



OPTIMISM IN THE ITALIAN WINE & SPIRITS INDUSTRY AS IT TAKES ON INTERNATIONAL MARKETS AND NEW CONSUMPTION STYLES IN THE POST-PANDEMIC SCENARIO

Sales of Italian wine grew by 3.5% in 2021 (compared with a 4.1% decrease in 2020), due to strong growth in exports in the main international markets (consumption CAGR +3.8% in 2021-22). Highest potential growth in China (CAGR +6.3%), Canada and Japan (CAGR +5.9%)

Italian wines in 2020: boom in e-commerce (sales through company websites up 74.9%) and investments in digital technologies (up 55.8%), Ebit margin resilient at 5.8% (down just 0.4 p.p.), with growth in alternative formats (i.e. non-glass; up 5.8%)

Record growth in biological wines (up 10.8%): one out of four Italian wine drinkers say they are fans

Increased demand for quality and experience, increased desire to return to wine bars: number of those who say they won't go to wine bars has reduced from 48% pre-pandemic to 42% post-pandemic

*Spirits: total sales down 1.7% in 2020, with a strong reduction in the Ebit margin, to 11.8% (down 4.1 p.p.).
For 2021 a recovery of 5.4% is expected*

Milan, 8 July 2021

The **Mediobanca Research Area, the SACE Research Department, and Ipsos** have today published their **first joint report** on the Italian wine and spirits sector, focused on analysis of domestic and international markets, and research into the social and cultural trends driving consumption.

The event at which the report was presented was a significant opportunity for institutions, operators along the whole filière, wine-makers and sector representatives to come together and dialogue with each other. In their opening talks, Gabriele Barbaresco, Head of the Mediobanca Research Area, Alessandro Terzulli, Chief Economist at SACE, and Enzo Rizzo, Scientific Director of Ipsos, provided indepth insights into the results of the report. Other speakers also included Marco Magnocavallo, CEO and Co-Founder of Tannico; Roberto Castagner, CEO Acquavite S.p.A.; Alessandro Mutinelli, Chairman and CEO IWB; Luca Giavi, General Manager of Consorzio di Tutela Prosecco DOC; Nadia Zenato, owner of Zenato Azienda vitivinicola; Giovanni Mantovani, General Manager, Veronafiere S.p.A.; Gianni Bruno, Exhibition Manager, Wine & Food Vinitaly; and Simonetta Aciri, Chief Mid-Market Officer, SACE.

Leading Italian companies: 2020 performance and expectations for 2021

In 2020 the leading Italian wine manufacturers reported a **4.1% decrease in turnover** (with domestic sales down 6.3% and exports down 1.9%). There was a slight reduction at the **Ebit margin level**, down from 6.2% in 2019 to 5.8%. The performance in terms of **net profit as a percentage of sales** was resilient at 4.1% (4.2%). **Sparkling wines** lost ground (down 6.7%) to **still wines** (down 3.5%). **The co-operatives** managed to limit their reduction in turnover to 2%. The **large-scale distribution channel** increased its share from 35.3% last year to 38% (with an increase in value terms of 2.3%), while the **hotels/restaurants/catering channel** saw its share reduce from 17.9% to 13.4% (down 32.7%), and **wine bars and cellars** saw their share decrease from 7% to 6.7% (down 21.5%).



Online sales soared during the pandemic: sales via the companies' own web portals climbed 74.9%, those via specialist online platforms leapt by 435%, and those via general marketplaces rose by a huge 747%. In 2020 investments by the leading wine-makers in digital technologies also increased, by 55.8%, against a 14.3% reduction in overall **investments**, and a 13.4% reduction in **advertising spending**. For the companies that reported increases in total sales in 2020, 70.8% of their revenue was generated from sales of **basic wines** (under €5 pe bottle), a share which reduces to 52.6% for the group of companies that reported reductions in turnover. But it is likely that the shift to higher-end segments has only been postponed until after the pandemic, when consumption styles stabilize once again.

