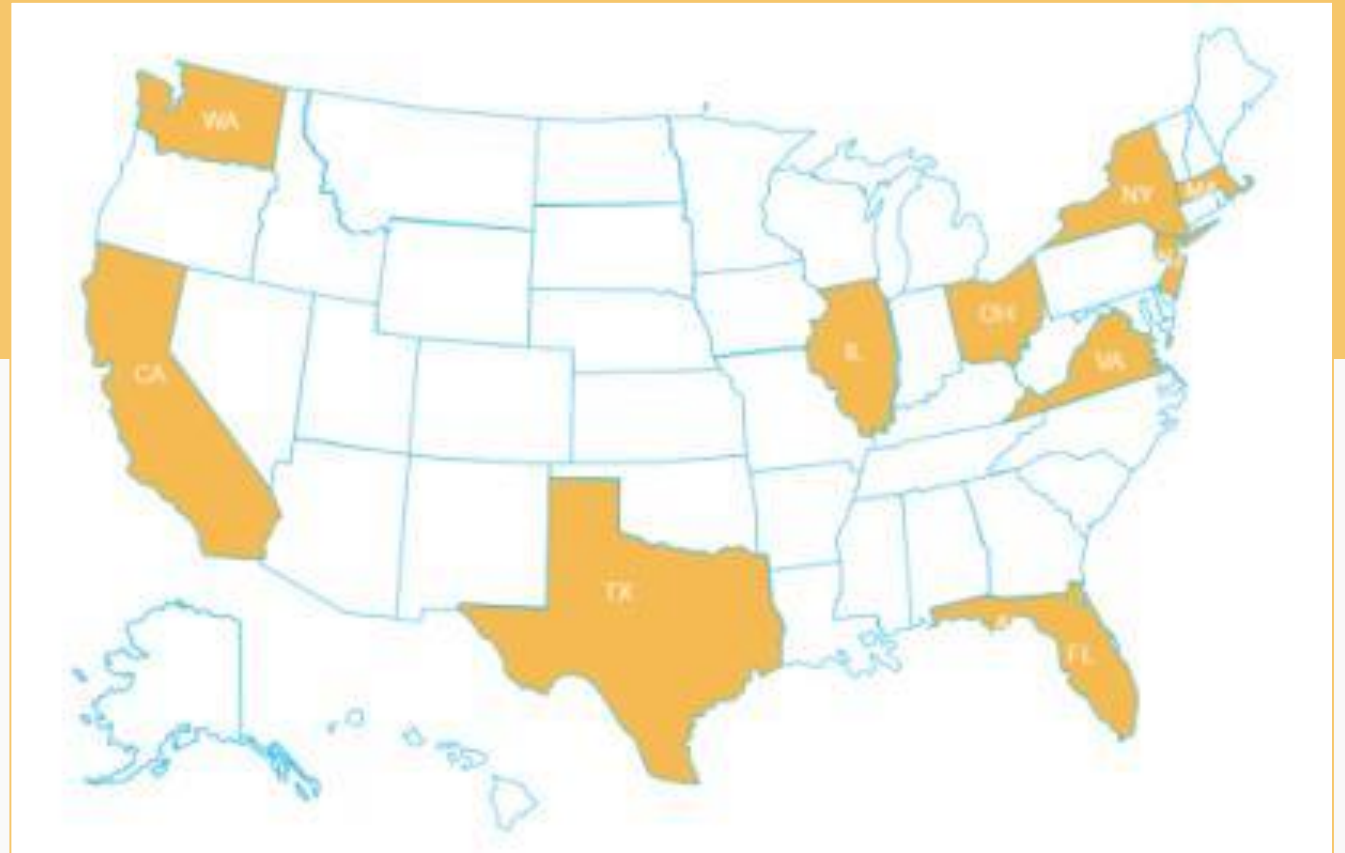


Americans are becoming more open to buying wine by brand and type, rather than varietal.

U.S. Wine Consumption (volume)

Top 10 Wine States (000 9-Liter Cases)		
State	Cases	Share
California	64,652	18.8%
Florida	28,262	8.2%
New York	27,722	8.0%
Illinois	15,772	4.6%
Texas	15,557	4.5%
New Jersey	15,431	4.5%
Massachusetts	13,207	3.8%
Washington	10,327	3.0%
Virginia	10,303	3.0%
Ohio	9,691	2.8%
Top 10 Total	210,924	61.2%
U.S. Total	327,600	100.0%

Top 10 Wine Consumption States (Volume)

