You Make Wine in Canada?

Canadian Wine in the Global Market Place: Success and Challenges to Date.

CCOVI Lecture Series Presentation by
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Canadian Wine : Presentation Overview

1. Industry Capabilities and Export Interests
2. Challenges and Opportunities
3. Best Practices of successful exporters
4. National Export Strategy
5. Chicago Market Initiative
6. Q&A

Canadian Wine : Capabilities and Export Interest

Industry Overview

- More than 400 grape-based wineries;
- Less than 10 major players, most wineries SMEs producing 1,000 to 75,000 cases per year;
- Total production: 120 million litres, of which ~20 million litres is 100% Canadian
- Dominance of blended wines (from imported juice) selling for less than $10/bottle
- World's largest producer of Icewine (~1 million litres in 2008, increase from ~33,000 litres in 1993)
- Less than 50 wineries currently exporting
- Major regions: Ontario & BC with expansion of production and exports from Quebec & Nova Scotia
- 5 main industry associations (CVA, WCO, BCWI, WANS, AVQ)

Canadian Wine Exports: Top 15 Markets

Exports to All Countries

	VALUE ($ Can)					QUANTITY (LITRES)				
	2005	2006	2007	2008	**2009-Aug**	2005	2006	2007	2008	**2009-Aug**
TOTAL:	20,190,925	19,161,325	19,624,305	20,291,031	**10,037,797**	1,652,584	1,330,866	2,832,563	7,786,681	**6,265,348**
United States	10,753,489	10,112,916	7,882,041	9,133,849	**3,914,972**	945,648	795,133	2,268,939	7,423,908	**5,977,742**
China, P. Rep.	812,441	620,055	2,494,782	2,794,465	**2,385,806**	78,714	69,875	106,454	151,723	**142,732**
Korea, South	977,738	2,213,165	2,939,001	2,500,998	**983,645**	13,756	32,627	54,416	56,924	**28,409**
Singapore	911,245	894,126	1,133,162	850,728	**743,763**	21,817	17,076	21,519	14,277	**14,555**
Japan	1,856,992	1,362,145	1,017,623	1,160,637	**412,027**	153,264	69,588	147,310	40,621	**19,259**
United Kingdom	768,594	275,458	417,972	611,439	**328,442**	69,005	50,002	64,717	14,563	**12,165**
Hong Kong	848,439	336,394	671,768	816,017	**296,991**	24,042	8,584	16,905	18,054	**13,782**
Taiwan	1,232,973	1,445,159	938,756	665,485	**178,472**	103,991	74,015	74,852	21,389	**4,151**
Malaysia	77,726	285,830	217,943	232,122	**119,571**	1,133	27,984	4,006	4,278	**2,295**
Switzerland	90,463	39,607	204,492	6,544	**118,384**	8,314	2,089	4,701	1,229	**2,896**
United Arab Emir.	11,311	23,491	58,354	30,090	**99,380**	154	694	892	384	**7,899**
Australia	12,684	5,381	56,558	242,207	**97,250**	1,300	978	3,638	2,937	**4,131**
Germany	219,262	84,321	530,171	634,074	**78,526**	21,823	42,560	18,567	17,744	**5,420**
Chile	0	0	0	0	**57,600**	0	0	0	0	**17,723**
Netherlands	178,483	90,270	48,564	43,939	**42,074**	11,547	5,249	1,541	937	**2,360**

Canadian Icewine Exports: Top 15 Markets

Exports to All Countries

	VALUE ($ Can)					QUANTITY (LITRES)				
	2005	2006	2007	2008	**2009-Aug**	2005	2006	2007	2008	**2009-Aug**
TOTAL:	10,833,110	11,724,519	11,588,800	11,602,806	**4,406,988**	169,426	201,275	175,694	193,464	**66,062**
China, P. Rep.	268,011	445,813	2,157,300	1,657,209	**1,316,429**	4,440	13,536	40,957	29,376	**23,061**
Korea, South	942,932	2,139,309	2,767,062	2,226,465	**854,669**	11,338	28,752	31,580	29,415	**9,449**
Singapore	897,233	884,329	1,108,240	841,730	**671,983**	14,544	15,443	17,174	13,827	**8,930**
Japan	1,348,714	1,000,257	723,632	932,974	**302,367**	19,077	19,474	11,272	16,927	**5,018**
United States	4,680,542	5,008,543	1,810,280	2,725,655	**267,841**	84,221	85,283	37,274	61,208	**4,996**
United Kingdom	236,930	131,575	304,320	540,197	**240,107**	2,349	2,325	3,140	7,894	**4,216**
Hong Kong	756,500	315,059	623,713	704,403	**182,624**	9,995	6,853	9,226	9,510	**2,570**
Taiwan	704,597	849,170	594,432	543,124	**147,812**	9,353	14,366	8,904	6,990	**2,130**
Malaysia	77,726	218,066	198,287	207,659	**97,986**	1,133	2,867	2,971	2,748	**945**
Australia	4,973	0	2,336	242,207	**72,917**	80	0	20	2,937	**855**
United Arab Emir.	11,311	20,583	58,354	30,090	**66,466**	154	289	892	384	**861**
Germany	40,864	9,610	364,205	538,911	**48,478**	490	112	4,366	6,632	**949**
Denmark	30,024	27,184	31,581	51,755	**31,758**	189	786	417	757	**243**
Thailand	0	0	46,898	121,052	**31,683**	0	0	698	1,893	**585**
Russia	0	0	0	0	**12,096**	0	0	0	0	**257**

Canadian Wine : Capabilities and Export Interest

Are we known?