An impressive performance was reported in the area of **biological wines**, with sales up 10.8% in 2020, which now account for a market share of 2.3%; **vegan wines** were resilient (up 0.5%, also representing 2.3% of the total market share). **Biodynamic wines**, meanwhile, have yet to take off, with sales down 21.9% in the year and still only accounting for 0.1% of the total market. There was growth of 5.8% in **wines packaged in containers other than glass** in 2020 (carton packaging, tins, bags in boxes): these are lighter, eco-sustainable, suitable for online sales and in line with the younger generations' interest in new features.

For 2021, the **leading wine manufacturers** expect to see growth of 3.5%, which rises to 4.6% for exports only. The **leading manufacturers of spirits** also expect to see growth, of 5.4% (4% for exports).

Wine and spirits: international appetite for consumption

The global map of appetite for consumption of wine and spirits shows the closest relationship between consumption and drinking rituals is typically found in the English-speaking countries (**Australia, United Kingdom and the United states**), with the odd example also in **Eastern Europe** (Serbia and Poland, with Russia still some way behind) and the global North (Canada and Sweden). **China** emerges as an open, tolerant market. **Core Europe** appears to be well aligned in an intermediate position, with Germany, France and Italy all showing similar tolerance levels, while the attitude **in the global South and South East** is more problematic, with the sole but important exception of **South Africa**. In general the appetite for wine consumption is higher than that for spirits.

Italian exports

In the 2021-22 two-year period, an **annual increase of 3.8% in wine consumption is expected for many of the main markets**. With regard to the two largest importers of Italian wine, the annual average growth rate expected is **2%** for the **United States** and **3.1%** for **Germany**. In **Switzerland** wine consumption is expected to be stable. The **United Kingdom**, however, is a separate matter: annual growth of 2.4% is expected, by the prospects are complicated by the post-Brexit developments. Opportunities will come from other markets already familiar with Italian wines: **Canada** and **Japan** both see strong increases in wine consumption (annual growth rates of 5.9% for both countries). But **China** is the nation which shows the highest growth potential, seeing a 6.3% annual increase in the 2021-22 period. One unusual phenomenon is the country of **Vietnam**, a market which is still very small but with high growth rates in terms of consumption (up 9.6%), in part due to trade agreements with the EU which protect geographical indications and reduce customs tariffs and charges.



Italian exports of wines and spirits account for 30% of the nation's sales of food and drinks beyond its own borders, and **in 2020 amounted to €7.8bn**. The segment is coming off the back of several years' growth (wine CAGR 2010-19 +6.3%, +9.7% for spirits), which, however, came to a halt in 2020, when exports of wine shrank by 2.3% and of spirits by 6.8%. In 2020 **Italian wine exports** were worth **€6.3bn**: a bottle of Italian wine is most likely to be opened over dinner at homes in the United States (23.1% of the total), Germany (17.1%) and the United Kingdom (11.4%). **These in 2020: sales of Italian wines declined in the United States (down 5.6%) and the United Kingdom (down 6.4%), but Germany reversed this trend, with an increase of 3.9%**. Sales of sparkling wine were hit particularly hard by the pandemic, down 6.9%. **Italian exports generated by the spirits segment** are lower, at **€1.5bn**, and the European Union is the main market for them (60.4% of the total), along with two other markets, United States and Germany, which account for 40% of the total. In 2020 **growth in the US market (21.5%) made it the primary destination for exports of Italian spirits, removing Germany from first place** (up 3.5%).