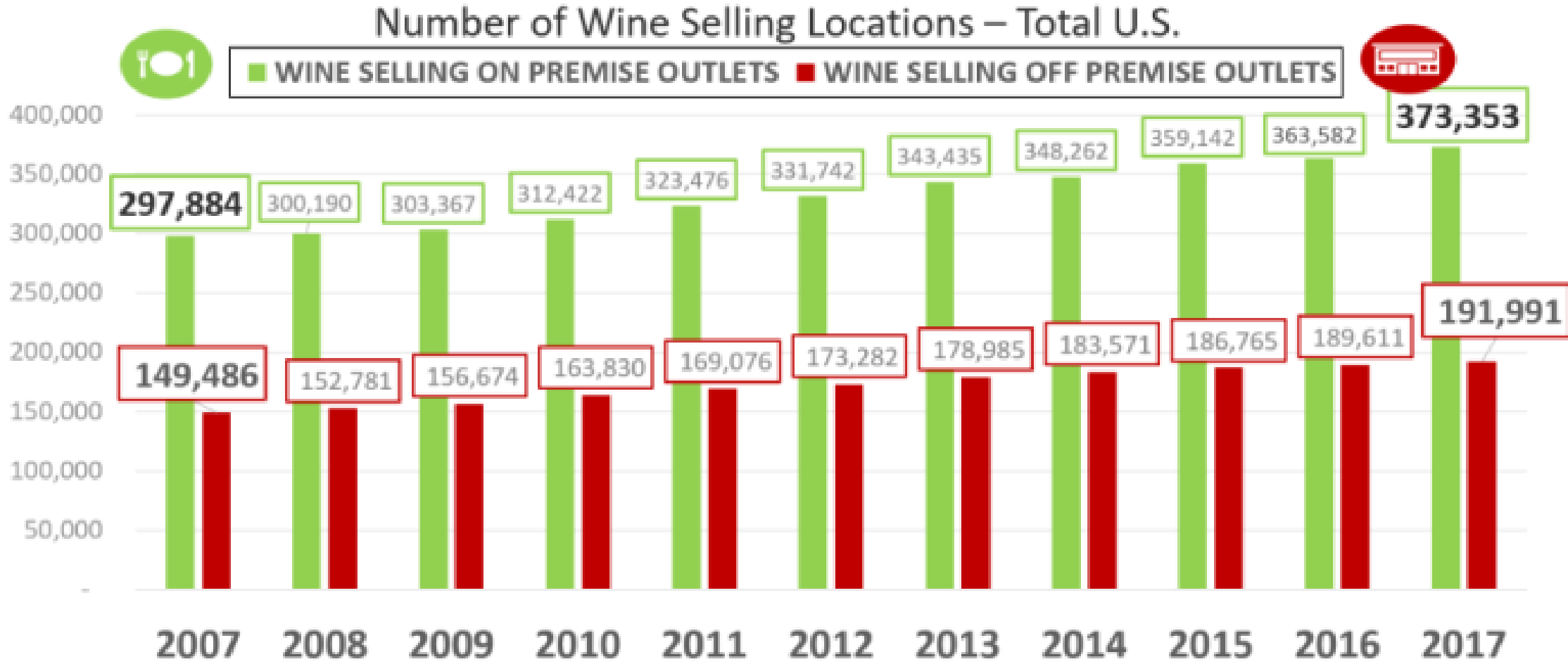


2018 Wine Handbook, Beverage Info. And Insights Group

Recognize: The biggest volume states are not necessarily your first targets

Wine Selling Locations Continue To Grow, Off & On Premise

565,000 off and on premise locations that sell wine, ~ 120,000 more than 10 years ago



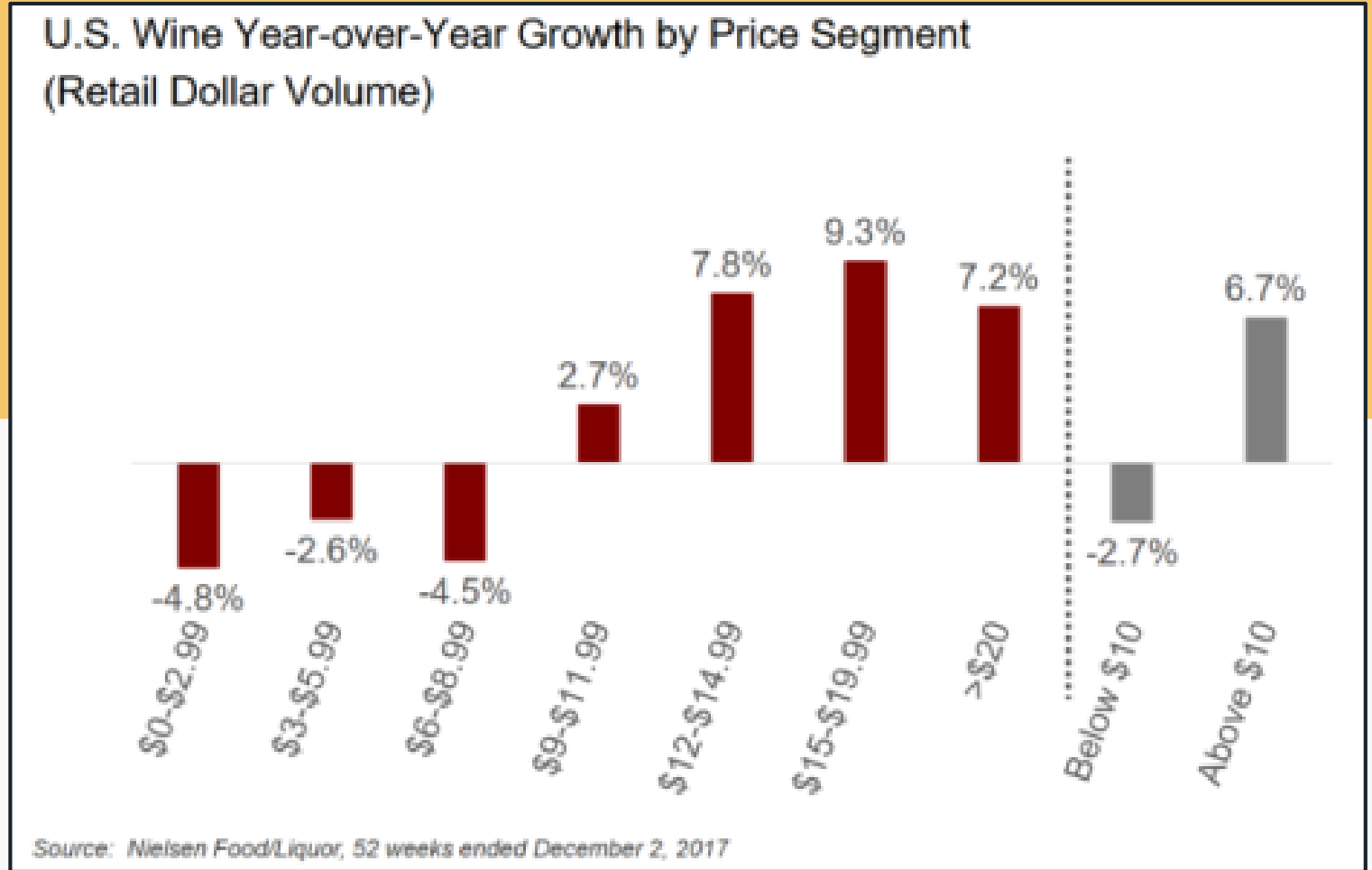
There continue to be more places to sell wine