Within Canada:

- Lack of domestic recognition (“artistic recognition”) and market share
- Mixed messaging as to who we are: Icewine, high quality VQA or value-priced VQA and CIC wines?
- Canadian inferiority complex, parochialism and lack of international experience

Outside Canada:

- Influential, international wine media rarely review or write about Canadian wine as it is not widely available internationally
- Influential, international wine media rarely include Icewine when writing about sweet wine
- Harris survey (2009) on US wine consumers willingness to try/drink wine from “lesser known” regions: Canada not mentioned, but Turkey, Poland, Israel, Greece, Portugal and New Zealand are.

Canadian Wine : Challenges and Opportunities

Success:

- International recognition for Icewine
- International success in duty-free channel
- Placements at several established restaurant/retail shops for several medium to large producers
- Recognition at international competitions, awards for table and Icewine

Canadian Wine : Challenges and Opportunities

Challenges:

- Lack of Brand identity: Icewine? Table wine? Both? Grape variety?
- Export used as alternative sales channel for products with limited domestic access
- Competitive global marketplace, no home field advantage
- Supply and demand imbalance for Icewine
- Unfamiliarity with export, lack of training
- Product/brand inconsistencies, cool climate production challenges
- Limited vineyard expansion limits export potential
- High production costs, relative to other New World producers and for Icewine
- Competition from large countries (Australia, Germany) and small, better established and organized niche market producers (NZ, Austria)
- Export markets are difficult to develop; take time, effort and focus
- Industry fragmentation, lack of national coordination for export

Canadian Wine : Challenges and Opportunities

Opportunities:

- International recognition builds domestic brand equity, positively influences domestic pricing
- Provide long term economic sustainability
- Diversification of sales channels
- Raise the bar on domestic competitiveness
- Ultra-premium export focus can move industry towards quality production domestically
- Wine tourism and exports are mutually reinforcing: international reputation and exports fuel wine tourist visits
- Competitive advantage in producing Icewine; ownership of under-exploited Icewine
- Capitalize on the trend towards whites, lower alcohol, cool-climate wines

Canadian Wine : Best Practices in Export

Successful export strategies are based on one of the following:

Differentiation Strategy: Special characteristics, price-premiumization, limited market share

- Examples include New Zealand Sauvignon Blanc and Oregon Pinot Noir

Cost Leadership Strategy: High volume, low cost, high market share

- Examples include Australia, Chile

Worst case scenario: No cost-advantage, no distinctive value

Canadian Wine : Canadian Exports to Date

- Focus on Icewine
- Initial focus on Asia and duty free channel (requiring higher price point/packaging/product to guarantee sufficient margin)
- Over-supply of Icewine lead to downward pricing
- Use Icewine to create pull-through opportunity for table wine
- Same strategy for Icewine and table wines (table wine is not a brand extension of Icewine and requires a different export strategy
- Export of surplus, low quality table wine
- Emphasis on trade shows with limited generic in-market follow-up
- Emphasis on wine competitions with little in-market follow-up
- Lack of sustained, generic market focus, too many markets
- Limited product differentiation for Canadian table wine? Varietal? Cool-climate????
- “Canadian” approach: diversity and fragmentation

Canadian Wine : National Export Strategy

- Foreign Affairs and International Trade Canada invited the Canadian wine industry to work with government to develop a long term strategy for export

- Resulted in the development of a National Export Strategy (2009):

  – Strategic vision and guiding principles
  – Multi-year tactical plan
  – Multiple funding opportunities and partners
  – Industry-led Governance model

- Goal: Double the volume of exports of Icewine and premium table wine.

Canadian Wine : National Export Strategy

Strategic Priorities and Positioning to build profitable Canadian exports

Product Strategy: Icewine and “cool climate” table wines; scarce, premium positioning

Limited Market Focus: intensely work the potential of a few key city markets; priority focus on Chicago market

Strategic tactics: ensure that trade experience and “get” Canadian wine through first-hand experiences; move from ad-hoc-ism to best practices

Vision Statement:

Canadian wines captivate trend-setters in the wine trade with how our extreme climate produces extremely great Icewine and table wines, and they know they had better put their hands on some on behalf of their best customers, because there won’t be enough to go around.

Canadian Wine : Chicago Market Focus

Why Chicago?

- receptive to imported (Old World) wine, dessert wines
- 3rd largest US centre for wine sales, not as over-whelming as NYC
- influential wine writers, opinion-leader sommeliers and restaurateurs
- Wine and foodie center
- previous links to Canada – sommelier visits to Niagara & BC
- easy to do business, some consolidation, emergence of small distributors

Chicago market activities:

- In-bound visits by distributors and sommeliers/ buyers to assess and evaluate quality and market viability of wines to be exported
- Invite wider audience (sommeliers/buyers, media) to experience the regions
- In-market activities and meetings with trade/distributors to generate distribution, listings and buzz

Canadian Wine : What Next?

- Continued training
- Focus on committed export-ready wineries
- Tailor activities to support international exposure and brand recognition, not volume or value sales
- Prioritize media
- Trade awareness and visibility among high level wine media/educators/authors (guerrilla marketing targeted at key influencers)
- Trade tastings as opposed to trade shows
- Increased cohesion in several key market rather than individual producers in different markets
- Identify and establish strategic alliances/partnerships
- Work towards having a Canadian category so that Canada is recognized internationally as a small, but serious producer
- Be more strategic, less reactive!

Questions?

Comments?

Solutions?

THANK YOU!