

# GRUPPO ITALIANO VINI: BULLISH ON THE FUTURE

SPECIAL REPORT

Brands and brand owners are often horses of quite different colours. Most every wine drinker has heard of Robert Mondavi, few consumers of its mother, Constellation Brands. Similarly, although by far the largest producer of branded Italian wines – and one of the most profitable – Gruppo Italiano Vini is nary a household word.

**O**ur generation has seen a rapid change in vineyard, estate and brand ownership that is beginning to have an impact on how Europeans regard their own wines, their own wine culture. Having witnessed the enormous success of new world brands in certain key markets, the multinationals have begun to acquire many of the big names in a buying frenzy that peaked most recently in Foster's purchase of Southcorp and Pernod Ricard's acquisition of Allied Domecq. Very few of the most popular brands in New York, London or Tokyo are still in private hands. In that light, the Gruppo Italiano Vini is unique within the international wine world, combining as it does the assets of both small and large estates – and concentrated in a single country, Italy.

As managing director Emilio Pedron calmly states, this is both the advantage and the Achilles' heel of the group that he has taken from a fledgling at its birth in 1987 to its current position as the largest producer in Italy with total sales of 6.6 million cases and 258 million Euros (\$ 330m) in turnover in 2005. Production, though, is still largely managed as it has been for centuries by 14 of the group's own estates, scattered over Italy's most well-known growing regions. Proud of the standards of quality that their ancestors have built, they are



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*Emilio Pedron*

nonetheless often bridled by traditions that make modern distribution a marketing manager's nightmare.

As if they were still small estates producing for their local markets, each of the individual wineries begins its work in the vineyards with the choice of the appropriate grape varieties for its soils and climate, seeking to bring out the unique characteristic of the region. Where the New World often begins with consumer demand and fashions a wine for the market, the individual estates of the Gruppo Italiano Vini begin with their individual style of wine and fashion tools to make it understandable to a worldwide audience.

Not surprisingly, the comparative advantages of the group can be seen most clearly in marketing and sales. All products are supported with tailor-made marketing strategies, a specialised commercial organisation for each vector and integrated logistical services, enabling them to build the strength and reputation of the individual estates across a wide range of channels. Centrally organized, they offer a wide range of products, the best commercial service in the Italian market and compete internationally with the largest multinationals in the wine sector.

Although headquartered in the beautiful Villa Belvedere above Lake Garda, their vineyards are scattered like jewels

across the countryside, from Collio in the northeast to Sicily in the southwest. The key to the group's commercial effectiveness is its sales force, which is organised to respond flexibly to the needs of modern markets, both on- and off-premise in every country. Working closely with the sales force and the individual estates, the marketing organisation develops strategies for the company that focus on enhancing its brand port-folio, while rationalising administrative and logistics support. As a single interface, it is able to offer its clients quality Italian wines with a single order, delivery and invoice.

Export sales, which account for 68% of the groups turnover, are directed by four export managers who are responsible for the commercialisation of the group's brands across their respective markets through both independent and shareholder-controlled import companies. Like the large multinationals, they have over the years acquired control of leading import companies in several key markets in order to assure the quality of their own distribution. Frederick Wildman & Sons Ltd. in the United States, Italdistribution S.A. in Belgium and Carniato Europe S.A. in France are three well-known examples. The Gruppo moves 5 million bottles of Italian wine alone in France each year!

In addition, the group operates directly in the British market through a commercial liaison office in London, the GIV

U.K. Ltd, and in Canada has consolidated its shareholding in Peter Mielzynski Ltd. The Group also has a share in the Racke-Giv C.R. S.r.o. in Prague, which distributes its products in the Czech Republic. In 2005 they opened the Giv Deutschland GmbH in Munich with the objective of strengthening their presence in the on-premise channel in Germany, its major export market. The other key markets are Great Britain, USA and Canada. "However, although growing, we are still weak in Russia, China and India," admits Pedron. "These countries are very high on our list of priorities."

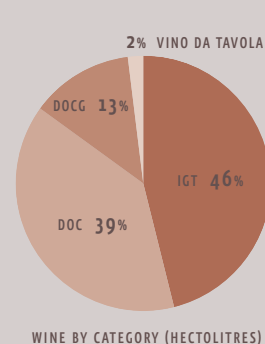
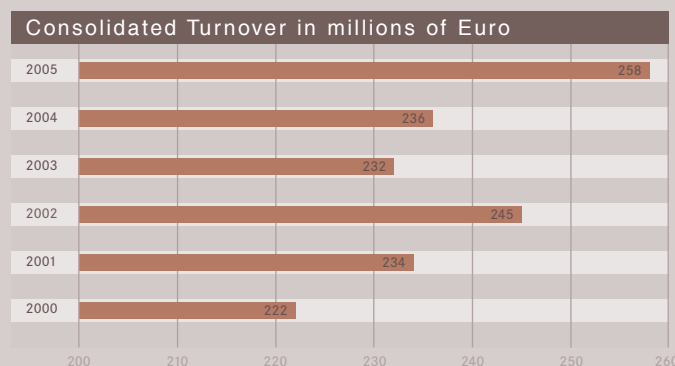
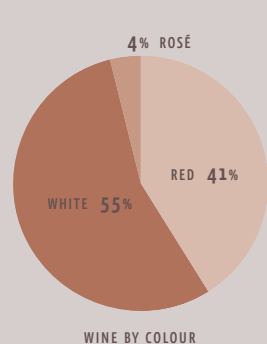
#### Value for money