Imports by Country of Origin

Imports by Value					Imports by Volume		
(Millions USD)					(000's Gallons)		
			Year To Date				
	<u>2016</u>	<u>2017</u>	<u>Nov-17</u>	<u>Nov-18</u>		<u>2016</u>	<u>2017</u>
France	\$1,612	\$1,867	\$1,723	\$1,950	Italy	86,695	89,325
Italy	\$1,796	\$1,858	\$1,696	\$1,819	France	36,020	41,659
New Zealand	\$404	\$425	\$388	\$412	Chile	40,492	36,968
Australia	\$394	\$407	\$364	\$325	Spain	17,729	20,104
Spain	\$344	\$360	\$329	\$336	New Zealand	17,443	18,345
Argentina	\$327	\$307	\$284	\$262	Argentina	17,141	15,184
Chile	\$289	\$284	\$262	\$221	South Africa	3,101	6,739
Germany	\$103	\$106	\$98	\$92	Germany	5,403	5,780
Portugal	\$91	\$100	\$93	\$103	Portugal	4,734	2,166
South Africa	\$47	\$54	\$50	\$48	Others	51,840	56,237
Source: Statistica					Source: 2018 Wine Handbook, Wines & Vines Analytics, Sovos Ship Compliant		

Italy (and France) dominate. Prosecco, Rosé and wines priced \$10-\$20 retail are major drivers of growth in U.S.

