

Wednesday, January 26, 2011

8:30 am – 11:00 am

Unified
WINE & GRATE
SYMPOSIUM
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State of the Industry— Today and Tomorrow

Danny Brager

2011



State of the Wine Industry – from a Consumer Perspective

January 26, 2011
Sacramento, CA

Danny Brager, VP Group Client Director
Nielsen Beverage Alcohol Team

The Nielsen logo, consisting of the word "nielsen" in a lowercase, dark blue serif font, with a horizontal line of seven dots below it. The logo is set against a white circular background that is partially obscured by a dark blue curved shape at the bottom of the slide.

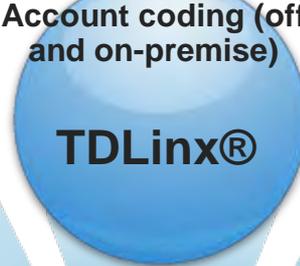
nielsen
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The Nielsen Company

New product forecasting



Account coding (off and on-premise)



Price/Promotion, Marketing Mix, Market Structure, Segmentation, Assortment



Consumer segmentation & store targeting



Store observations/ in store testing



Consumer purchasing dynamics



Retail Measurement



Bev. Data Network (BDN)

Depletion/RAD collections



The Nielsen Company

WATCH



BUY



Nielsen Top 10 for 2010

Top 10 Consumer Packaged Goods Growth

Dollar Growth

1. Snacks/Spreads/Dip-Dairy
2. Yogurt
3. **WINE**
4. Sugar/Sugar Substitutes
5. Canning/Freezing Supplies
6. Vitamins
7. Nuts
8. Tea
9. Candy
10. Cosmetics

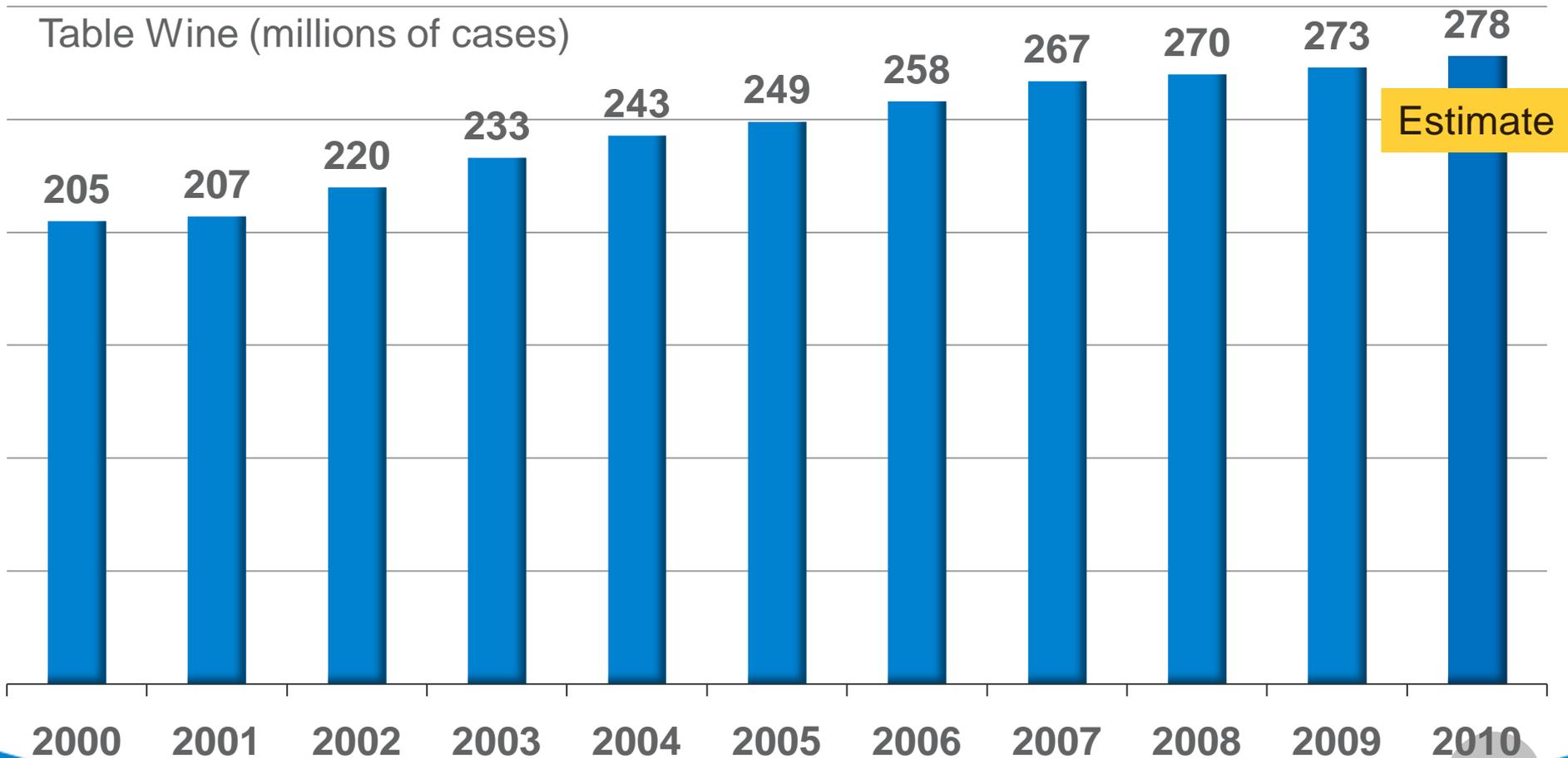
Unit Growth

1. Frozen Novelties
2. Fragrances - Women
3. **WINE**
4. Tea
5. Nuts
6. Snacks/Spreads/Dip - Dairy
7. Seafood - Canned
8. Spirits
9. Juices/Drinks - Shelf Stable
10. Vitamins



Source: The Nielsen Company. Total U.S. – Food/Drug/Mass Merchandiser Stores (including Wal-Mart); 52-weeks ending Nov 27, 2010 (versus prior year); UPC-coded; 117 major categories

And beyond just the Nielsen measured channels, Total U.S. Table Wine continues to grow



Source: Beverage Information Group

The Macro: Overall a Positive Story, and Certainly Better than Many Others

A Rising Tide Lifts all Boats

The Macro: A Rising Tide Lifts all Boats



Geography

Channel

Product
Segment

Consumer
Segment

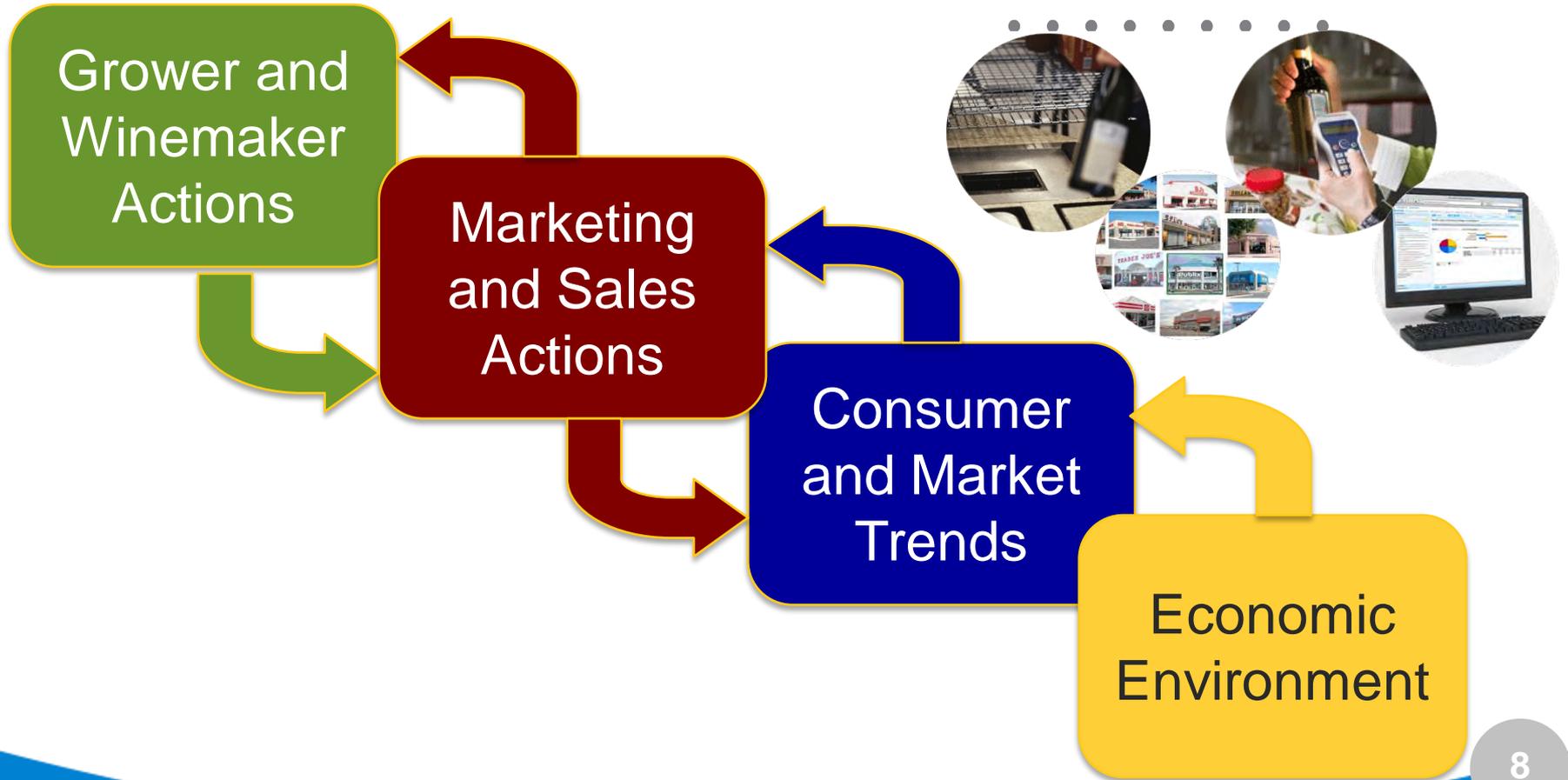
Price Segment

The Micro: Be on the Right Boat

Integrated approach is key to the future -

Economic, market and consumer trends are a natural launching point

nielsen



Economic Background

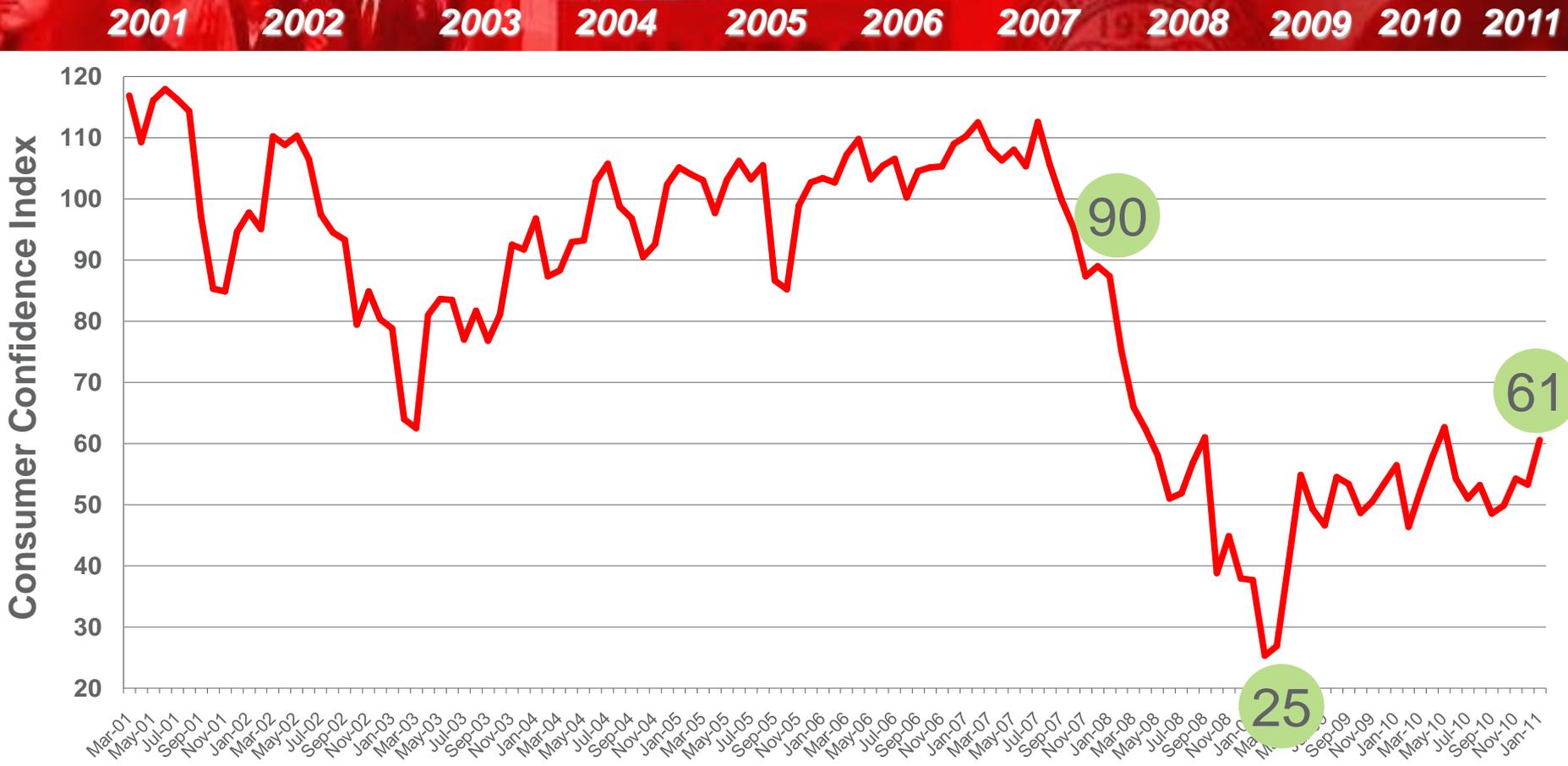
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nielsen
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The Economy is sometimes a bit like this – can't make its mind up



Consumer confidence lifted in January narrowing the gap between pessimism and optimism



Source: The Conference Board - Nine census regions, 5,000 US households; 1985 = 100

Confidence differs significantly by generation – Millennials most positive; Boomers least

Avg	United States	Millennials	Gen X	Boomers	Seniors
81	Nielsen – Consumer Confidence Index	95	79	71	76
		Top 2 Box			
26%	Job Prospects	42%	26%	18%	14%
44%	Personal State of Finances	60%	36%	38%	36%
31%	Readiness to Buy	39%	30%	27%	27%

Source: Nielsen Global Online Consumer Confidence and Opinion Survey Q4 2010 - U.S.