Since its inception the mission statement has been to offer good wines at a fair price. Today's consumer does not necessarily choose the wine which is the least expensive, but the one which gives him the most in terms of value for money, paired with image and packaging. Some products have thus been redesigned, even repositioned to make them more suitable for individual markets. Thus, although export volumes have not grown much over the past ten years, value has almost doubled. "Our current prices permit us to invest more in quality," smiles Pedron, "so that we are now in a position to grow our volumes - and all of the profits we make today are being reinvested in distribution, advertisement and promotion."

When the market begins to react erratically and inconsistently, a group's value becomes its external and, even more importantly, its internal communication. "The significant improvement in turnover," insists Pedron, "combined with the positive results achieved in 2005, show that our group's wines are competitive again despite the problems in our primary consumer markets where Italian wines are only now making a slow recovery." This reinforces the Gruppo Italiano Vini's vision for the next few years, which include its possible transformation into an even more international company that may well in 2008 open its capital to other shareholders in order to finance its anticipated growth.

"We are only slowly beginning to learn the rules of emerging markets, to acquire the experience in both advertising and marketing, and to reach the size of the bigger players in order to compete successfully with the multinationals for shelf space in supermarkets," explains Pedron. The recently announced deal to both produce Bolla for Brown-Forman and market that range domestically will not only add another million cases to company's bottom line, but also give them considerably more clout.

Although more and more voices are being heard saying that Europeans need to produce wines for the market, like the





multinationals in the New World, that is not on the charts for Emilio Pedron, who - still young at 61 - plans to remain at the helm for the foreseeable future. He sees instead the future tied to new products, new markets that will absorb larger quantities of the current brands, higher values for premium wines and better control of distribution. "Some say that our hands are tied by Italian tradition," explains Pedron, "but we must be proud of that."

**GUIDELINE:** The Gruppo Italiano Vini bases its behaviour on the responsibility they assume towards consumers and the relationships they aim to build within society. By responsibility they mean the awareness that the company is not merely a production and sales organisation, but that it represents the culture of each region in which they are at active. As Emilio Pedron states, "We believe that the role of our company is not only commercial, but also to promote and support the ethical values of our society."

Turnover by Brand	
Brand	Share in percent
Folonari	11.9
Lamberti	11.4
Melini	8.4
Fontana Candida	7.7
Rapitalà	6.1
Serristori	5.8
Bigi	4.9
Santi	3.6
Turà	3.5
Donini	3.4
Negri	3.1
Castello Monaci	3.1
Cà Bianca	1.1
Formentini	0.7
Machiavelli	0.6
Calissano	0.2
Other brands	24.5

Turnover by Country, 2005	
Country	Share in percent
Italy	31.3
Germany	16.9
UK	15.5
USA	12.7
Canada	8.6
Scandinavian Countries	3.6
France	2.9
Switzerland	2.5
Japan	2.1
Benelux	1.7
Other countries	2.2
Total 2005	100.0

Sales Volume by Wine Typology	
Wine Typology	Share in percent
Pinot Grigio	21.0
Chianti	11.5
Frascati	8.6
Soave	7.8
Bardolino	6.0
Valpolicella	5.4
Orvieto	5.0
Merlot	4.9
Nero d'Avola	2.4
Sangiovese	1.7
Chardonnay	1.5
Trebbiano	1.4
Est Est Est	1.4
Primitivo	1.0
Valtellina	1.0
Salice Salentino	1.0
Montepulciano	0.8
Other types	17.6

SOURCE: GIV, 2006

THE ESTATES OF THE GRUPPO ITALIANO VINI:

**CA' BIANCA**

This cellar in Alto Monferrato produces the classic wines of Piedmont. Their flagships include a Barbera d'Asti Chersi made from their own vineyards and an award-winning Barolo which originates from nebbiolo grapes from the hills of La Morra.

**Nino Negri**

Established in 1897, this is the most well-known winery in Valtellina. In the impressive cellars of the fifteenth century Castello Quadrio they produce fine wines such as Sassella, Grumello, Inferno and, of course, the Stursat 5 Stelle, which regularly receives 3 glasses in Gambero Rosso.

**Santi**

Santi's history began in Val d'Ilasi in 1843. Their close ties with the region, the expertise of their oenologists and their unrelenting pursuit of quality have resulted in unique successes like the Soave Monteforte and the Amarone Proemio.

**Tenute Galtarossa**

The winery's vineyards are located between the communes of San Pietro in Cariano and Negrar where the microclimate and the soil combine in a matchless synergy. In particular their Valpolicella Classico Superiore Corte Colmombara and Amarone are in high demand.