Changes in Sales by Price



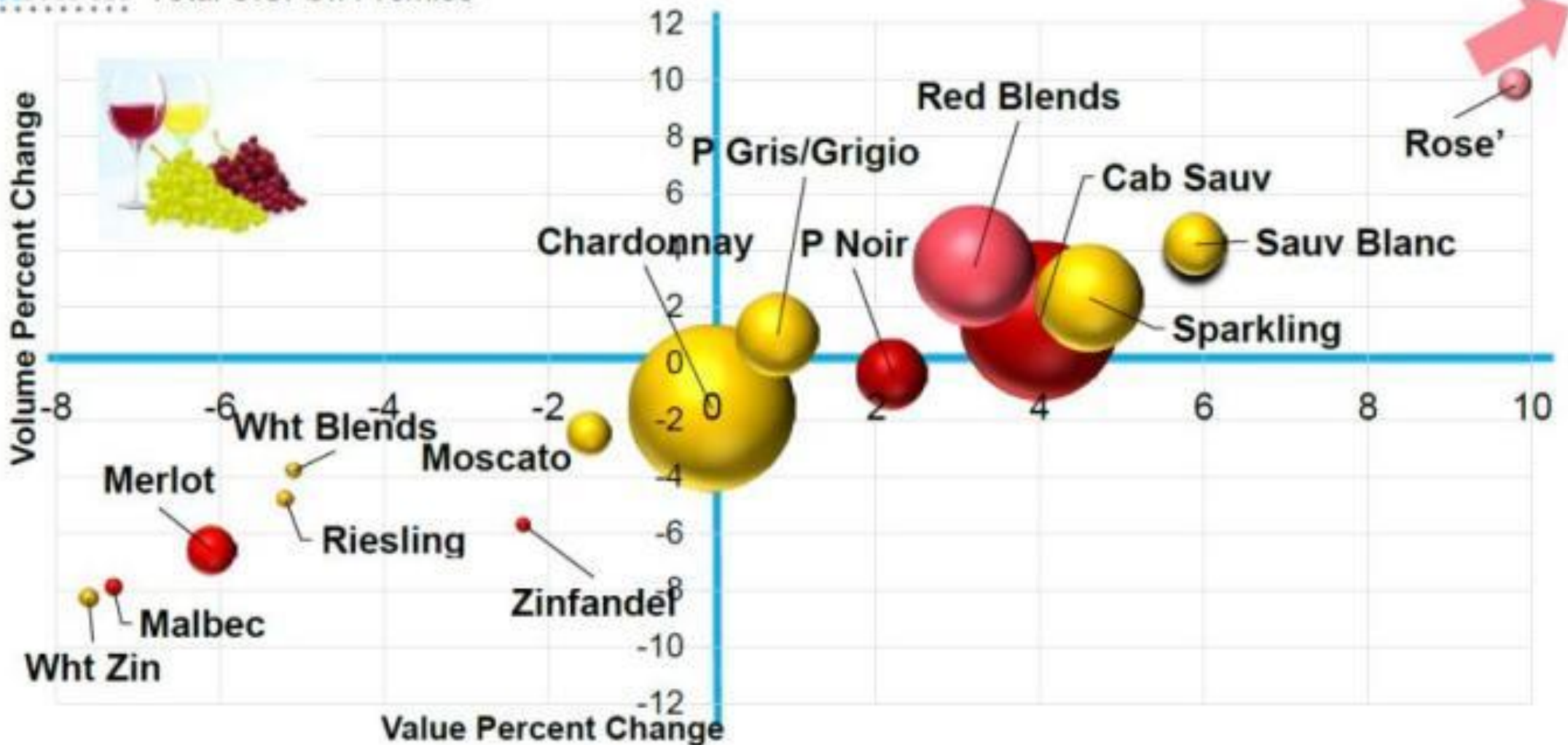
Growth:
\$10 and up

Decrease:
\$9.99 and under

Sweet Spot for wine: \$11.99-19.99

Rosé, SB, CS, Red Blends, Sparkling Lead

nielsen Total U.S. Off Premise

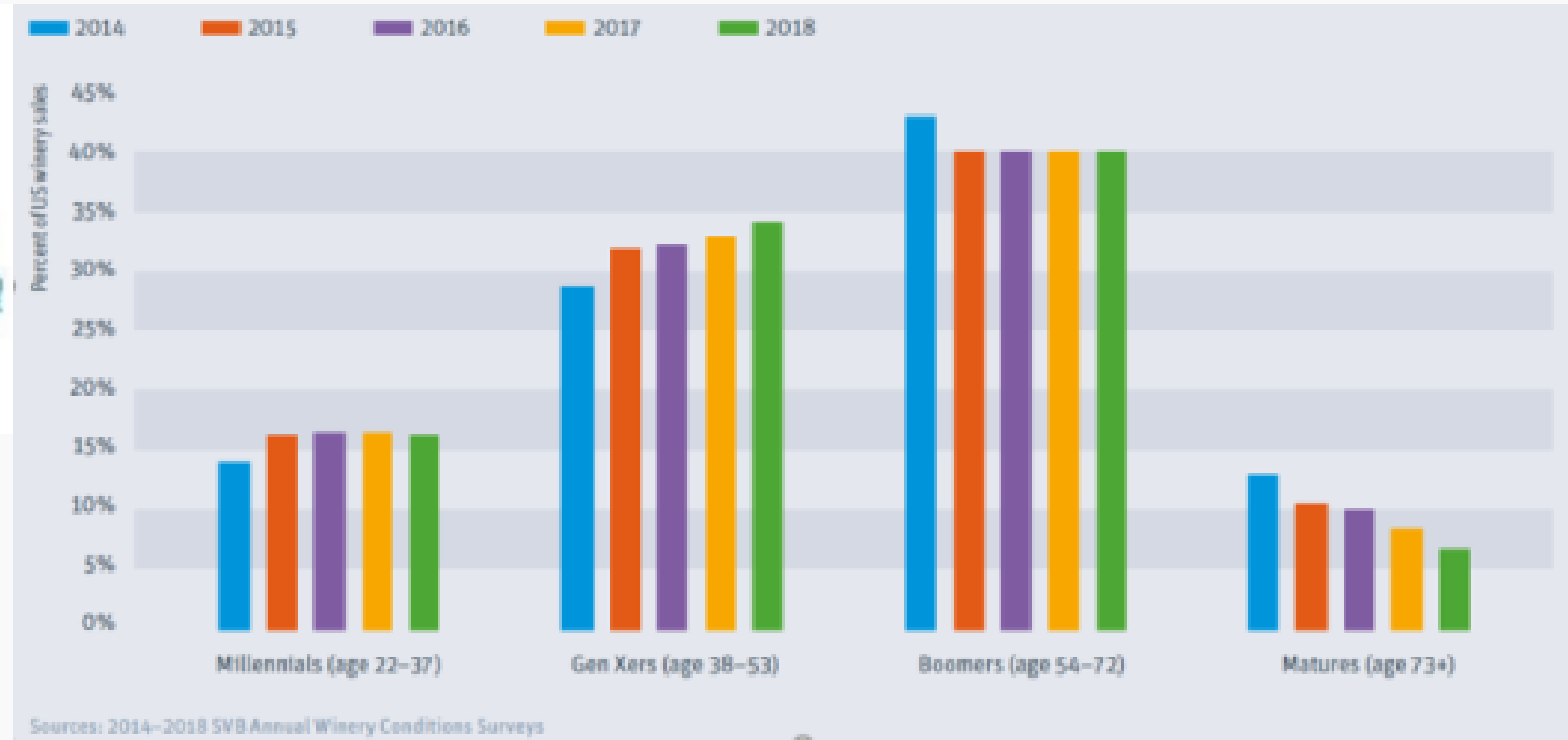


Source: Nielsen Total U.S. All Outlets (xADC + Liquor Plus + Conv + Military); 52 wks 12-29-2018 (Bubble = Annual \$ Size); Table Wine (Sparkling thru 12-1-2018)

Rosé still growing, but likely will flatten. Sparkling is big opportunity. "Red Blends" still hot. (Nielsen off-premise only data)

State of the Wine Industry Report: 2019 Silicon Valley Bank