No spare cash, savings, and paying off debt dominant for Gen X and Boomers – Millennials top 5 includes “spending”

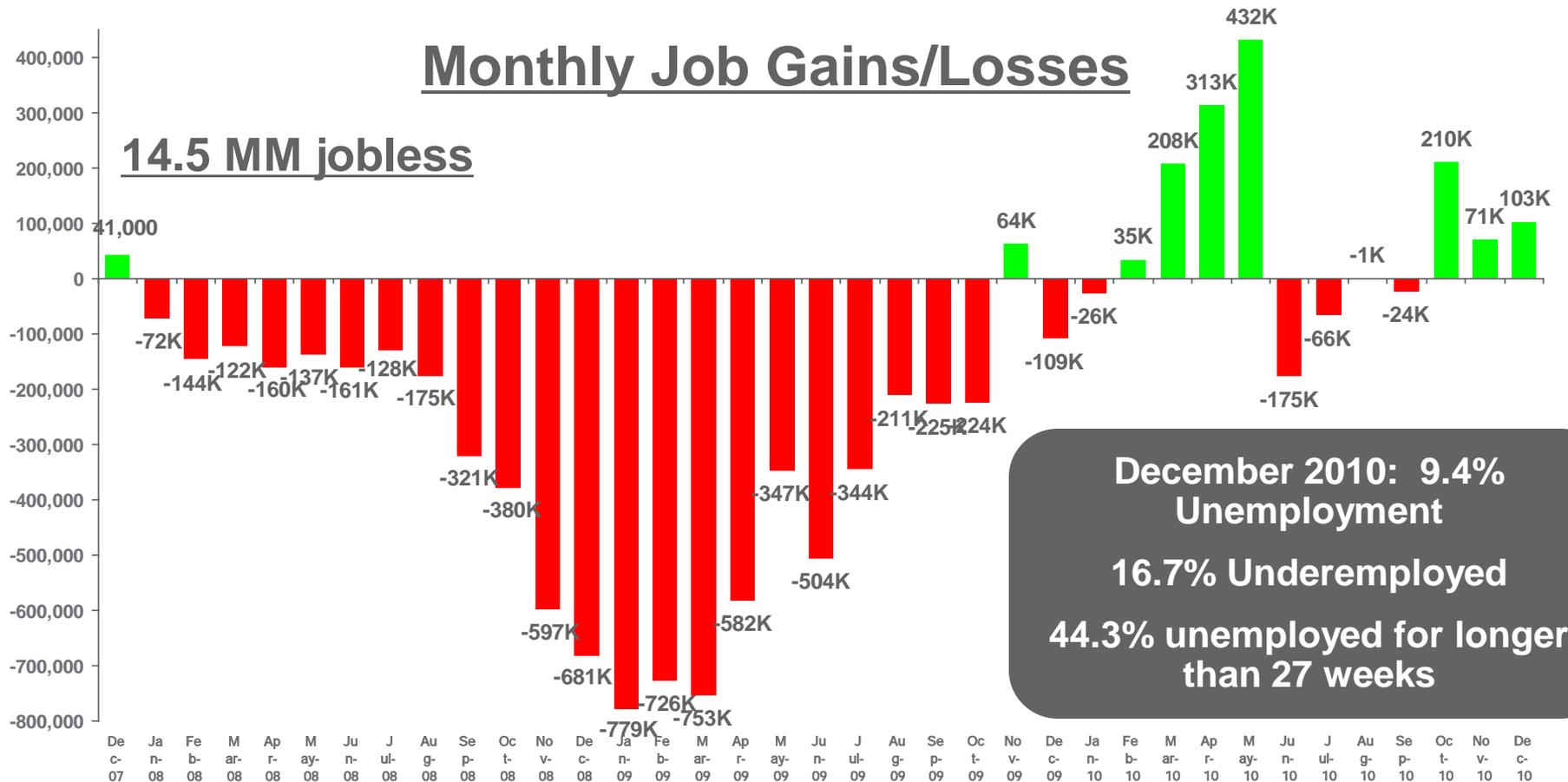
Once you have covered your essential living expenses, what do you do with your spare cash? I spend it on...

	Millennials	Gen X	Boomers
1	Pay off debts (48%)	No spare cash (46%)	No spare cash (38%)
2	Put into savings (44%)	Pay off debts (27%)	Put into savings (33%)
3	New clothes (30%)	Put into savings (26%)	Pay off debts (29%)
4	Holidays/vacation (28%)		
5	Out of home ent (20%)		

Source: Nielsen Global Online Consumer Confidence and Opinion Survey Q4 2010 - U.S.

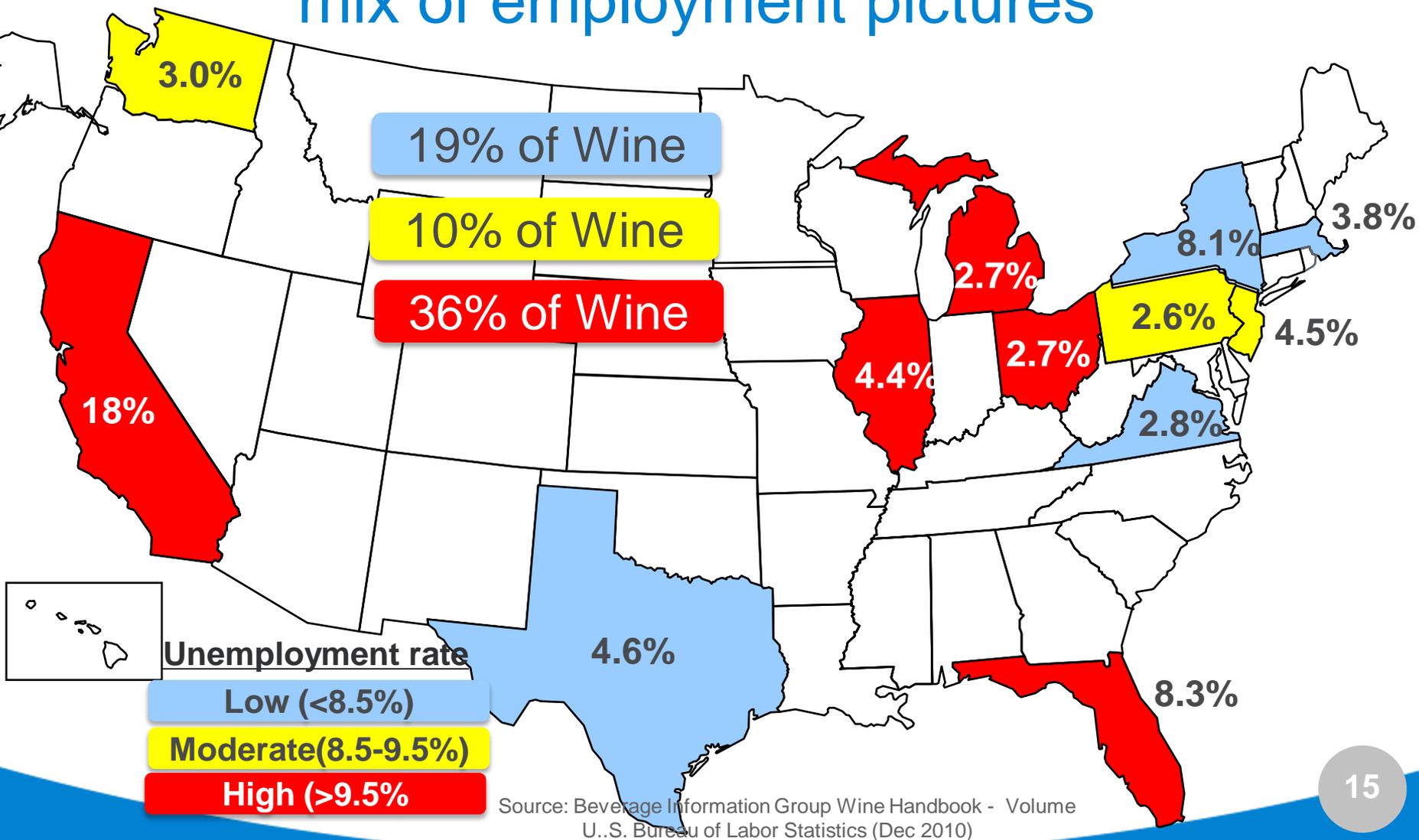
Note: Minimum of 20% of respondents to be listed

Unemployment falls to 9.4% as 260k give up the hunt & 103k hired from private sector



Source: Seasonally Adjusted U.S. Total Non Farm Employment, U.S. Government

The top 12 Wine consuming rates present a mix of employment pictures



Significant contrasts in job situations among different consumer groups

	Unemployment Rate	% of Pop'n	% of Wine	% of Spirits	% of Beer
<u>Race/Ethnicity</u>					
•White	8.5	68.9			
•Hispanic	13.0	13.4			
•Afr. Amer.	15.8	10.8			
<u>Age</u>					
•21-24	15.3	7.4			
•25-34	10.1	18.7			
•35-44	7.8	19.6			
•45-54	7.5	20.6			
•55+	6.9	33.7			
<u>Education</u>					
•<High school dipl.	15.3	19.2			
• High school grad no college	10.6	28.4			
•College Grad	4.9	24.3			

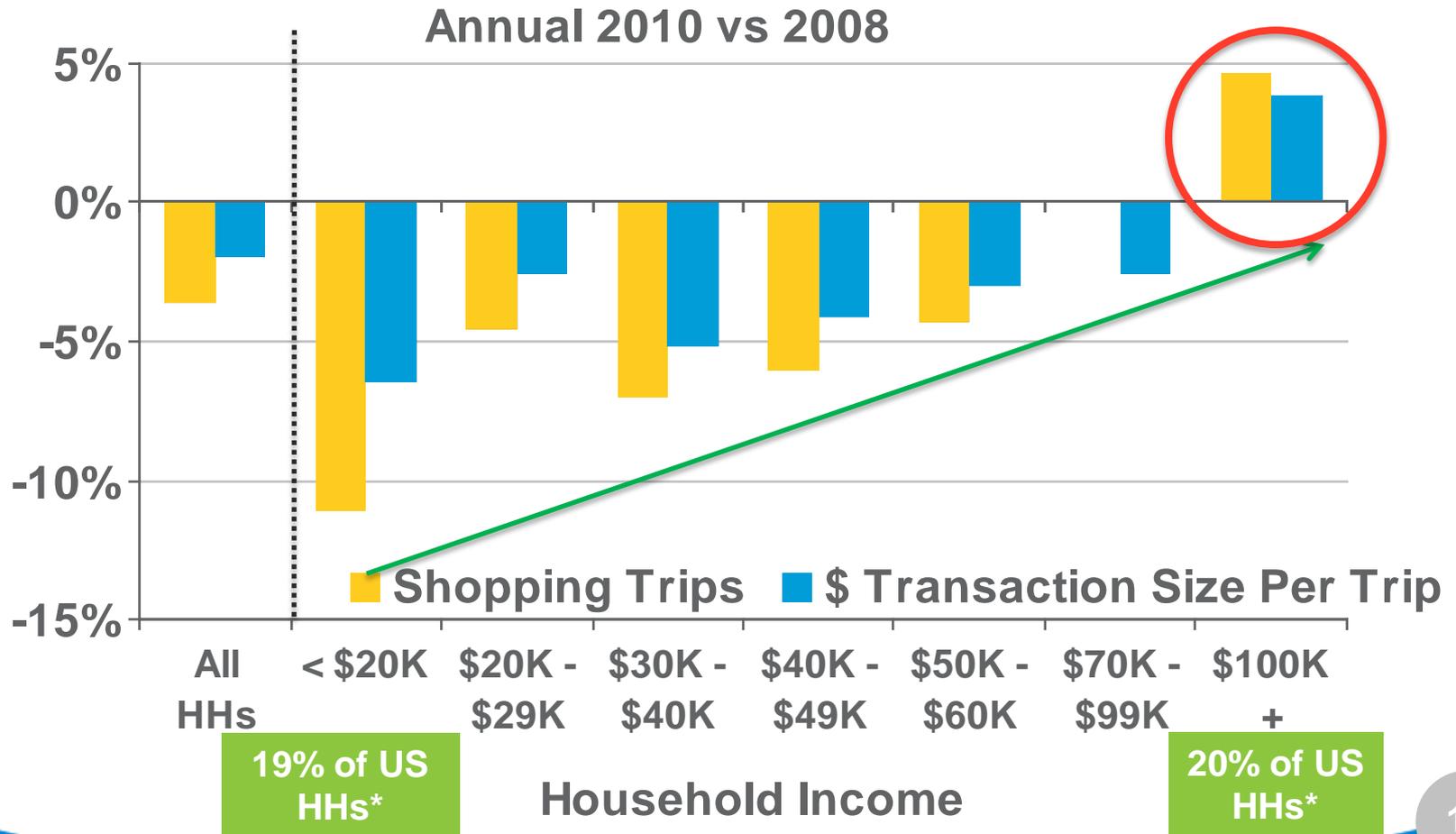
Source: Unemployment: Seasonally Adjusted U.S. Total Non Farm Employment, U.S. Government – Dec 2010
 Percentage of Category Sales: Nielsen Spectra

While not immune in the least, unemployment impacts Beer and Spirits moreso than Wine

	Unemployment Rate	% of Pop'n	% of Wine	% of Spirits	% of Beer
<u>Race/Ethnicity</u>					
• White	8.5	68.9	78.5	68.4	66.1
• Hispanic	13.0	13.4	8.9	12.3	16.4
• Afr. Amer.	15.8	10.8	7.3	14.4	11.2
<u>Age</u>					
• 21-24	15.3	7.4	4.0	11.4	12.5
• 25-34	10.1	18.7	13.6	22.5	25.6
• 35-44	7.8	19.6	16.3	17.2	21.3
• 45-54	7.5	20.6	22.0	19.3	22.0
• 55+	6.9	33.7	44.1	29.6	18.6
<u>Education</u>					
• <High school dipl.	15.3	19.2	10.2	15.5	21.8
• High school grad no college	10.6	28.4	20.2	27.4	28.4
• College Grad	4.9	24.3	39.9	25.5	19.2

Source: Unemployment: Seasonally Adjusted U.S. Total Non Farm Employment, U.S. Government – Dec 2010
 Percentage of Category Sales: Nielsen Spectra

Affluent households are driving shopper trips; polarization of income levels quite clear



Source: Nielsen Homescan, 2010 versus 2008 (excl gas only or RX-only trips)

*U.S. Census Bureau

Overall consumer behavior has shifted

Habitual

Questioning

Limited supply
Unlimited demand

Unlimited supply
Limited demand

Private Label as fall back

Private Label “Brands” equal or better

Coupons dying

Coupons reborn

Spending

Saving

Luxury Badge

Value Badge

And consumers have rephrased value

“I will weigh the costs/benefits of my spending.”

“I’ll trade down even if it means sacrificing what I really want.”

