Tackling the challenge of geographical indications on the wine trade
Lee James
Global Marketing Delivery Director
Pernod Ricard Winemakers
Pernod Ricard
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GIs in Wine
Benefits
Risks
The Consumer View
Introducing Pernod Ricard

#2 WORLDWIDE IN WINES & SPIRITS

€9,010M NET SALES \(^1\)

16 BRANDS AMONG THE TOP 100 WORLDWIDE \(^2\)

86 MARKET COMPANIES

18,500 EMPLOYEES GLOBALLY

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(1) Source: Annual Report 2016/17
(2) Source: Impact Databank 2016, published in March 2017
Pernod Ricard Winemakers – 1000+ staff in Australia today

Eploy 1,700 staff

15.5 M 9L cases sold in FY17

+4.8% net sales in FY17

ACROSS 6 COUNTRIES

ACROSS 75 MARKET COMPANIES

+7.4% VOLUME IN FY17
A geographical indication (GI) identifies a good as originating in
- a specific territory,
- region
- or locality
where a particular quality, reputation or other characteristic of the good is essentially attributable to its geographical origin.
Some well known Wine GI's

- South Eastern Australia
- Barossa Valley
- Adelaide Hills
- Hunter Valley
- Yarra Valley
- Hawke’s Bay
- Marlborough
- Central Otago
- Champagne
- Rioja
Wine GIs in Australia

Relatively young & can cover a significantly larger geographic area.

Enacted to get access to the European market & through the Label Integrity Program, was able to provide consumers with information relating to vintage, variety and production.
Old World vs New World

There has always been a tension between the highly regulated, traditional and prescriptive approach of the Old World.

Europe believes there is both consumer awareness and consumer value of GIs which increases returns to producers.

In Australia, we value brand utility and trademarks as they allow us to capture the benefits of innovation, a concept at odds with Old World approach.
Benefits of GIs

A marketing and branding tool

Assurances about quality, authenticity, characteristics

Easier to stop others free-riding

International protection

Required by WTO’s TRIPs agreement
Italy wants a GI for Prosecco – which would stop Australian wine producers using the name

Prosecco was widely known as a grape variety until 2009 when Italy changed the varietal name to Glera and claimed Prosecco as a European GI

Is it a variety or a region?
Disadvantages of GIs – Prosecco case study

Issue extends beyond the Prosecco grape variety – e.g. Nero d’Avola, Montepulciano & Vermentino.

Protect our right to use these variety names for the benefit of our products & for smaller industry players.

Loss would stifle innovation in the sector, consumer choice & the promotion of Australian products.
THE NEW WAY TO Spritz

Just add ice
Evolution not rapid BUT can change and new GIs / competition can emerge
DEFRA UK Twitter 28th September 2017
What do GIs mean for consumers?

Is it better quality? Is it a grape?

...does it show I know more about wine?

Should I pay more?

...is it more likely to be a real wine from a real place?
In the wall of wine producers are always looking to provide consumers a reason to buy and GIs can play a role here.
Appellation in Australia is more important as price increases
Appellated wines in $10-$15 have higher average prices than non-appellated

Proportion of appellated wines increases in higher price tiers

Within $10-$15, all appellated varieties enjoy higher pricing

<table>
<thead>
<tr>
<th>Variety</th>
<th>Non Appellated</th>
<th>Appellated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shiraz</td>
<td>95</td>
<td>105</td>
</tr>
<tr>
<td>Cabernet Sauvignon</td>
<td>99</td>
<td>101</td>
</tr>
<tr>
<td>Semillon Sauv Blanc</td>
<td>96</td>
<td>104</td>
</tr>
<tr>
<td>Chardonnay</td>
<td>99</td>
<td>101</td>
</tr>
<tr>
<td>Moscato</td>
<td>99</td>
<td>101</td>
</tr>
<tr>
<td>Sauvignon Blanc</td>
<td>97</td>
<td>103</td>
</tr>
<tr>
<td>Pinot Gris/Grig</td>
<td>98</td>
<td>102</td>
</tr>
<tr>
<td>Cabernet Merlot</td>
<td>94</td>
<td>106</td>
</tr>
<tr>
<td>Shiraz Cabernet</td>
<td>92</td>
<td>109</td>
</tr>
<tr>
<td>Rose</td>
<td>98</td>
<td>102</td>
</tr>
<tr>
<td>Merlot</td>
<td>91</td>
<td>110</td>
</tr>
<tr>
<td>Riesling</td>
<td>92</td>
<td>109</td>
</tr>
<tr>
<td>Pinot Noir</td>
<td>95</td>
<td>105</td>
</tr>
<tr>
<td><strong>Total $10-$15</strong></td>
<td><strong>95</strong></td>
<td><strong>105</strong></td>
</tr>
</tbody>
</table>

Source: Aztec (MAT 12/03/2017) AU Liquor
That's why we've launched campaigns and wines focussing strongly on where we are from – People, Places, Passions.
Overseas consumers often have lower knowledge of New World wine regions – History? Proximity? The Wall of Wine?

<table>
<thead>
<tr>
<th>% of regular wine drinkers who have heard of…</th>
<th>UK</th>
<th>USA</th>
<th>China</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Barossa Valley</td>
<td>34%</td>
<td>11%</td>
<td>27%</td>
<td>34%</td>
</tr>
<tr>
<td>Marlborough</td>
<td>37%</td>
<td>16%</td>
<td>24%</td>
<td>19%</td>
</tr>
<tr>
<td>The best known wine region?</td>
<td>82% (Bordeaux)</td>
<td>73% (Napa)</td>
<td>53% (Bordeaux)</td>
<td>83% (Bordeaux)</td>
</tr>
</tbody>
</table>

Source: Wine Intelligence Market Landscapes Reports, 2017
BUT a large proportion of consumers want to know more about wine AND Provenance is of growing interest to them across food and beverage categories

| % of regular wine drinkers who would like to know more about wine |
|---------------------|-------|
|                     | 79%   |
|                     | 76%   |
|                     | 71%   |
|                     | 63%   |
|                     | 62%   |
|                     | 60%   |
|                     | 54%   |

<table>
<thead>
<tr>
<th>% of consumers Globally who say…</th>
</tr>
</thead>
<tbody>
<tr>
<td>I like to know about the sources/origins of products that I buy</td>
</tr>
<tr>
<td>I am keener than in the past to buy foods which have been locally produced (i.e. near to where I live)</td>
</tr>
<tr>
<td>When I buy food, I often look for products that have authentic origins in a culture, tradition or place</td>
</tr>
<tr>
<td>When on holiday abroad it’s really important that I eat authentic food of the country I am in</td>
</tr>
</tbody>
</table>

Sources: PRW Wine Market U&A Studies, 2011; Foresight Factory Global Attitude Tracking Study 2016. ~25-30 countries surveyed. Average of all countries where questions asked shown.
Storytelling about where we are from is something we do every day.

Leveraging Awards & Accolades, Winemakers and Ambassadorial support.
There's no place like home......
And sometimes we get some extra help to tell our Barossa story....
• Important to protect and defend when they exist
• Consumer interest in provenance continues to grow
• GIs can help you:
  - Command more for your product
  - Reassure consumers about your quality, authenticity, characteristics
  - Tell your story to consumers and give them additional reasons to buy
• BUT only if you bring them to life for consumers

Why is it important? Why does it mean better? Why is it interesting?