The millennial is both the greatest opportunity for the wine business and the cohort most at risk of disappointing on expectations tomorrow



Millennials are NOT the largest volume wine consuming age demographic now, Boomers and GenX still are. Also true: Millennials represent the future.



Importing

Distribution

Definitions:

Importer vs. Distributor (Wholesaler)

Importer

Licensed to import a wine brand from a supplier outside the U.S. into the U.S.

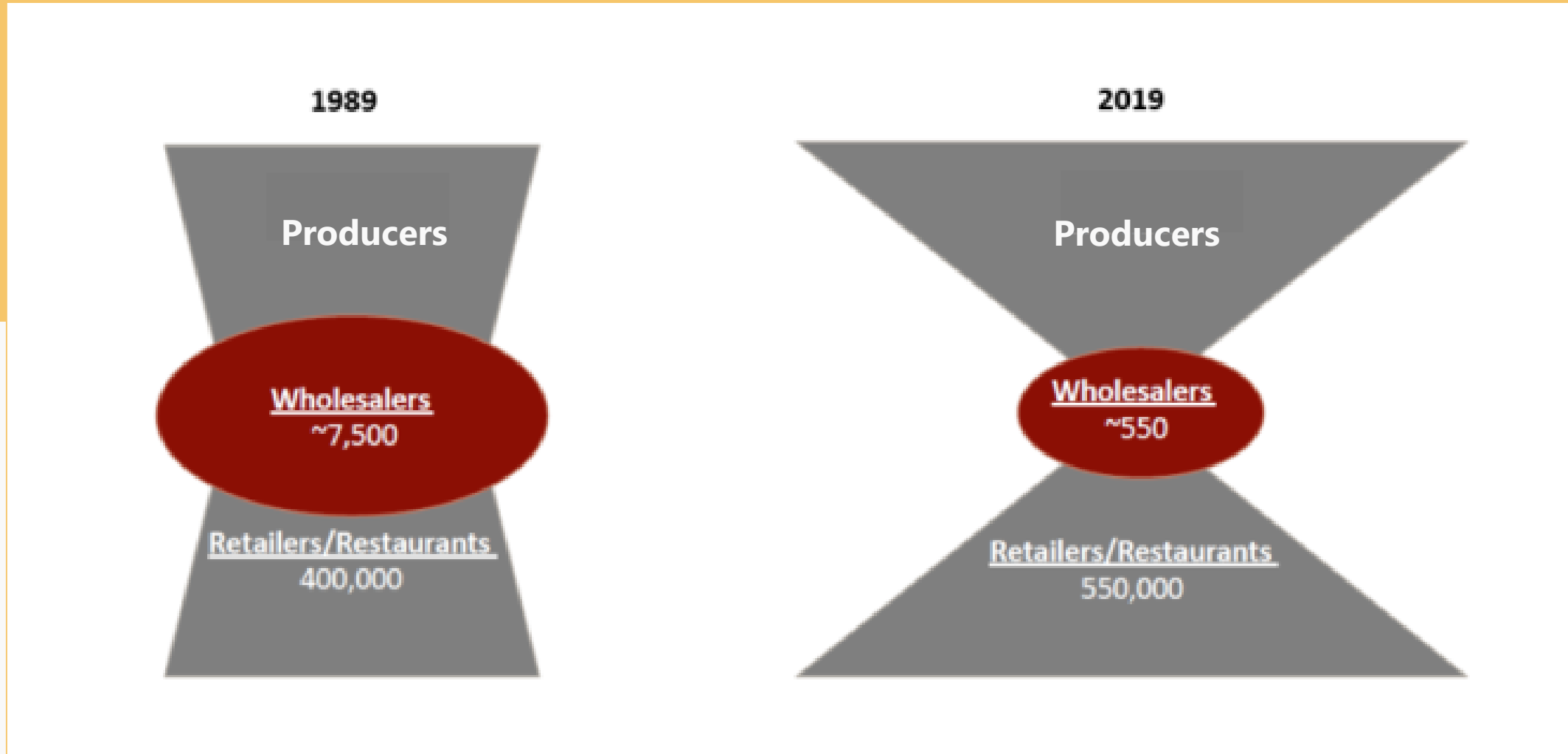
May or may not have distributor licenses or operations in individual states