The consumer related “balance” sheet has both pros and cons



NEGATIVES

- Still high unemployment
- Still high foreclosures
- Home values below pre-recession
- Budget-strapped state/local govt.
- Increasing wallet pressures
 - Rising gas prices – highest since Oct 2008
 - Rising commodity prices

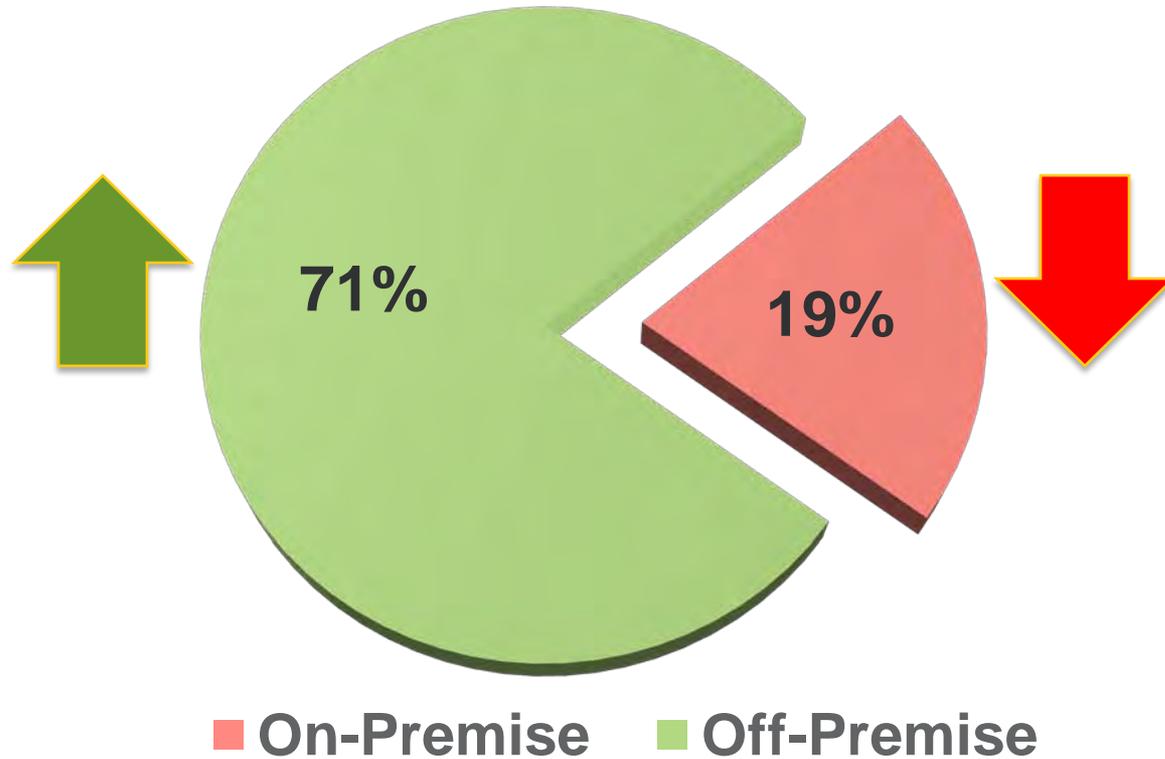


POSITIVES

- Job creation (albeit at low levels)
- Low mortgage rates
- Financial markets much better
- Marketplace pressures to “price” to retain/increase demand
- Increasing array of choices at all ends of the spectrum – stores, products
- Holiday sales +5%
- Shopping trip growth from affluent

There has also been a significant difference between On vs Off-Premise performance

Volume Importance Estimate - 2010

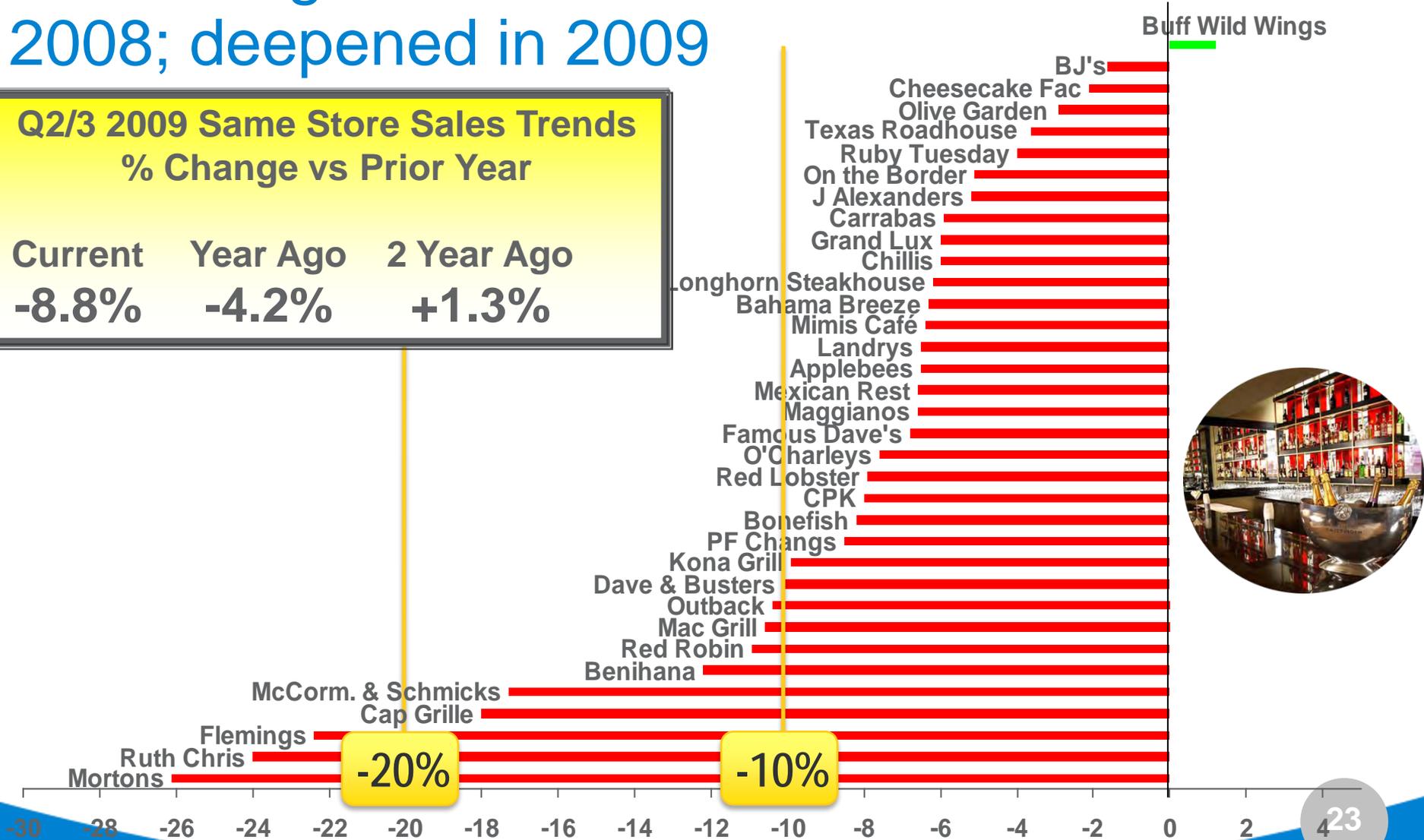


Sources: Beverage Information Group; Nielsen

The Dining scene started to worsen in 2008; deepened in 2009

Q2/3 2009 Same Store Sales Trends % Change vs Prior Year

Current	Year Ago	2 Year Ago
-8.8%	-4.2%	+1.3%

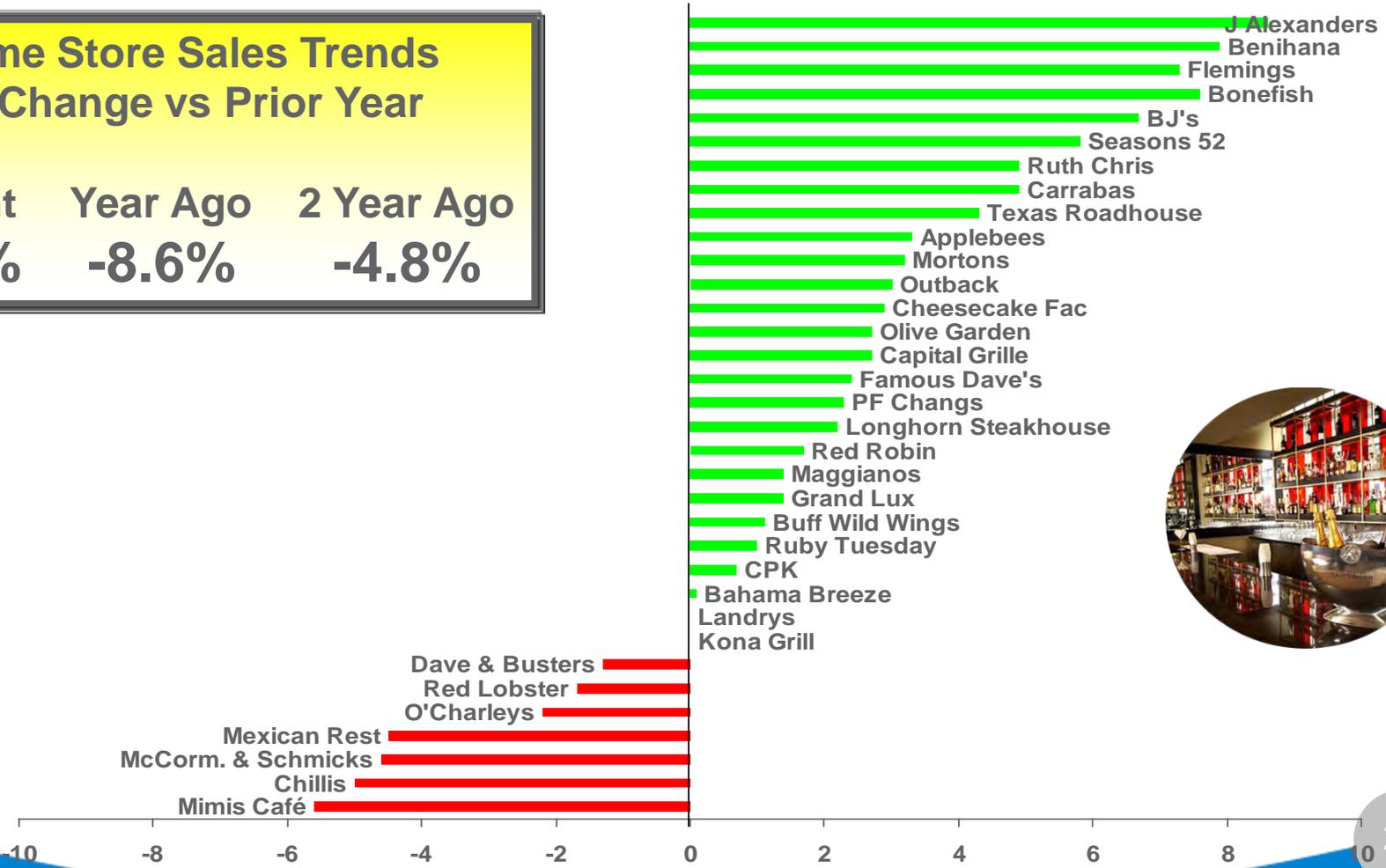


Source: Company Reports - NRN (Nov 9, 2009); Latest Quarter

Significantly more positives than negatives (vs those easier comps) – Q3, 2010

(financial reporting through Dec 2010)

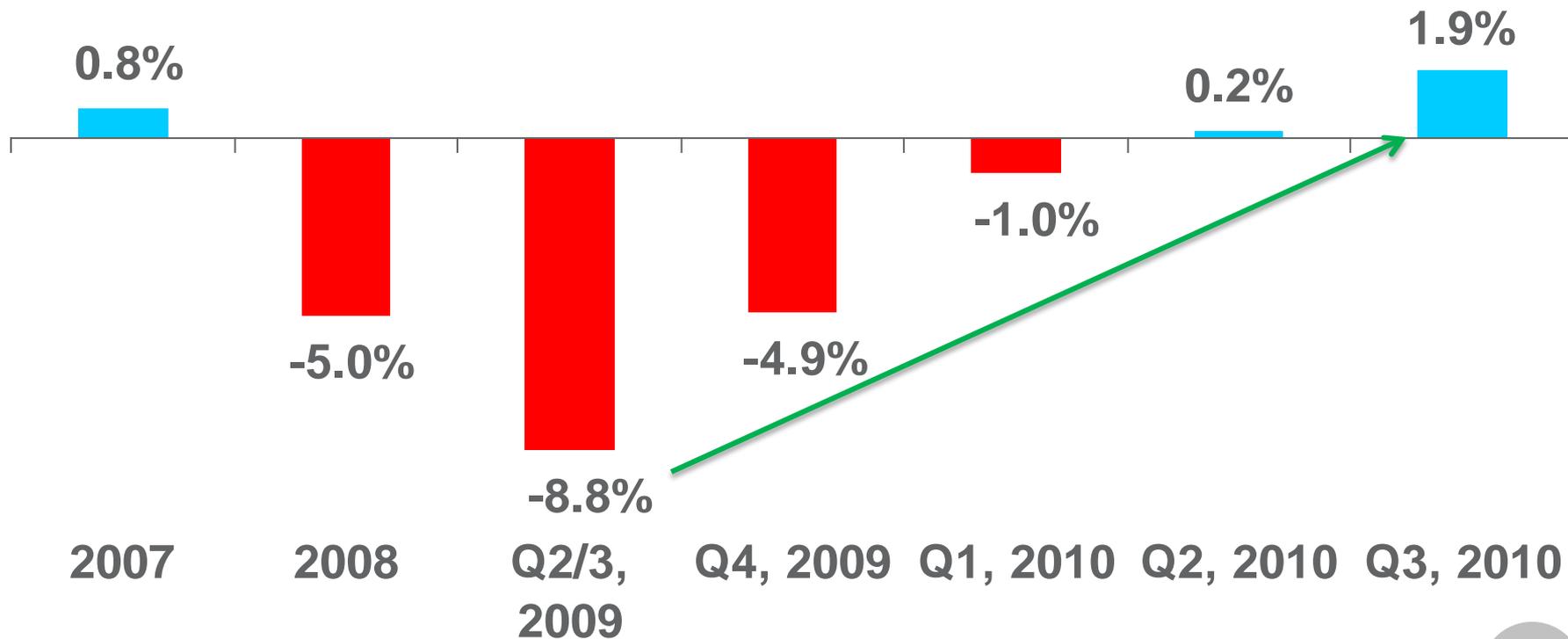
Same Store Sales Trends		
% Change vs Prior Year		
Current	Year Ago	2 Year Ago
+1.9%	-8.6%	-4.8%



Source: Company Reports - NRN (Dec 2010); Latest Quarter

And so at least we're heading in the right direction

Dining (Casual + Fine) Same Store Sales Comps



Source: Company Reports – Nation's Restaurant News (33 companies)

And so at least we're heading in the right direction

Dining (Casual + Fine) Same Store Sales Comps

If we started with a \$1MM restaurant in 2007...

❑ and followed similar same store industry trends, we'd have had a bit less than \$900K in 2010

❑ If the on-premise grows +2% in 2011, then +3% in the out years, we get back to \$1MM in 2015 – 8 years later!



Source: Company Reports – Nation's Restaurant News (33 companies)

Scenes from the On-Premise



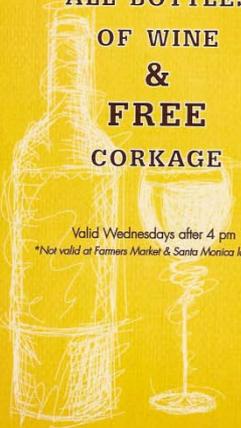
WINE DOWN WEDNESDAYS

You are halfway through the week!
Unwind at Marmalade with dinner and your favorite wine!



