

Perspectives offers a platform for professionals in diverse places to express their views. In this issue we asked key international players what are the major issues that the global wine industry and, in particular their own, will face in 2008 and how they plan to address them. What are the threats? Where do the opportunities lie?



Dr Ilaria Ippoliti is the export manager of Pasqua, a producer from Verona for over three generations. Family owned and operated, the company has focused on improving the reputation of Soave and Valpolicella in the export market.

The global wine industry faces numerous challenges today. Climate change and its potential effects on our wines are part of multiple environmental concerns that we take seriously. More immediate are the challenges raised by increased competition on the one hand and the consolidation of distributors and importers, in particular in the United States, on the other. The increased power of retail chains and the sometimes quickly shifting patterns of demand are also a concern - as is the increasing strength of the anti-alcohol lobby in some countries.

For our business, the strong euro, diminishing consumer buying power and how clients react to the inevitable price increases for Italian wines will be at the centre of our concerns this year. As we and most of our main competitors lack economies of scales, take individualistic approaches to export markets and cannot rely on a generic promotional programme for Italian wines, we must be proactive. Fortunately, we are a family owned company with a long tradition, a state-of-the-art winery and the ability to deliver quality at almost any price point. That said, we must remain innovative with both products, in collaboration with research centres at various universities, and packaging (e.g. PET), and invest heavily in marketing and communications and find synergies with international wine companies on export markets. Remaining profitable in this environment, while integrating the third generation into the management of our company, are our chief goals.



Daniel Pi is the winemaker at Trapiche, the brand that put Argentina on the international wine map. In particular, he has ratcheted up the brand's reputation for value for money to a new level.

At Trapiche, we do not think that 2008 will bring any significant changes to the trends of the global wine industry. The problems of the growth - or lack thereof - in the American economy is something that could well affect consumption of high priced wines, but the general trends will continue. Some markets, which are already mature, may show less growth, but others, like Latin America, China, Korea and Canada show real growth opportunities, at least for our wines.

In this context, the Argentina wine industry needs to provide more diversity to its offer. Today, Malbec is leading the export charge with 29% of total sales, which are now at \$650m.

In the last five years we have been growing at a rate of 25% per year. In 2008 we are facing not only rising inflation, but also a further appreciation of the peso against dollar, so the favourable exchange rates will no longer work to our advantage.

In this environment, we must work to improve the consumer perception of our wines, both domestically and off-shore.



Philippe Guigal is the scion of the eponymous family in the Rhône valley. Slowly emerging from the long shadow of his father Marcel, the two have firmly established their pre-eminence in Côte-Rôtie and Hermitage - and turned Côte-du-Rhône into a popular 'brand'

It is obvious that the strong euro is one of the chief problems confronting the French wine industry today. It helps, of

course, that France is a brand in its own right, but we still face all the same global challenges in marketing. What contributes to our success and fuels our growth is the individuality of our vineyards, which in Côte-Rôtie are truly unique. The French word *terroir* is now used internationally to define this special status.

I prefer not to generalise when asked to speak about the problems our industry faces, but in France the administration, which has always been more of a burden than a blessing, is hard to ignore. The government makes it difficult for

the successful to expand. Wine makers should remain focused on their vineyards and cellars, but we are continually distracted by issues out of our control - and isn't it odd, that France is the only country where you can't talk about wine?

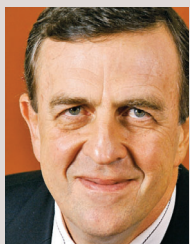
The main challenge is limited time! As most growers, we are constantly on the run, torn between maintaining quality, remaining accessible to our consumers, and finding time for travel and marketing as well as dealing with the changing environment and the growing demand for our wines.

The global wine industry will be affected in 2008 by several major shifts. On the supply side, the shortage of wines from Australia will perhaps create opportunities for other countries. At the consumer level, the continuing downward trend in consumption in once major wine drinking countries such as France and Spain will put pressure on production in Europe, especially as overproduction will remain a problem there for the foreseeable future. Those factors drive the unease at the corporate level, for it has become difficult to find predictable, sustainable profit levels for stockmarket-funded companies. Our strategy is to join forces with other family-owned companies to establish joint ventures that form a new model of 'soft consolidation' as opposed to the mergers and acquisitions that are so prevalent in other branches. We think of them as cost leadership models. The ongoing success of Golden Kaan,



Marian Kopp is a well-known figure on the European circuit of business speakers. A member of the executive board of directors of the German Racked group, he moved to California in 2004 to become the president of Golden Kaan, Racked's joint venture with KWV.

our joint venture with KWV in South Africa, and Espiritu de Chile (with Aresti) prove that there is potential to grow in partnerships. The opportunities are driven by the unique opportunity of bringing together specific strengths in marketing and sales on one hand (Racked) with control of production on the other - without losing authenticity. All (new) wine brands that wish to take a premium approach through the trade to consumers need fast route-to-market setups with authentic heritage, all the way back to soil. On the contrary, 'ad hoc' or 'trial and error' marketing based or opportunistic 'concept brands' will remain limited in their global potential, for they lack honesty. That said, as long as the floodwaters of overproduction continue unabated, there will be a market for those products as well. Models like that, though, are based purely on low prices, which Racked is no longer interested in.



Jan Scannell is the managing director of Distell, South Africa's largest wine producer. He has been with the company since its origins as Bergkelder and has proven instrumental in guiding its phenomenal growth.

Given the pressure on grape pricing and the volatility of the rand, our policy in 2008 remains to trade across a variety of developed and developing markets to achieve extensive global reach, established through relationships forged with agents and distributors worldwide, in order to reduce our vulnerability to fluctuations within specific markets. As in the past, innovation will remain absolutely

central to the success of our brands. We are continually exploring new wine-growing areas, improved matching of cultivars - using more Italian and Spanish varieties - with location and vineyard management techniques to enhance quality. We recently led the initiative to introduce Tetra Prisma wines to the local market in an effort to reduce the environmental impact of wine packaging, while tapping into a new market of younger and convenience-oriented consumers. Many of the issues confronting Europe, are also issues here, such as rise of the anti-alcohol lobby. For that reason, our company's manager of regulatory affairs, Michael Mokhorro, is chairman of the Industry Association for Responsible Alcohol Use (ARA) and devotes a significant portion of his time to promoting responsible drinking.

FROM THE HISTORY OF VERONA



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