Distributor and Wholesaler (synonyms)

Licensed to buy wine from an importer and sell to an on- or off-premise retailer

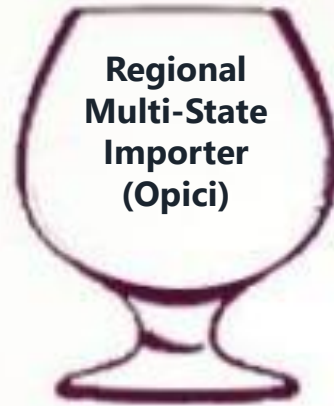
***Importer buys from supplier, Wholesaler distributes to retail and on-premise.
Responsibility for selling to trade and consumer falling more and more on suppliers.***

U.S. Importing and Distribution: The Model Has Changed



Constriction in the middle drives market entry strategy for producers

10 Different Import Options



Traditional "agency brand" importers are becoming less receptive to new brands. There are alternatives, maybe not what you want, but what you can get.

Distributor Consolidation Continues

Distributor	Markets	Sales Revenue (000's)		Market Share	
		2015E	2016E	2015E	2016E
Southern/Glazer's Wine and Spirits	AL, AK, AZ, AR, CA, CO, DE, FL, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MI, MN, MO, MS, MT, NE, NY, NH, NM, NY, NC, ND, OK, OH, OR, PA, SC, SD, TN, TX, UT, VT, VA, WA, DC, WY, WY	\$18,225	\$19,000	31.7%	32.2%
Republic National Distributing Co.*	AL, AZ, CO, FL, GA, IN, KY, LA, MD, MI, MS, NE, NM, NC, ND, OH, OK, SC, SD, TX, VA, DC, WY	\$ 7,480	\$ 8,095	13.0%	13.7%
Breakthru Beverage Group*	AL, AZ, CO, DE, FL, IL, MD, MN, MS, NY, NJ, PA, SC, SD, VA, DC, WI	\$ 5,253	\$ 5,406	9.1%	9.1%
Young's Market Co.	AK, AZ, CA, HI, ID, MT, OR, UT, VA, WY	\$ 2,980	\$ 3,020	5.2%	5.1%
Johnson Brothers Liquor Co.	AL, AZ, CA, CT, FL, HI, IL, IN, IA, KY, MA, MN, NE, NM, NY, NC, ND, RI, SD, VA, WY, WI	\$ 1,960	\$ 2,500	3.4%	4.2%
Empire Merchants	NY	\$ 1,850	\$ 1,900	3.2%	3.2%
Martignetti Companies	MA, ME, NH, RI, VT	\$ 1,250	\$ 1,350	2.2%	2.2%
Allied Beverage Group	NJ	\$ 1,190	\$ 1,250	2.1%	2.1%
Fedway Associates	NJ	\$ 850	\$ 900	1.5%	1.5%
The Winebow Group	CA, CT, DE, FL, GA, ID, IL, MD, MA, MN, NJ, NY, NC, OR, PA, RI, SC, VA, WA, DC, WY, WI	\$ 770	\$ 785	1.3%	1.3%

Source: Impact Newsletter April 2016

Top 4 control 60% of market/top 10 - 75%. To get them, suppliers have to be actively involved in supporting their brands in the market

Distribution in the U.S. is *NOT* Free

Need to answer the question: What are you going to do to support your brand? Answer: Market Visits, in-store tastings, participation in portfolio and holiday shows

Manage your Expectations

- It may take 2-4 years to gain momentum, make a profit
- Start in a limited number of markets and support them well
- Grow from that success
- Measure performance and progress
- Don't pull support from existing markets as you grow...keep feeding them.
- Actively communicate and make sure distributors are providing you with useful market data: accounts sold, depletions



Accept the fact that it will take longer, cost more, and require more from the supplier

What Importers and Distributors Want

Suppliers that are *prepared* for the U.S.

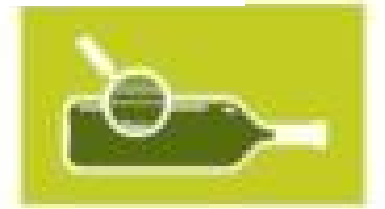
- WIIFM: “What’s In It For Me?”
- Understand the Three-Tier System and its implications: price structures, margins, responsibilities
- The right “chemistry”...and a company that will work to develop their own brand
- Brands that they are looking for (vs. brands the supplier wants to sell)
- Brands with a “Point of Difference that Makes a Difference” to them, and to the consumer
- To see *your* passion and commitment

Demonstrate you are different not only in the products you offer but the way you support the market.