1/2 OFF ALL BOTTLES OF WINE & FREE CORKAGE

Valid Wednesdays after 4 pm
*Not valid at Farmers Market & Santa Monica locations



Barolo Doeg Corda della Briccolina 1998 WINEBAR

Search all wines by:

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- Country
- Price



Country: Italy [more info](#)

Grape: Nebbiolo [more info](#)

Producer: Bataciolo [more info](#)

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Designation: Grand Cru [more info](#)

Appellation: Barolo [more info](#)

Vineyard: DiSiena [more info](#)

Price: \$120

[next wine](#) [add to selects](#) [My selects](#)



Personal Sommelier



WINE NIGHTS

TUESDAYS BOURBON STEAK

50% OFF BOTTLES

WEDNESDAYS SALT WATER



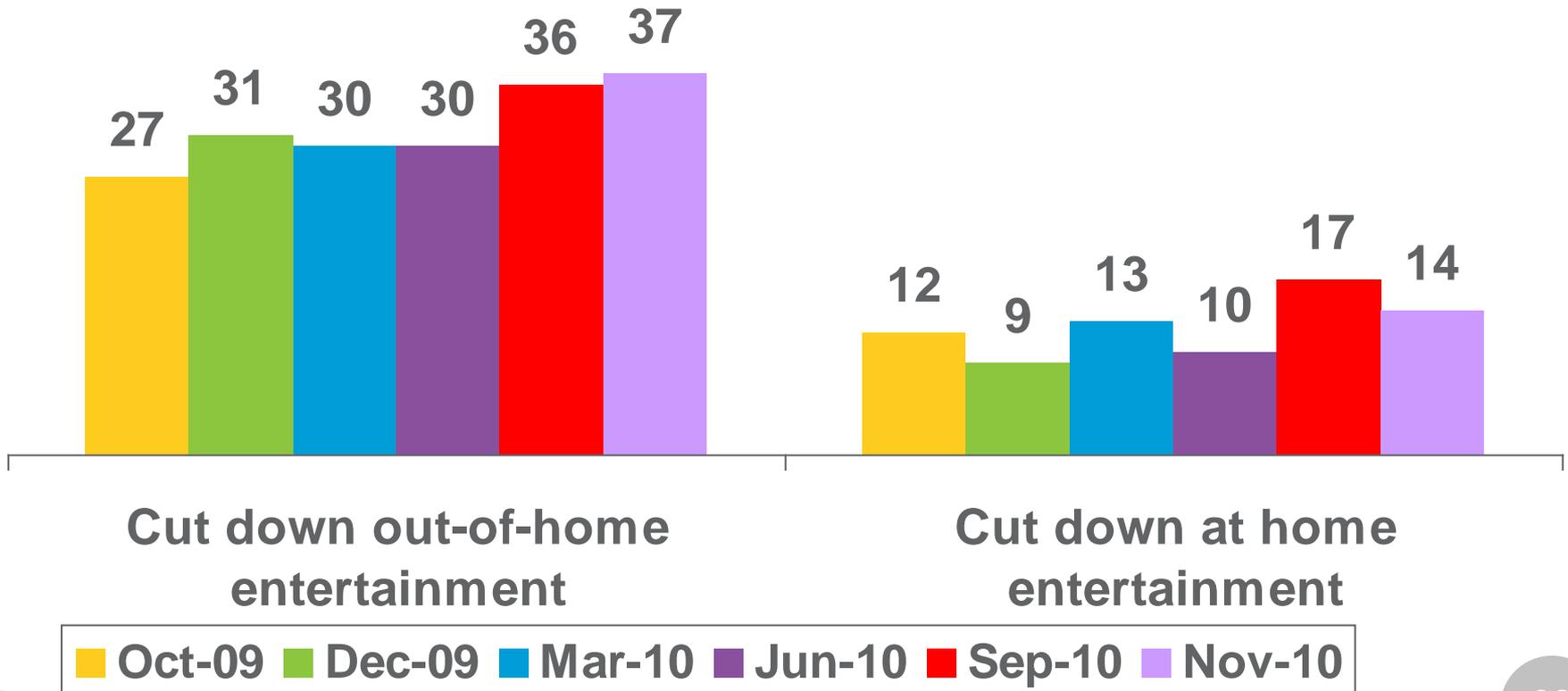

WINE

Half glasses now available

VINOTOPIA
restaurant & wine bar
LOCATED INSIDE CINETOPIA

On-Premise may be improving, but will remain pressured

When economic conditions do improve, which of these do you expect you will continue to do? (percentage)



Source: Nielsen Global Consumer Confidence Survey –U.S. Results

Economy Summary

- Conditions improved, and should continue to improve, but...
 - Recovery will likely be slow
 - Consumers will continue to be cautious and pragmatic; carefully assessing the costs/benefits before spending
- Very few untouched by economy; extent of impact uneven
 - By geography
 - By consumer segment
- Wine impacted, but to a lesser degree than many other categories
 - On-premise a “drag” on growth, but improving
 - Off-premise likely remains the better growth vehicle

Wine – Off-Premise



Nielsen covers an estimated 48% of total industry sales, and close to 60% of Off-Premise



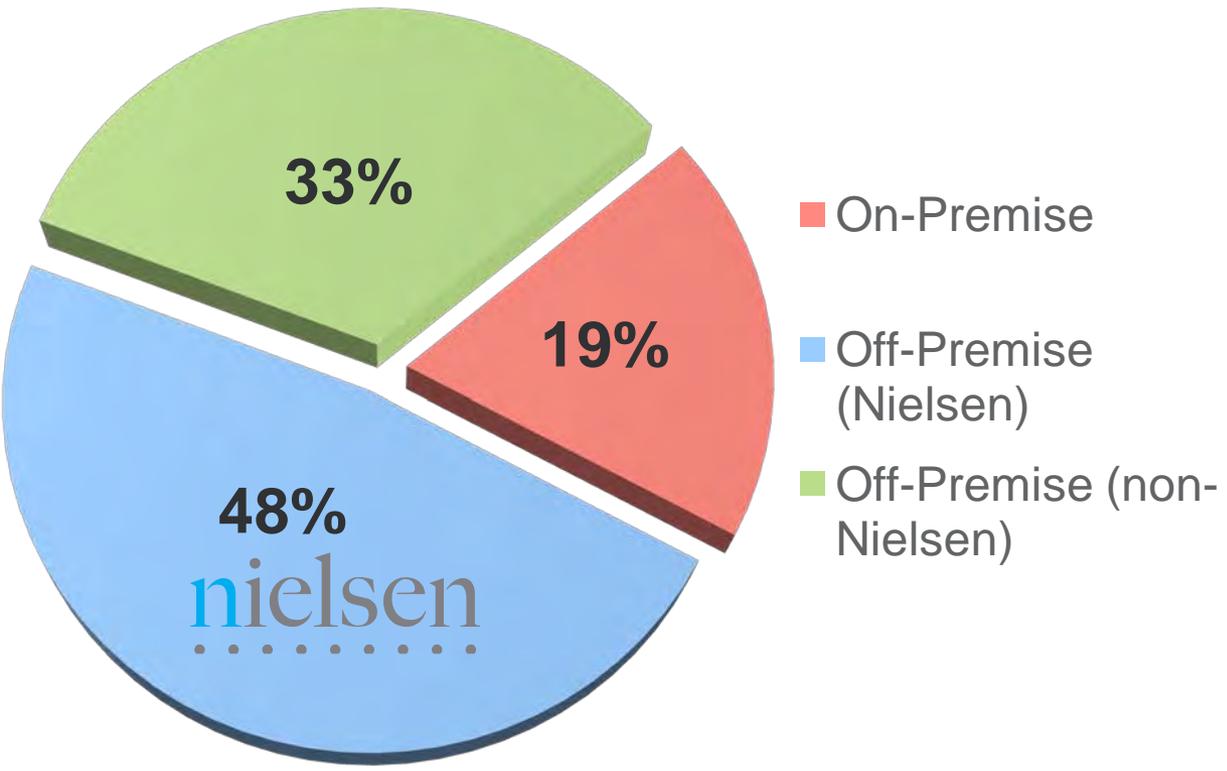
Volume Importance Estimate - 2010

Wine scan coverage

- \$10.7B, 143MM cases

ACROSS...

- Grocery stores, Drug stores, Convenience stores (Nationally)
- Several Liquor markets (many in states where not legal to sell in Grocery) and a variety of key Liquor chains across the country
- BJ's Club, Target



Sources: Beverage Information Group; Nielsen



Wine growth (through Nielsen measured channels) well ahead of Beer and Spirits

	Value % Change vs Year Ago				Volume % Change vs Year Ago			
	Annual 2007	Annual 2008	Annual 2009	Annual 2010*	Annual 2007	Annual 2008	Annual 2009	Annual 2010*
Beer	+3.2%	+3.2%	+1.7%	+1.4%	+0.5%	+0.2%	-0.7%	-0.7%
Wine	+6.1%	+4.3%	+2.9%	+4.5%	+2.9%	+1.8%	+1.4%	+3.2%
Spirits	+4.4%	+3.2%	+1.0%	+2.6%	+2.2%	+2.2%	+0.9%	+2.4%

Source: Nielsen TI U.S. Food/Drug/Conv/Liquor Plus
 *Annual 2010 - *Wine/Spirits – through 1-8-2011; Beer through 1-1-2011

Wine is very attractive to Retailers

Ranking Among 117 Nielsen Measured Categories

Category	Unit Growth Rank	Dollar Growth Rank	Absolute Dollar Gain
Wine	#3	#3	#3
Spirits	#9	#14	#18
Beer	#40	#21	#8

WINE provides...

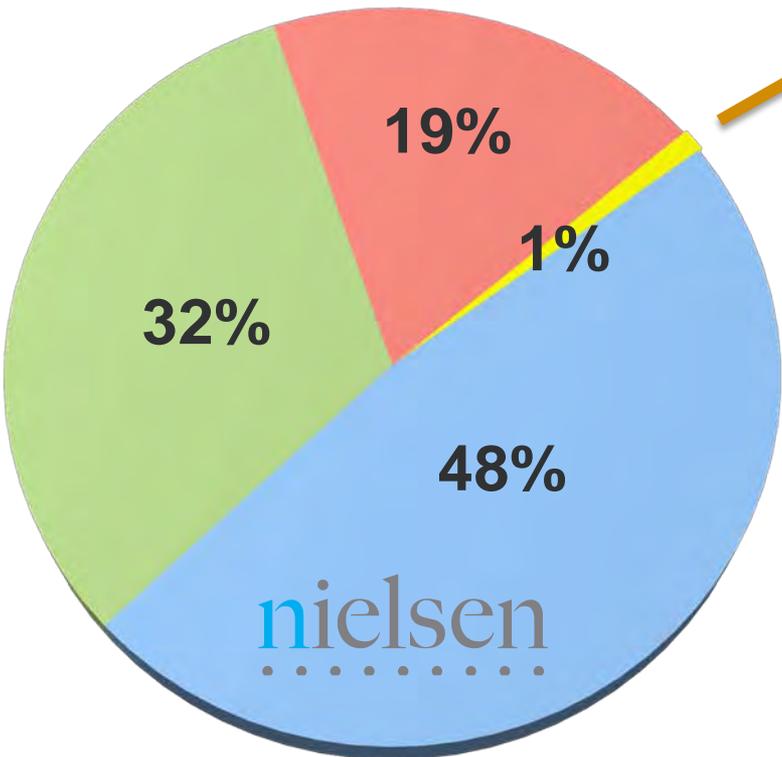
1. Growth – top of the class!
2. Size– bigger than Cookies, Soup, Butter/Margarine, Candy
3. Profit – high price/unit
4. Large sized shopping baskets - in Grocery....
\$41 w/out Wine, \$73 with Wine (\$14 is Wine)

Source: Nielsen Scantrack, (U.S. FDM w/ Walmart)
52 weeks ending 11/27/2010 (vs. prior year); UPC-coded



Estimated D2C shipments are relatively small in overall size, but growing well, and a larger value contributor

Volume Importance Estimate - 2010



Volume*	+13.8%
Dollars*	+15.9%
Avg bottle price* \$36.56	
*9 mos to Dec 2010 vs YAG	

- DtC Shipments
- Off-Premise (Nielsen)
- Off-Premise (non-Nielsen; ex D2C Shipments)
- On-Premise

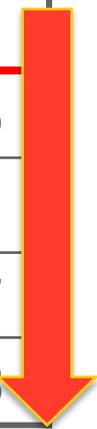
Sources:
 Beverage Information Group for Total Industry Size; Nielsen
 Wines & Vines, ShipCompliant for Dtc Estimates (thru Dec 2010)



Table Wine – Price Tiers

Trading down was a 2008/09 event. Now, price points >\$9 are growing best, but with degrees of accompanying price decreases

Lat 52 \$ Share	Price Segment	Value % Chg		Volume % Chg		Lat 26 Avg Price
		Lat 52	Lat 26	Lat 52	Lat 26	
100%	Ttl Table Wine	+4.5%	+4.8%	+3.2%	+3.5%	\$6.36
8.4	\$0-\$2.99	-1.3	-2.5	-2.4	-2.6	\$2.22
29.3	\$3-\$5.99	+4.4	+4.2	+4.8	+4.9	\$4.81
20.2	\$6-\$8.99	-3.4	-3.3	-1.0	-0.9	\$7.09
20.8	\$9-\$11.99	+10.0	+10.5	+12.4	+12.5	\$10.15
10.0	\$12-\$14.99	+7.8	+8.1	+10.3	+10.2	\$12.81
6.2	\$15-\$19.99	+7.0	+9.4	7.7	+10.3	\$16.57
5.0	>\$20	+11.4	+11.8	+9.2	+11.0	\$28.28



