

WINE INTELLIGENCE

GLOBAL COMPASS 2019

July 2019



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Intro to Wine Intelligence Global Compass 2019

Deliverables

What is the Wine Intelligence Global Compass 2019?

65-page report and Excel data tool including:



- Factors impacting the global wine trade
- Final results of the Global Compass 2019
 - Economic measures
 - Wine market measures
- Market classification
- Customisation process
- Methodology

- Individual and user-friendly analysis for each of the 50 markets, including:
 - Economic summary
 - Wine market summary
- Comparison tool

Intro to Wine Intelligence Global Compass 2019

Getting the best out of this report



- ✓ Compass is designed as a **reference guidebook** to help wine businesses compare the opportunities offered by different wine consumption markets. The data tool shows key metrics for each market, and these are combined to show a ranking of **50 key wine markets** calculated using a composite weighted attractiveness combining overall economic factors and wine market factors
- ✓ The market attractiveness ranking, along with the global market classification, shows a snapshot of the worldwide wine market at this particular moment. Markets are constantly changing and the scores should be considered as **relative measures** for comparing markets rather than absolute measures of investment attractiveness
- ✓ Wine Intelligence's evaluation method is based on a hypothetically neutral investor with no legacy assets. In reality, it is likely that a business will already have some assets and relationships, and therefore will internally know that markets are not of equal value to all businesses. For instance, attractiveness of individual markets will increase with regional proximity, existing presence and established routes to the market. Therefore, this attractiveness model needs to be supplemented with the specific dynamics of an individual business, region or country to enable the **assessment of their greatest opportunities**
- ✓ This business-level assessment can be performed using the data from this report **combined with your own internal metrics of attractiveness / market hierarchy**. If required, Wine Intelligence can help in this process. Over the past five years we have completed a number of successful benchmarking exercises with clients to adapt the model to their specific market strengths and opportunities
- ✓ If you would like to know more about the report's underpinnings or adapt the model for your specific circumstances, please contact Luis Osorio at Wine Intelligence on luis@wineintelligence.com

CONTENTS



- **Management summary** p. 6
- Factors impacting the global wine trade p.9
- Global wine market attractiveness p.21
- Economic measures p.28
- Wine market measures p.35
- Global wine market classification p.42
- Customised analysis process p.54
- Methodology p.61

Model methodology

Overview



- The Wine Intelligence Compass model is based on a combination of:
 - **Quantitative data measuring market attractiveness** and
 - Wine Intelligence **qualitative judgements** based on industry knowledge and experience
- First we collected data on a number of variables combining **economic and wine market measures** to assess market attractiveness
- For each measure, countries were given a score of 1-10 based on their performance
- Each measure was assigned a weighting based on its importance
- To test the reliability of the model, a factor analysis was run on the measures using a **Cronbach's Alpha test** resulting in a score of 0.73 suggesting a 'good' level of association
- This combined factor was used to **classify the markets into groups** (along with detailed market information) and rank the potential of the markets within each classification group

Model methodology

Quantitative data



- Quantitative data for market attractiveness was collected on several measures to classify the wine markets
- The data originated from two main groups:
 - **Economic measures:** Used to assess the stability and future potential of the market as a whole
 - **Wine market measures:** Used to identify the current and future potential for wine in the market
- Data was collected from both secondary and primary Wine Intelligence sources. Wherever possible, a single source was used for each measure and a second source was only used in the absence of data

Model methodology

Measures and sources



- The following **economic measures** were used; sources noted in parentheses:
 - Adult population size (UN Population Division)
 - Gross Domestic Product per capita* - constant 2010 US\$ (World Bank, National Statistics Republic of China)
 - Gross National Income per capita* - atlas method (World Bank, National Statistics Republic of China)
 - Unemployment rate (Trading and Economics)
 - Corruption index (Transparency International)
 - Globalisation (Starbucks.com, McDonalds.com) – no. of Starbucks + no. of McDonald's per capita
- The following **wine market measures** were used; sources noted in parentheses:
 - Market volume (IWSR)
 - Imported wine volume (IWSR)
 - Per capita consumption (IWSR, Wine Intelligence Vinitrac®, Wine Intelligence market knowledge)
 - Market value (IWSR)
 - Wine market profitability (Wine Intelligence market knowledge)
 - Market accessibility (doingbusiness.com, World Bank, Wine Intelligence market knowledge)

* Although GDP and GNI are highly correlated, they each represent different methods of assessing a country's wealth. GDP is the total wealth generated within a country, whereas GNI also considers the net income received from overseas. Arguably, GNI is a better indicator of household disposable income

Model methodology

Qualitative judgements



- Additional Wine Intelligence data and knowledge accumulated over the years was used to support the classification of the markets into groups:
 - Calibration studies determining the percentage of total and regular wine drinkers within each market
 - Wine Intelligence Vinitrac® studies: Quantitative studies now running in over 30 countries across the globe, which have enabled us to collect the views of more than 100,000 respondents about wine over the past year
 - Focus groups, accompanied shopping and consumer interviews in various markets across most continents which bring an in-depth understanding of wine consumer attitudes and behaviours
 - Trade interviews offering insights directly from individual markets about the current status and future opportunities of the wine industry
 - Market visits, including store visits both on- and off- premise
 - Secondary sources

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