Digital Marketing: The Crowd is the New Critic

Print Magazine reach vs. Digital Sites

- Wine-Searcher has 34 million users and gets 3 million unique visitors per month, Vivino has 24 million downloads, Vinepair boasts 2MM UMV (Unique Monthly Visitors)
- By comparison print circulations stand at:
Wine Spectator – 400,000; Wine Enthusiast – 253,000;
Wine Advocate – 48,000



wine-searcher.com

VINEPAIR
Learn About Wine!

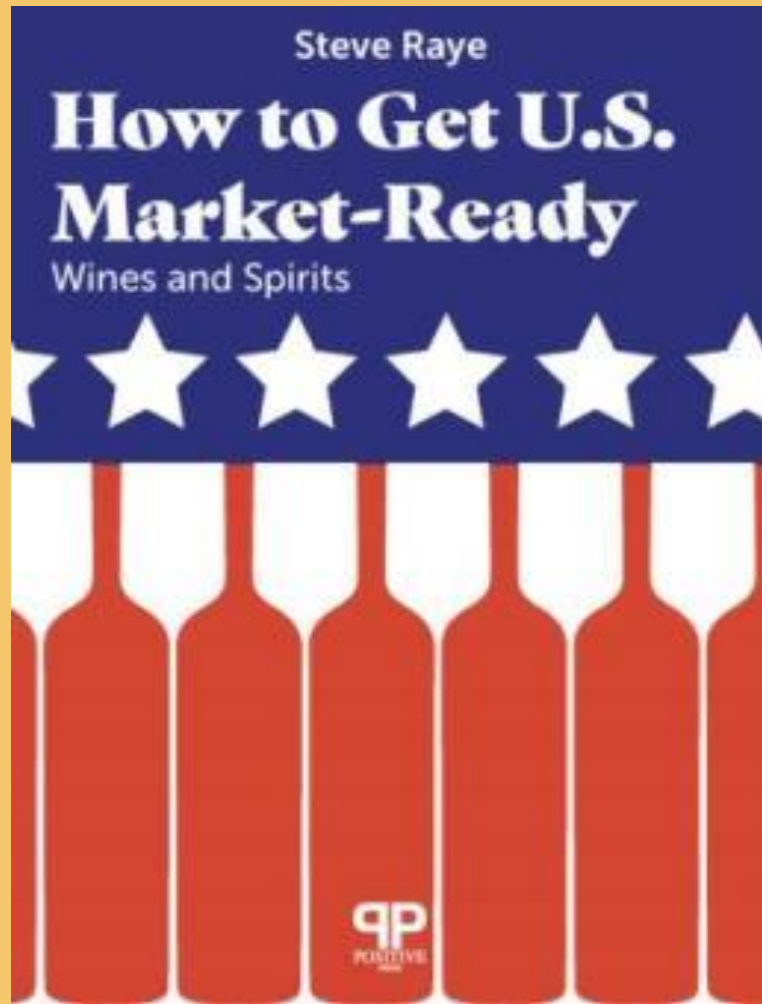
Consumers want to know what the *peers* think, not what the *pundits* say.



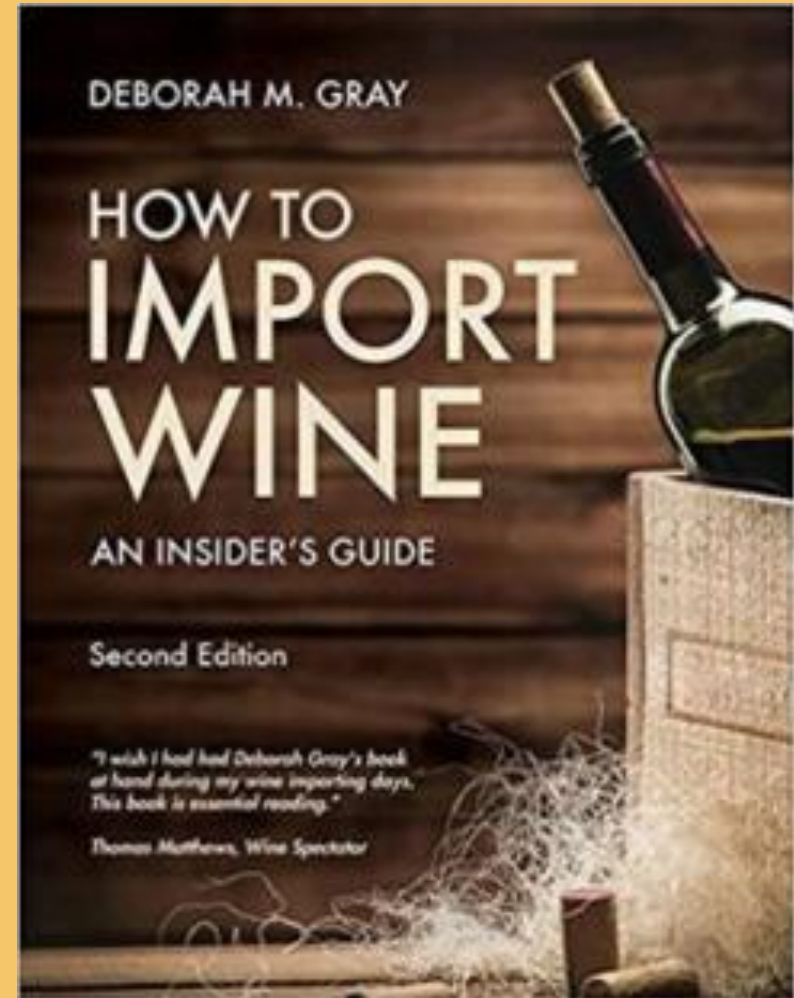
Next Steps

FIRST Steps

Get Ready!