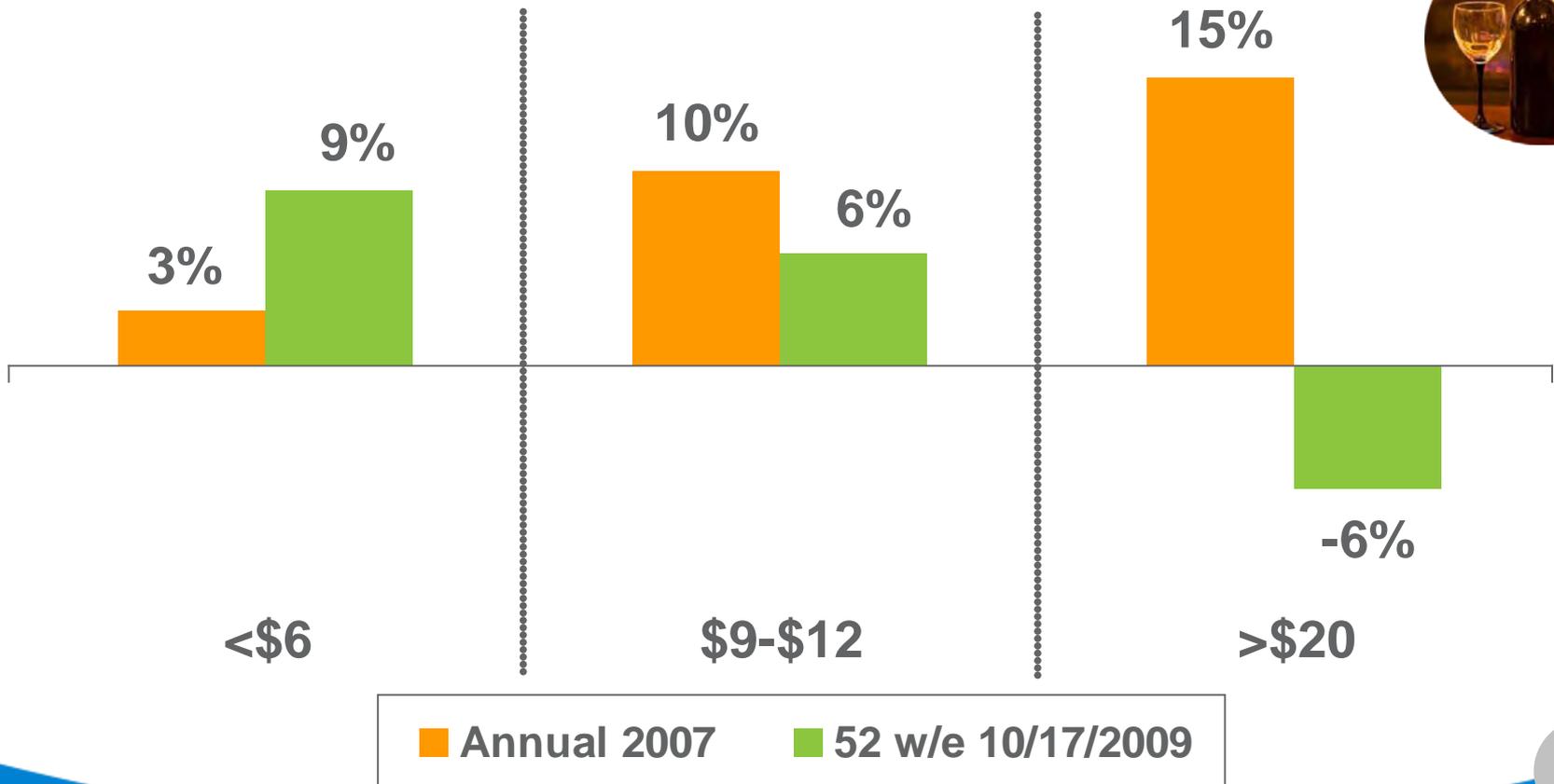
Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 1-8-2011;
Pricing trend direction based upon Food store price trend

Domestic performance better Imports across all price points

Volume/Cases	Domestic		Import	
	Share	% Chg	Share	% Chg
<\$2.99	98%	-2.4%	2%	-6.7%
\$3-\$5.99	78%	+7.5%	22%	-3.8%
\$6-\$8.99	46%	-0.4%	54%	-1.5%
\$9-\$11.99	68%	+13.0%	32%	+11.1%
\$12-\$14.99	74%	+12.3%	26%	+5.0%
\$15-\$19.99	81%	+8.6%	19%	+3.9%
>/>=\$20	68%	+10.2%	32%	+7.3%

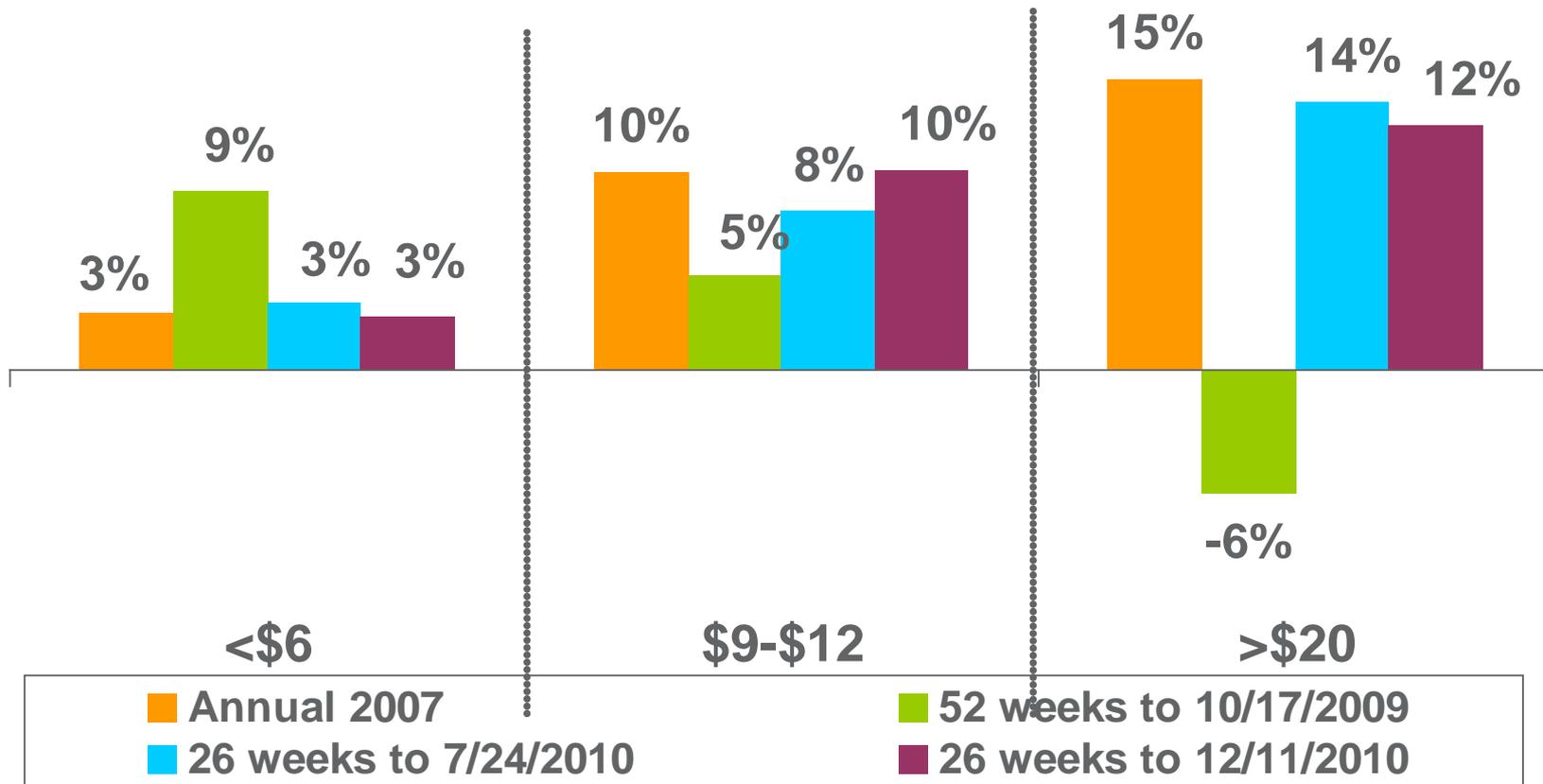
Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 1-8-2011

Pre-recession, premiumization was the reigning dynamic. Through the recession, trading down dominated



Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus/Dollars

With the recovery through 2010, we saw a “trading up” comeback

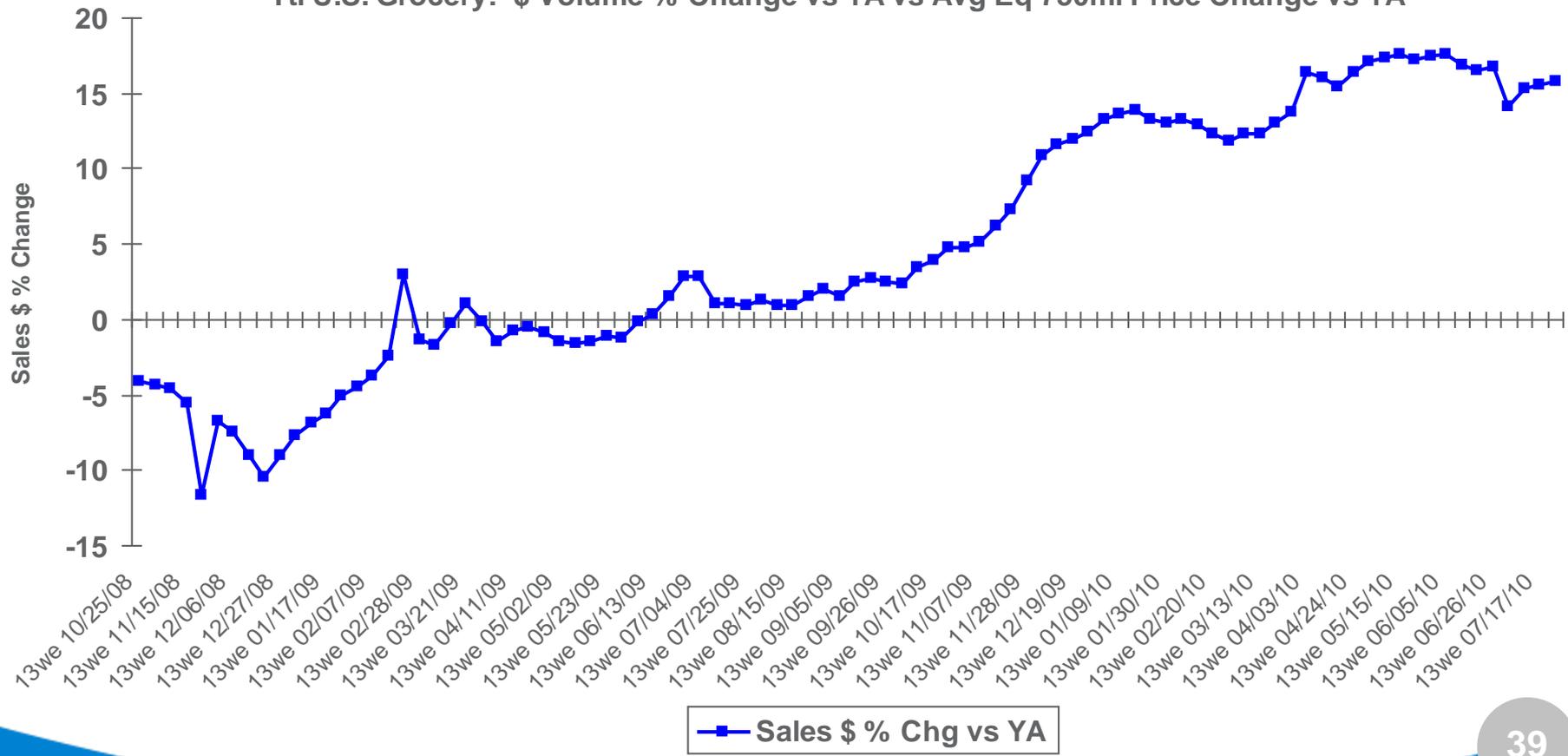


Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus/Dollars

Growth of \$20+ wines surged...

Wines >\$20 - Rolling 13 Week % Change

Ttl U.S. Grocery: \$ Volume % Change vs YA vs Avg Eq 750ml Price Change vs YA

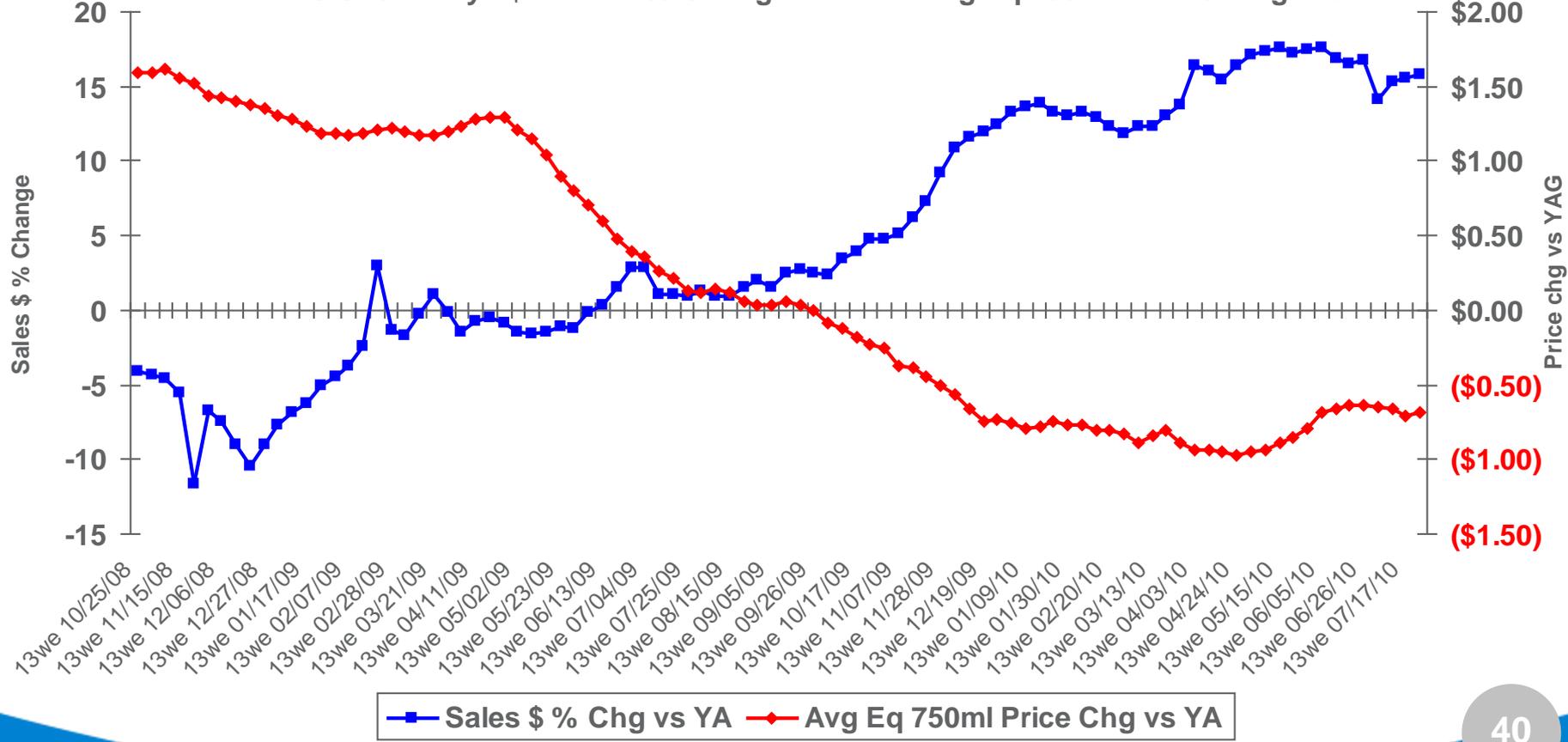


Source: Nielsen, Total US Food, 13 weeks rolling (pre-reffresh)

Growth of \$20+ wines surged, but there was broad downward pricing heading into 2009 holidays and through mid-2010