**Lamberti**

Founded in 1964 at Lazise on the banks of Lake Garda, the House of Lamberti was one of the first to resurrect the wines of Verona and reintroduce them in a new light. The white wines include Lugana, Soave Santepietre and the slightly sparkling Turà; typical reds are Bardolino, Valpolicella as well as Amarone.

**Conti Formentini**

Conti Formentini has been making wine in the airy hills of Collio since 1520. Using the grapes of its San Floriano vineyards it produces the well-structured Chardonnay Torre di Tramontana and well-balanced Merlot "Tajut" and Pinot Nero.

**Fattoria Machiavelli**

Today you can still visit Machiavelli's house in the Antica Fattoria di Sant' Andrea in Percussina and read pages of Italian history. In the vineyards of Fontalle and Poggio grow the grapes which produce the Chianti Classico Riserva "Vigna di Fontalle" and the Pinot Nero "Il Principe".

**Melini**

Melini has been one of the finest names in Chianti since 1705. Its Chianti Classico Granaio as well as the Riserva Massavecchio and Selvanella are acknowledged both in Italy and throughout the world for their quality.

**Bigi**

Excellent white wine has been produced from the vineyards of the ancient Etruscan town of Orvieto for ages. Quality and typicity are the primary objectives of Bigi, which today also makes an excellent Sangiovese in its cellars at Ponte Giulio.

**Fontana Candida**

The synthesis of authentic traditions with the most modern innovations is the hallmark of Fontana Candida. In addition to the classic Frascati Vigneto Santa Teresa they now also produce red wines like the Merlot Togato and Kron.

**Castello Monaci**

Castello Monaci is at the heart of Salice Salentino's oenological tradition. Wines of high quality are produced from the vineyards which surround the modern cellar, in particular Primitivo and Negroamaro, which form the backbone of Salice Salentino.

**Terre degli Svevi**

The Aglianico grape, which produces a dark red wine of considerable stature, is cultivated on the picturesque slopes of Vulture. In the modern cellar near the centre of its own vineyards, Terre degli Svevi makes the Aglianico del Vulture Re Manfredi, which is distinguished by its unique character.

**Tenute Rapitalà'**

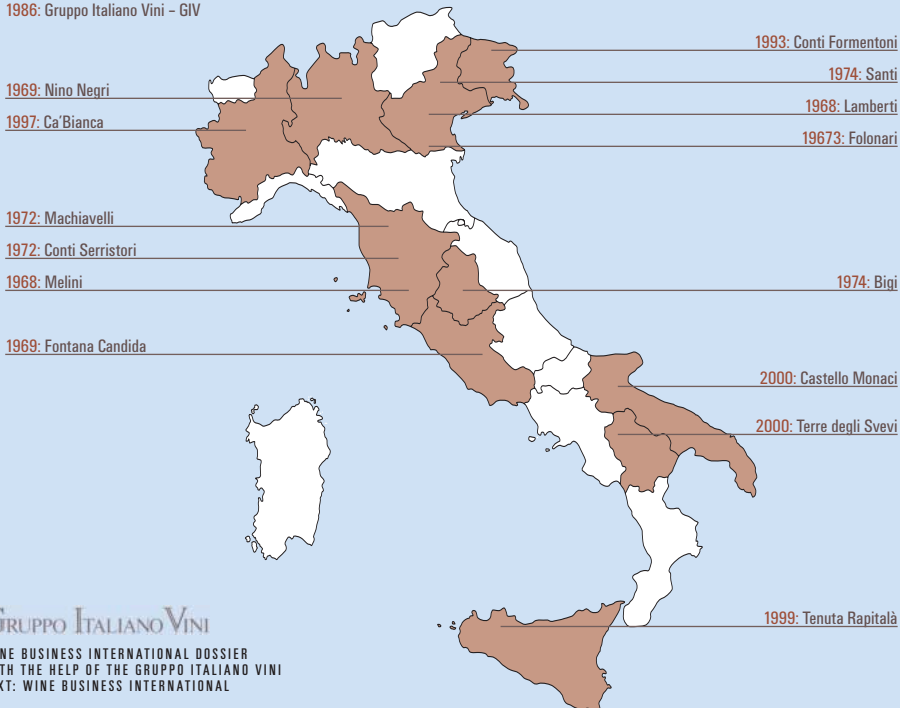
Rapitalà is one of the great names in the history of Sicily. The hills of Camporeale are the setting of the fertile estate where Chardonnay, Pinot Nero and Nero d'Avola vines grow. Not too mention the Syrah based Solinero, which has recently caught the eye of many journalists.



**MISSION STATEMENT:** Our company mission is to enhance Italian wine production throughout all different phases of production - from vineyard cultivation, vinification and barrel maturation to logistics, commercialisation and service - and to promote Italian wines, building their reputation in all international markets.

The story of GIV

1986: Gruppo Italiano Vini - GIV



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