<https://www.GetUSMarketReady.com> and
[Amazon.it](https://www.amazon.com) in the E.U./ROW



[Amazon.com](https://www.amazon.com)

Get Scored!

Rating, Scoring, Competitions and Evaluations
Relevant in the U.S. Market

Accept products not currently imported into U.S.

- Decanter (March)
- Ultimate Wine Challenge (April)
- New York International Wine Competition (April)
- BTI/Beverage Testing Institute/www.Tastings.com) (varies)
- TexSom (Dec. 31)
- San Francisco International Wine Comp. (December)
- Wines and Spirits Magazine (dates vary by region)

Link to updated list of competitions, links and deadlines for 2019: <https://bevologyinc.com/blog/2018/12/09/list-2019-rating-scoring-competitions-evaluations-important-u-s-market/>

Get Smart!

Subscribe to U.S. trade newsletters and info sources

Beverage Wholesaler <http://bevwholesaler.com/>

Industry News Update (Email mbrown@buffalotrace.com to be put on the list.)

IWSR Newsletter: https://www.theiwsr.com/e_news.html

Modern Distillery Age www.distilleryage.com (fee)

SevenFifty Daily <https://daily.sevenfifty.com/>

Shanken News Daily <http://newsletters.shankennewsdaily.com> (fee)

Wine-Searcher Newsletter: <https://www.wine-searcher.com/newsletter-signup.lml>

Wine and Spirit Daily (WSD) <http://www.winespiritsdaily.com/subscribe> (fee)

Wine Business Daily News <https://secure.winebusiness.com/subscribe>

Wine Industry Advisor Afternoon Brief (Published by Wine Industry Network)
<http://www.wineindustryadvisor.com>

Wine Industry Insight <http://wineindustryinsight.com>

Wine Intelligence Newsletter: <http://www.wineintelligence.com/>

WSWA Smartbrief <https://www2.smartbrief.com/subscribe>

Link to list of Newsletters: <https://bevologyinc.com/blog/2018/12/28/u-s-wine-and-spirit-industry-newsletters/>

Trade Events

There are no trade events in the U.S. equivalent to Vinitaly, ProWein or Vinexpo
That said, there are trade events that are opportunities to showcase your brands, and find importers and distributors:

- WSWA (Wine and Spirits Wholesalers of America) May/Las Vegas
- Vinexpo New York (April)
- USA Trade Tasting (May 13-14, 2019)
- World Wine Meetings, World's Leading Wines (expensive)
- TexSom (Feb. in Dallas): Sommelier-focused but represents access to white tablecloth on-premise dining
- ECRM/Marketplace Global Wine, Beer and Spirits (New Orleans, Aug. 25-28, 2017)

Link to list of U.S. trade events in 2019: <https://bevologyinc.com/blog/2019/01/08/trade-shows-and-conferences-relevant-to-doing-business-in-the-u-s-wine-and-spirits-market-in-2019/>

Upcoming ECRM Programs



Global Wine, Beer & Spirits
August 25-28, 2019
Hyatt Regency, New Orleans,
Louisiana

On Premise Adult Beverage
August 27-39, 2019
Hyatt Regency, New Orleans,
Louisiana



BUYERS

Drive Category Success



SUPPLIERS

Win Shelf Space

Discover marketplace trends and new items

RANGEme
Searchable product database

Product discovery 24/7/365

Help suppliers prepare for effective in-person interactions by defining your objectives

ECRMADVANTAGETM
Customer support to drive effective buyer/supplier interactions and turnkey EPPS preparation

Maximize your in-person opportunities with ECRM preparation tools and support

Engage with products and services that align with your business needs and areas of focus

SupplierDEMANDTM
Supplier brands and capabilities promoted to the right buyers

Drive awareness of your products and services to the relevant buyer audience

Efficiently execute planning deliverables in-person

EPPSTM
(Efficient Program Planning Session)
2-3 days of pre-scheduled one-on-one private buyer/seller appointments

Collaborate in-person with buyers to create and expand partnerships

Manage supplier follow up on your timeline

SupplierCONNECTIONTM
Form completion, approval/decline notifications and onboarding support

Streamline follow-up and onboarding

FORM D

Thank You

Next Webcast: What you want to know, and need to know before getting in front of buyers. July 9th, 2019

Q&A: Onsite at the Global Wine, Beer & Spirits & On Premise Programs, August 25-29, Hyatt New Orleans, LA



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Free First Chapter: Register at
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