Wines >\$20 - Rolling 13 Week % Change

Ttl U.S. Grocery: \$ Volume % Change vs YA vs Avg Eq 750ml Price Change vs YA



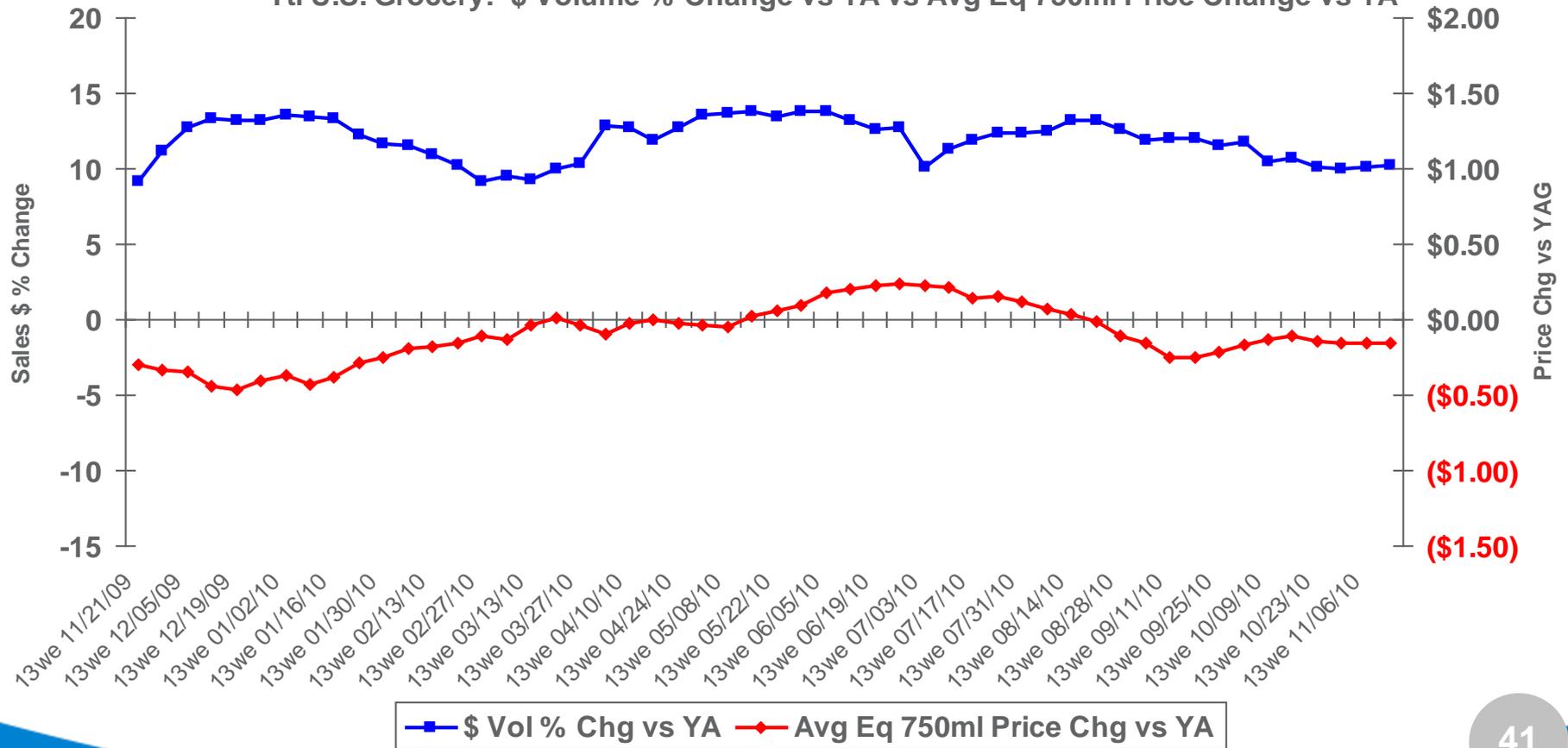
■ Sales \$ % Chg vs YA ◆ Avg Eq 750ml Price Chg vs YA

Source: Nielsen, Total US Food, 13 weeks rolling (pre-reffresh)

When looking now at the brands in the “reset” \$20+ price range, prices are more stable

Wines >\$20 - Rolling 13 Week % Change

Ttl U.S. Grocery: \$ Volume % Change vs YA vs Avg Eq 750ml Price Change vs YA



Source: Nielsen, Total US Food, 13 weeks rolling (post refresh)

Even with some acknowledgment that higher priced wines are typically better quality, consumers broadly report finding good quality wines at lower prices, and many don't plan to change



	Total Panel		Core Drinkers	
	Oct 2009	Oct 2010	Oct 2009	Oct 2010
Net: % Agree with Statement less % that Disagree with Statement				
<i>Wine that costs more is typically of better quality</i>	+9	+10	+15	+17
<i>I am finding good quality wines available at lower prices</i>	+58	+64	+62	+65
<i>Even when the economy turns around, I will continue to buy wine that is less expensive than the wine I used to buy</i>	+11	+14	+19	+19

Source: WMC - Wine and the Economy Survey (Oct 2010)

Table Wine – Package Size/Format

750ml growth still (but with average price attrition); 187 ml and alternative packaging (3L premium box, tetra) still leading the way in growth

Sales Share		Package Size/ Type Segment	Value % Change	Volume % Change	Average Price
Value	Volume				
100%	100%	Ttl Table Wine	+4.5%	+3.2%	\$6.22
67.7	46.7	750 ML	+5.4	+6.4	\$9.02
21.0	27.7	1.5 L	+1.2	+2.0	\$4.71
4.1	13.2	5 L	+1.3	+0.2	\$1.94
2.0	2.0	187 ml	+7.2	+7.3	\$6.40
1.7	2.5	3 L Prem Box	+17.6	+14.9	\$4.10
1.3	3.6	4 L	-8.5	-12.3	\$2.18
1.2	2.7	3 L Glass	-5.2	-7.4	\$2.80
0.4	0.4	Tetra	+23.2	+23.8	\$5.56

Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 1-8-2011

Table Wine – Box/Tetra Pak Wine

Growth led by “Premium” 3L boxes, and Tetra Pak 1L and 500ML

6% 15%

Volume	Value	Package Size /Type Segment	Value % Change	Volume % Change	Average Price/750 ml
100%	100%	TTL Box Wine	6.0	2.2	\$2.41
76%	80%	TTL 5 L Box	1.7	0.3	\$1.94
21%	21%	TTL 3L Box	12.3	7.4	\$3.70
7%	6%	3L <\$10	(2.1)	(5.6)	\$2.79
4%	4%	3L \$10 - \$15	(3.5)	(4.1)	
10%	11%	3L >\$15	24.5	24.9	\$4.69
3%	3%	TTL Tetra Pak	23.2	23.9	\$5.56
1%	1%	Tetra 1 L	20.5	24.5	\$5.44
2%	2%	Tetra 500 ML	43.8	43.1	\$5.55

Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 12-11-2010

Box/tetra sales growth segments continue to attract new entrants

of Box/Tetra Brands and Items

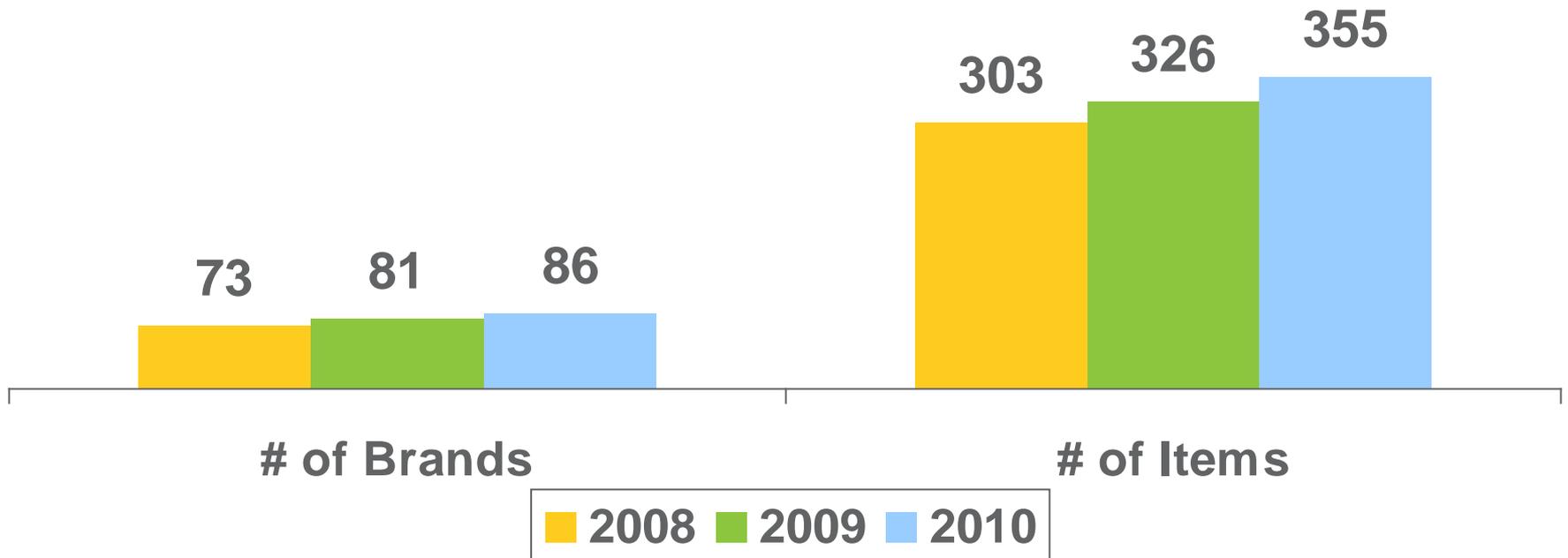


Table Wine – Origin

Domestic growth is running well ahead of Imports, with all major wine-growing states contributing

Sales Share		Origin	Value % Change	Volume % Change	Average Price
Value	Volume				
100%	100%	Ttl Table Wine	+4.5%	+3.2%	\$6.22
71.5	75.7	Domestic	+5.8	+4.2	\$5.88
65.1	71.0	--California	+5.7	+4.1	\$5.71
4.0	2.9	--Washington	+5.1	+5.5	\$8.73
0.8	0.3	--Oregon	+15.3	+18.7	\$14.64
0.3	0.4	--Texas	+4.5	+4.2	\$5.33
0.2	0.2	--N. Carolina	+10.1	+13.2	\$8.30
28.5	24.3	Imported	+0.4	+0.2	\$7.28



Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 1-8-2011

Table Wine – Imports Origin

Softness from AU and FR; clear growth leaders remain AR and NZ, ranked #5 and #6, but with opposite pricing trends. DE and ES strengthening



Sales Share		Country of Origin	Value % Change	Volume % Change	Average Price
Value	Volume				
28.5%	24.3%	Ttl Imported	+0.4%	+0.2%	\$7.28
8.7	6.7	- Italy	+1.9	+2.4	\$8.11
8.1	8.2	- Australia	-7.7	-6.5	\$6.10
2.6	3.2	- Chile	+1.1	+1.9	\$5.10
2.4	1.5	- France	-7.1	-8.9	\$10.10
2.1	1.7	- Argentina	+23.2	+17.4	\$7.91
1.4	0.8	- New Zealand	+25.3	+34.4	\$11.30
1.2	0.9	- Germany	+7.0	+9.7	\$8.58
1.2	0.7	- Spain	+1.3	+3.6	\$9.70
0.3	0.2	- S. Africa	-9.1	-5.3	\$8.24
0.2	0.2	- Portugal	-2.9	-5.0	\$6.35



Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 1-8-2011

Table Wine – Top 10 Varietals

Riesling and Pinot Noir lead the way, followed by several others - Sauv Blanc, Zinfandel, P. Grigio and Cab Sauv



Sales Share		Varietal	Value % Change	Volume % Change	Average Price
Value	Volume				
100%	100%	Ttl Table Wine	+4.5%	+3.2%	\$6.22
21.7	21.2	Chardonnay	+2.1	+2.9	\$6.34
14.8	12.2	Cab Sauv	+6.0	+6.1	\$7.57
9.6	10.3	Merlot	-4.1	-2.5	\$5.84
8.0	7.3	P. Grigio/Gris	+5.6	+8.2	\$6.87
5.8	3.8	P. Noir	+10.2	+13.7	\$9.63
4.5	7.4	White Zin	-3.5	-2.9	\$3.82
4.4	3.4	Sauv Blanc	+9.1	+8.2	\$8.17
2.9	2.6	Syrah/Shiraz	-8.8	-8.1	\$6.87
2.6	2.0	Riesling	+10.0	+14.2	\$8.01
2.3	1.6	Zinfandel	+5.8	+6.9	\$9.14



Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 1-8-2011

Red Blends doing well; Moscato and Malbecs not sneaking up any longer, but still on fire



Sales Share		Varietal	Value % Change	Volume % Change	Average Price
Value	Volume				
100%	100%	Ttl Table Wine	+4.5%	+3.2%	\$6.36
3.7	2.9	Red Blends	+6.6	+5.7	\$7.87
2.0	2.1	Moscato	+100.1	+100.7	\$5.97
1.5	1.0	Malbec	+41.7	+52.9	\$9.15



Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 1-8-2011

Moscato - #1 in “absolute volume increase”

	Volume Rank	Absolute Volume Change
1	Chardonnay	Moscato/Muscat
2	Cab Sauv	Cab Sauv
3	Merlot	Chardonnay
4	White Zin	P. Grigio/Gris
5	P. Grigio/Gris	P. Noir
6	Pinot Noir	Malbec
7	Sauv Blanc	Sauv Blanc
8	Syrah/Shiraz	Riesling
9	Moscato/Muscat	Zinfandel
10	Riesling	Syrah/Shiraz (-)
11	Zinfandel	White Zin (-)
12	Malbec	Merlot (-)

Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 1-8-2011

Domestic growth exceeds Imports almost across the board; Sauv Blanc the exception

Volume/Cases	Domestic		Import	
	Share	% Chg	Share	% Chg
Moscato/Muscat	86%	+105.9	14%	+74.2
Chardonnay	84%	+4.9%	16%	-6.8%
Cab Sauv	83%	+7.4%	17%	+0.3%
Merlot	80%	-0.5%	20%	-9.6%
Pinot Noir	73%	+18.7%	27%	+2.2%
Sauv Blanc	66%	+0.5%	34%	+27.3%
Riesling	53%	+21.7%	47%	+6.7%
P. Grigio/Gris	49%	+13.3%	51%	+3.6%
Syrah/Shiraz	27%	-8.6%	73%	-7.9%

CA Riesling:
+41.7%

Source: Nielsen Total U.S. Food/Drug/Conv/Liquor Plus; thru 1-8-2011

Looking Out to the Future



**Challenge of building
brands**

**Graying population
AND Millennials**
Generational changes

**Multi-cultural changes
(ethnic growth)**

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1 Brand Building Challenges

Wine consumers like adventure and exploration – room for lots of choices and “new” choices, but presents “brand building” challenges

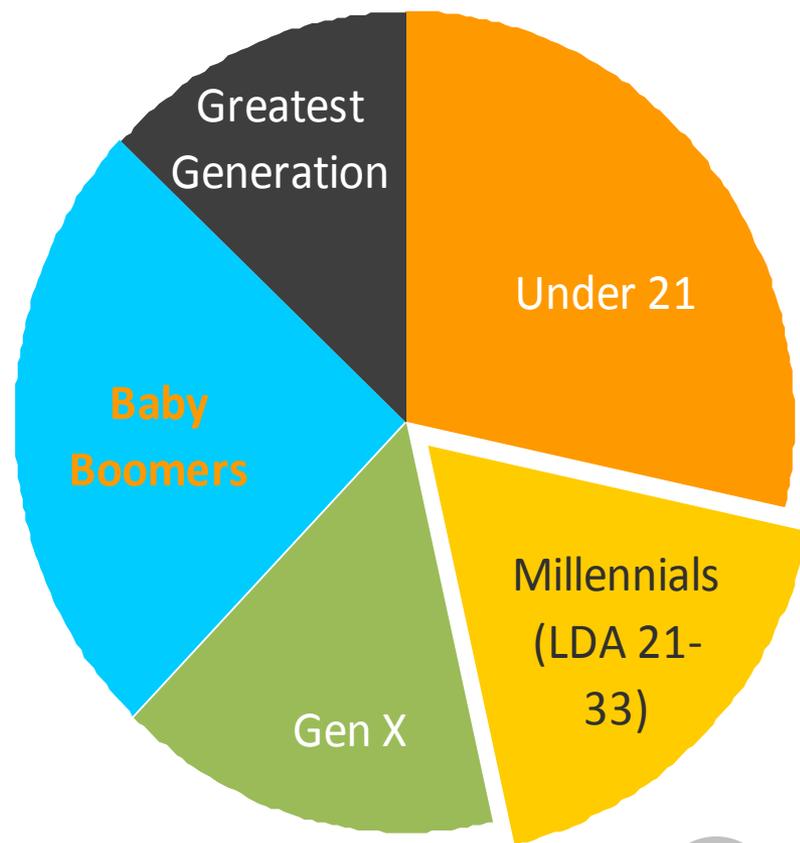
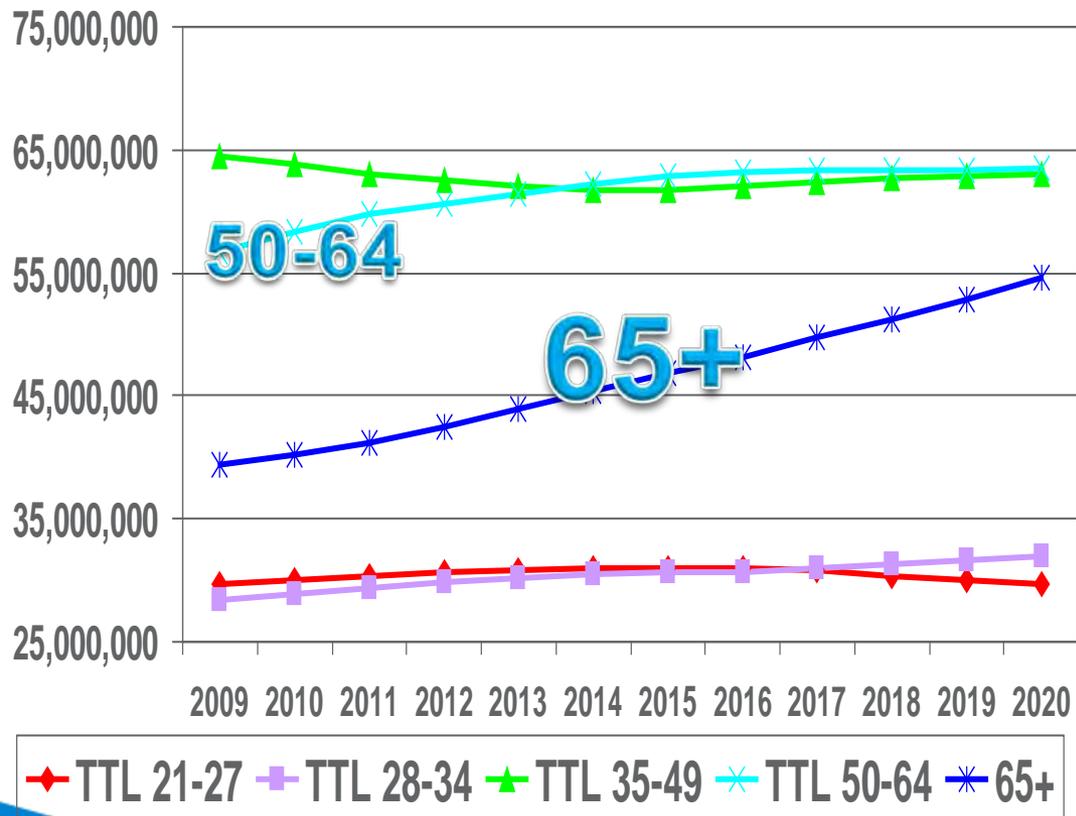
The “BRAND” Scorecard	<i>Net: % Agree minus Disagree</i>		
Statement:	Beer	Wine	Spirits
<i>I prefer to buy well-known brands</i>	+34	+1	+46
<i>I like to buy brands that are smaller or less well-known</i>	-21	+7	-28
<i>I like to explore new/different products</i>	+5	+42	+12

Source: Nielsen Beverage Alcohol Consumer Survey (May 2010)

② Age/Generational Change

The importance of “seniors” will continue to grow, while Millennials (Gen Y) represent further reason for optimism

Projected Population by Age Group (2009-2020)

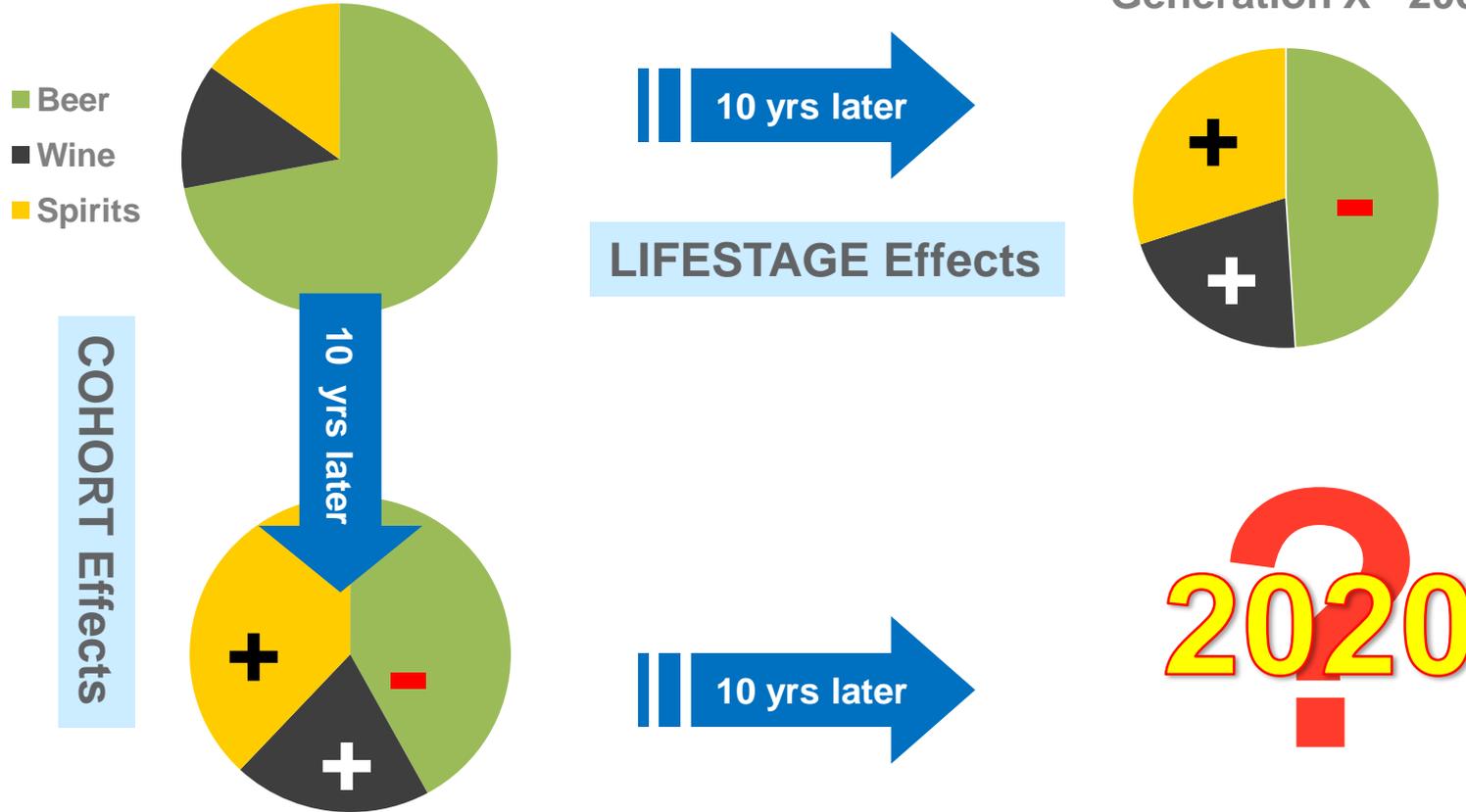


Millennials are providing Wine (and Spirits) with a strong tailwind

Bev AI Volume Distribution (Drinks Equivalency, Off-premise)

Generation X - 1999

Generation X - 2009

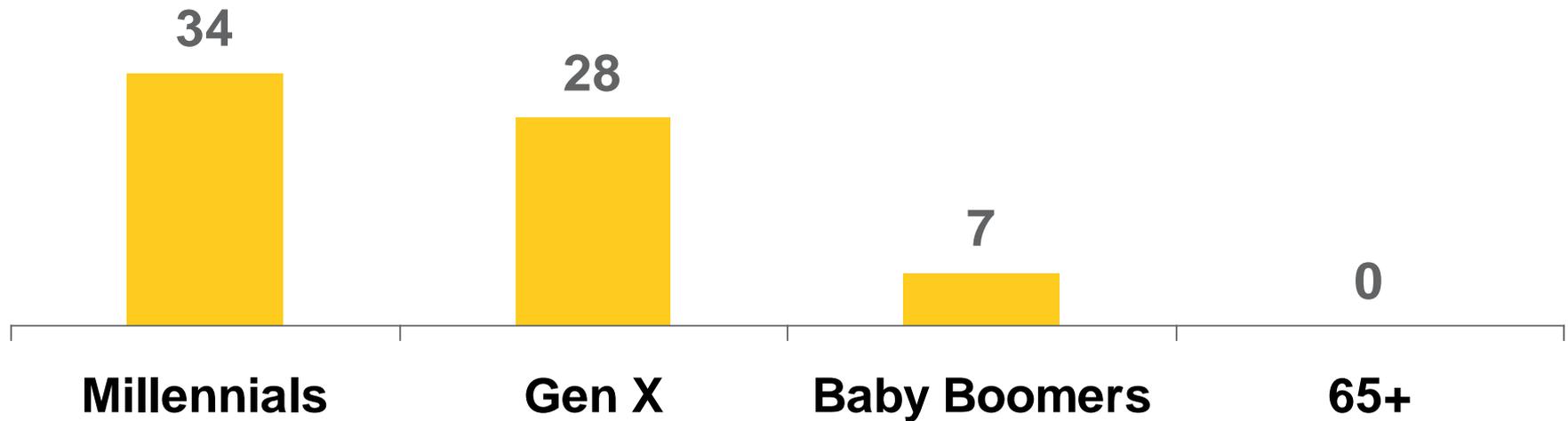


Millennials - 2009

Source: Nielsen Homescan (2009)

Younger generations are driving new Wine growth more than any other ages

% drinking more Wine minus % drinking less Wine compared to a few years ago

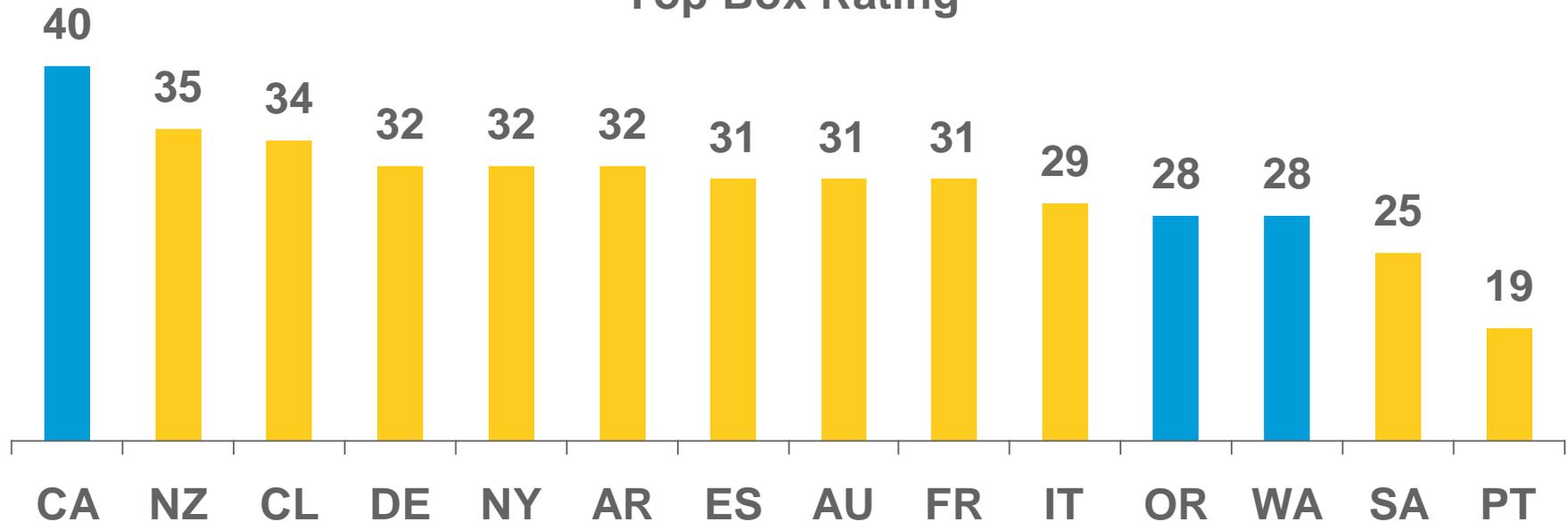


Source: Wine Market Council Tracking Study - 2010

Millennials rate California wines ahead of any others on Value

(Percentage by country or state (purchased past 3 months))

MILLENNIAL Value Rating of Wines From... Top Box Rating



Source: Wine Market Council Tracking Study - 2010

What Makes Your Generation Unique?

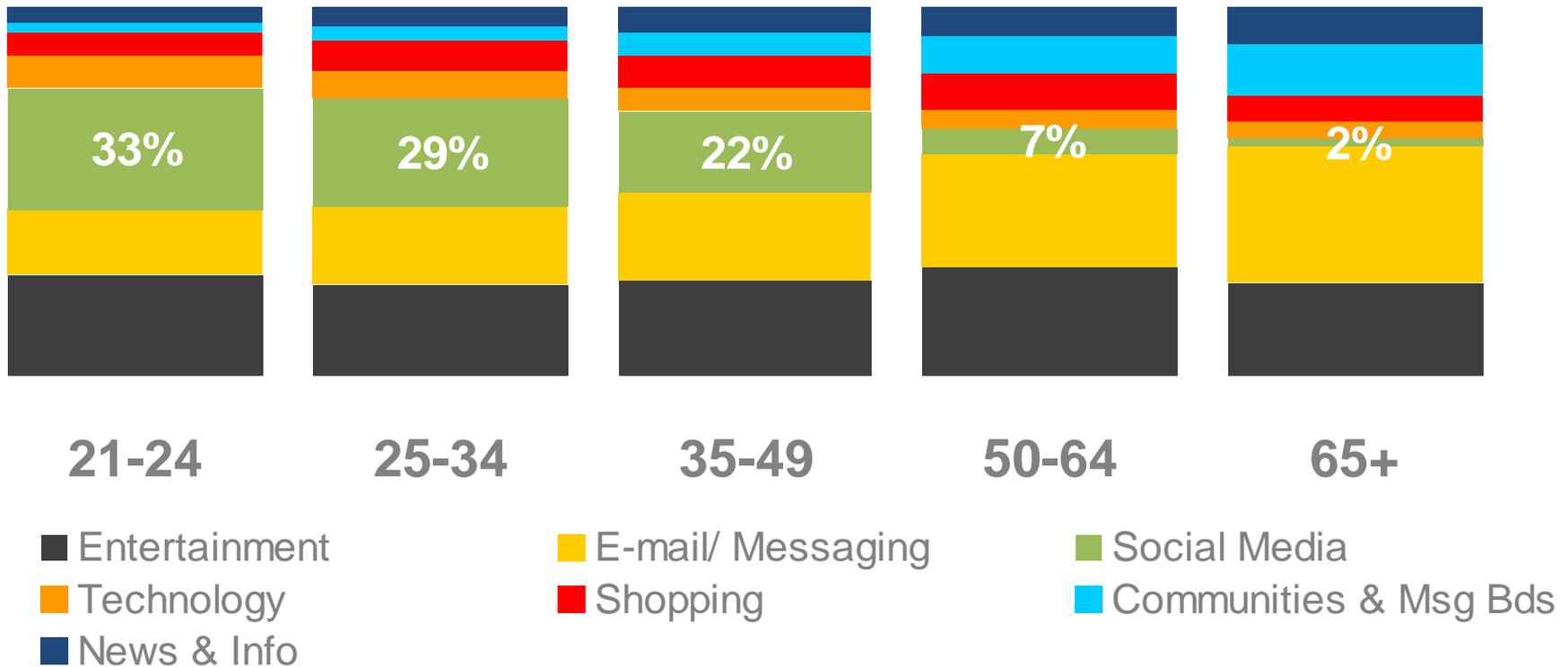
A Self-Assessment

Millennials	Generation X	Baby Boomers
Technology (24%)	Technology (12%)	Work Ethic (17%)
Music/Pop Culture (11%)	Work Ethic (11%)	Respectful (14%)
Liberal/Tolerant (7%)	Conservative/Traditional (7%)	Values/Morals (8%)
Smarter (6%)	Smarter (6%)	“Baby Boomers” (6%)
Clothes (5%)	Respectful (5%)	Smarter (5%)

Source: PEW Research Center (Feb 2010)

A large percentage of Millennials' internet time is spent with social media

Wine is social, and social media is hot

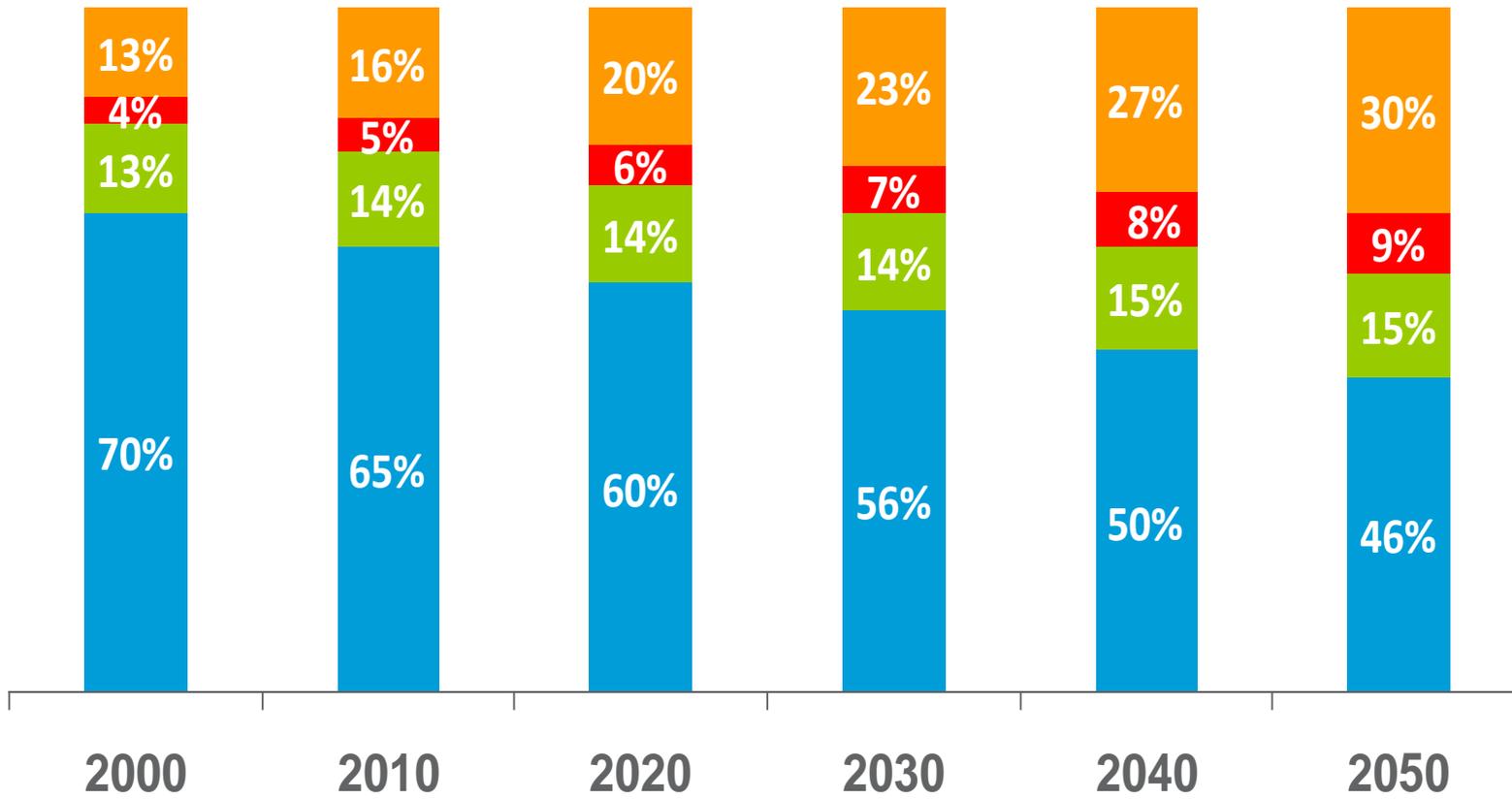


Source: Nielsen Online

3 Multi-Cultural Change

By 2036, 21+ will be majority multi-cultural

Distribution of the U.S. Population (21+)

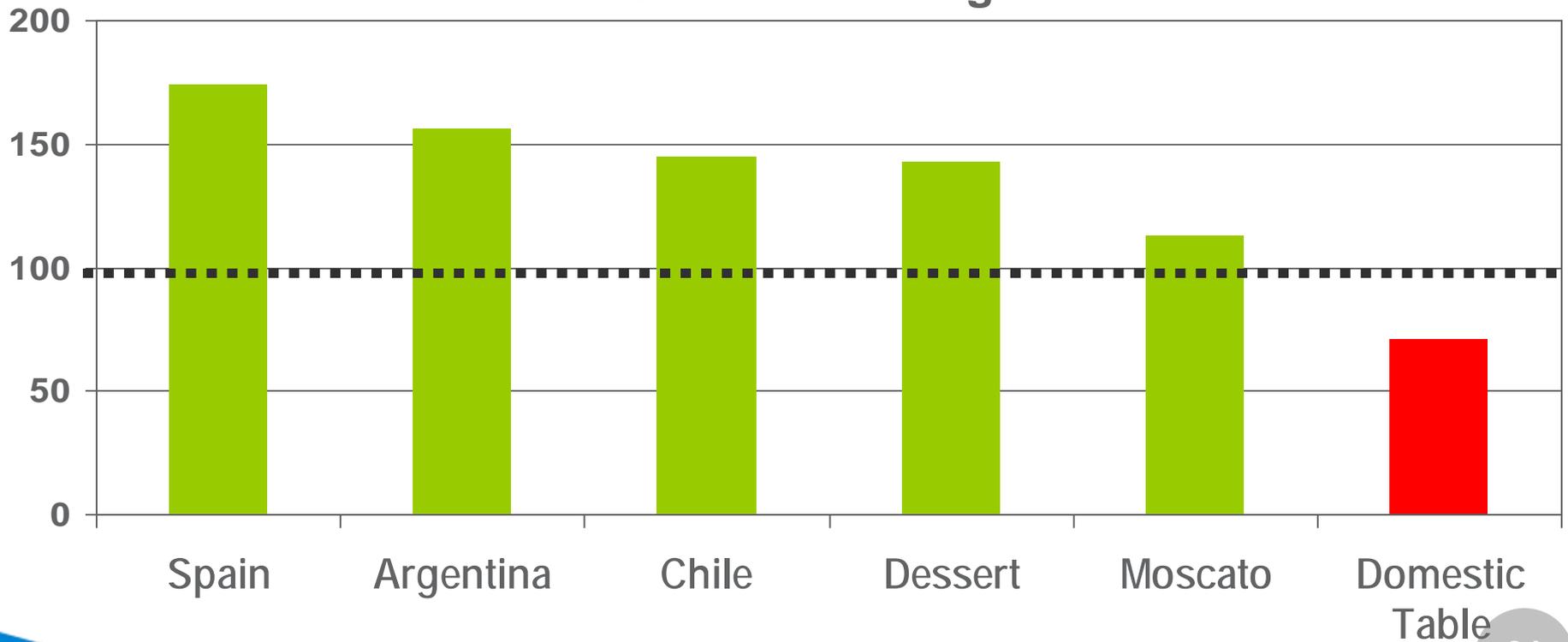


■ White Non Hispanic
 ■ Afr Amer
 ■ Asian
 ■ Hispanic

Source: U.S. Census Bureau Projections (Aug 2008)

Wines from Spain/Latin America, and sweeter wines, are well developed among Hispanics; contrast that to Domestic wines – BUT...

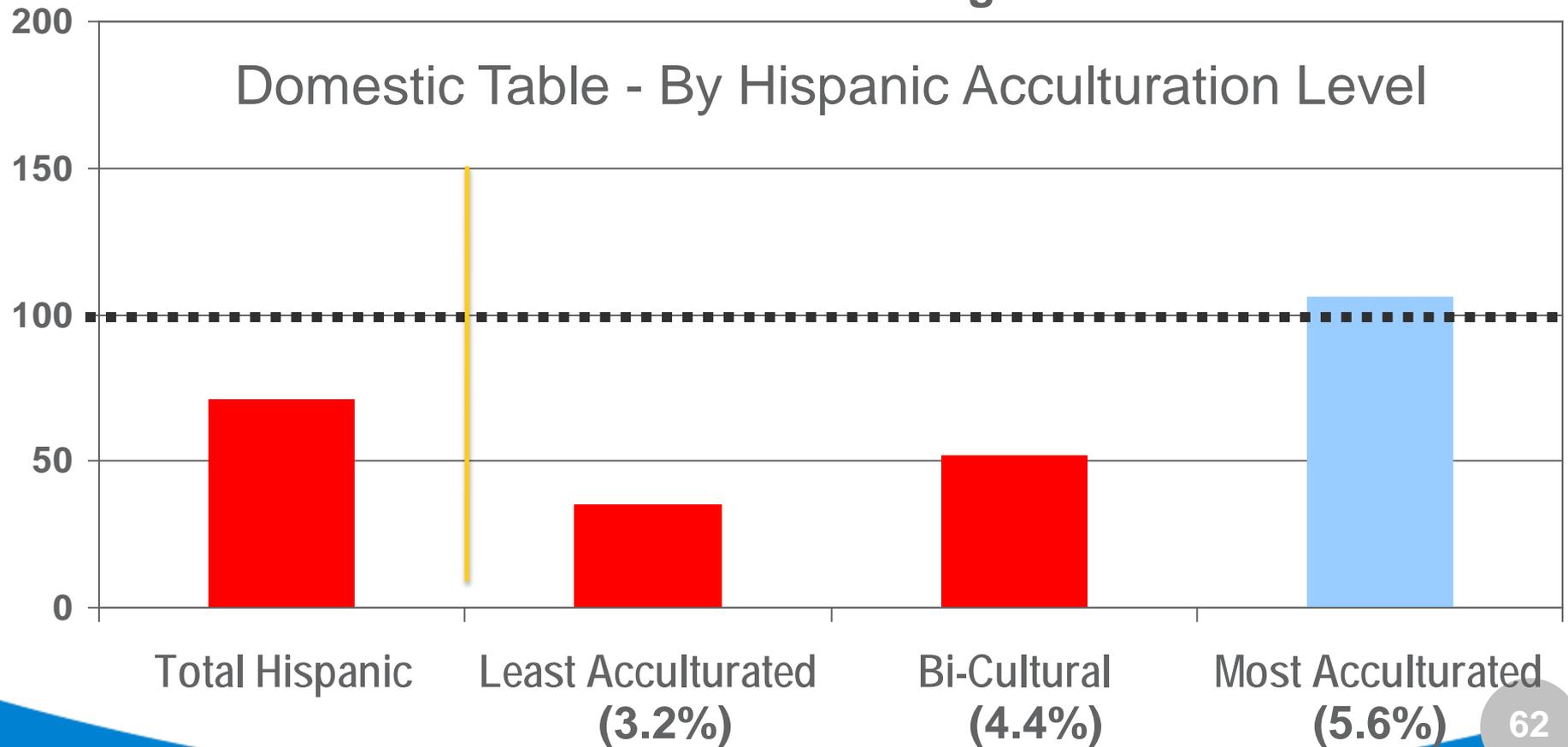
Hispanic Index - Volume % Relative to Population %
for Selected Wine Segments



Source: Nielsen Spectra (Simmons);
Homescan for Moscato

Acculturation levels factor significantly into the level of development of table wine

Hispanic Index - Volume % Relative to Population %
for Selected Wine Segments



Source: Nielsen Spectra (Simmons)

U.S. Hispanics were a country, it would be a big one; ignore them at your peril

U.S. Hispanic Population

- 48.4 MM*



Total Country Population

- France 65MM
- U.K 62MM
- Italy 58MM
- Spain 46MM
- Ukraine 45MM
- Argentina 41MM
- Poland 38MM
- Canada 34MM
- Romania 22MM
- Australia 21MM

Source: U.S. Census Bureau (Hispanics – July 1, 2009 estimate); Countries – 2010 estimate)

A Rising Tide Lifts all Boats

But be on the right boat!

- **Economy is recovering, slowly**
 - Consumers remain cautious, pragmatic
 - On-Premise improving, but will trail Off-Premise for some time
- **Wine faring “relatively” well; mid-single digit growth expected**
 - Wine less impacted due to its core demographics
 - Wine metrics attractive to traditional “mass” retailers
 - Dynamic growth in D2C; likely to continue
- **Wine prices stabilizing**
- **Wine growth at Nielsen’s mid to higher price end ; consumers still acknowledging good quality wine at lower prices – and likely resistant to price increases**
- **Domestics, led by CA, consistently outperforming Imports**
- **Future is positive – meet challenges; exploit opportunities!**

Thank You and Cheers!

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