So many regions, so many wines

In 2019 the **Veneto region ranked first for wine produced, both by volumes and value**, with 20% of the national total. In second place was Puglia, with 19.6% in terms of volume and 13.3% in terms of value. Tuscany and Piedmont both account for approximately 5% of the total volumes, but have double the share if measured by value. Regional differences are also perceptible in terms of trends in exports. **The top wine-exporting region in 2020 was again the Veneto**, with 35.5% of total international sales, more than twice the share of the second-ranking region, **Piedmont, with 17.2%**. **Tuscany**, which ranked third, accounted for 15.5% of national wine exports. In the year that will forever be associated with the Covid-19 pandemic, **the Veneto reported a 3.3% reduction in exports, but sales of Tuscan and Lombard wines beyond Italian borders also decreased**. Among the other regions, the highest reduction was in Umbria (down 24.2%), followed by Valle d'Aosta (down 21.9%), Sardinia (down 18.8%) and the Marche (down 14.5%). **Conversely, the wines produced in Trentino-Alto Adige, Emilia-Romagna and Piedmont increased their sales outside of Italy**. Regional differences are also felt on the companies' financial statements. For example, the **highest ROI** is reported by the wine-makers located in Abruzzo (9.7%), Piedmont (8.6%) and the Veneto (7.8%). **The best in class for financial solidity are the Tuscan manufacturers**, whose borrowings account for just 26.8% of the capital invested. **The Piedmontese and Tuscan wine makers are large exporters**, with exports accounting for more than 60% of their total sales (**66.9% the former, 61.7% the latter**).

Best Italian performers

The leader in terms of total sales for 2020 was the **Cantine Riunite-GIV** group, with €581m (down 4.4% on 2019), well ahead of the second-ranking performer, another co-operative, namely Caviro (Emilia-Romagna), whose sales were up 10% to near €362m. In third place came **Casa Vinicola Botter** of the **Veneto** region, with total sales of €230m (up 6.4%). **Next came five other companies all with turnover of above €200m**: Tuscan-based Antinori, with 2020 sales of €215m (down 12.5%), Cavit of Trento (2020 total sales €210m, up 9.6% on 2019), Fratelli Martini and IWB, both Piedmont-based (the former with total sales of €208m, up 1.1% on 2019, the latter with total sales of €204m, up 29.7%), followed by Enoitalia (Veneto), which

posted 0.8% growth in total sales to €201m. In terms of the **highest increases in total sales** in 2020, IWB leads the way with a 29.7% increase, ranking it ahead of Contri Spumanti which reported growth of 13.8%, Caviro and Mondodelvino (both of which saw increases of 10%), Cavit (9.6%) and La Marca (up 8.7%), followed by Botter and Schenk Italia which posted increases of 6.4% and 5.7% respectively. If we look at **profitability** (measured by net profit as a percentage of total sales), the Tuscan and Veneto-based companies led the way in 2020: Antinori (26%), Frescobaldi (24.5%) and Santa Margherita (24.2%). The **recent acquisition Enoitalia by IWB** has led to the creation of a player with sales of some €405m, making it the **second in Italy by total sales in 2020**. The **Clessidra fund's assets** (Botter and Mondodelvino) amount to approx. €353m, making it the **fourth largest Italian manufacturer in 2020**, behind Caviro.

Trends in consumption post-pandemic

The pandemic has affected certain consumer habits in some surprising ways. For example, consumer propensity to **buy bottles of wine at supermarkets** has decreased by 6 percentage points; and while **58% of Italians stocked up on wine via large-scale distribution channels pre-Covid, nowadays this has reduced to 52%**. The latter remains the preferred channel for buying wine, but reflects changing trends, with increasing demand for quality, specific and indeed unique characteristics. This trend is borne out by the **percentage of persons that have begun to visit wine bars, wine cellars and specialist stores**. The number of Italians that have **never gone to a wine cellar to buy a bottle of wine has decreased from 48% pre-Covid to 42%**. The increase in consumers buying from wine cellars has largely involved women (the number of women who have never been to a wine cellar has decreased by 8%, from 52% pre-Covid to 44% in 2021), but the same trend has been noted for all segments of society, with reductions of 5% among millennials, and of 6% for generation X and the baby-boomers. **Buyers from the wine-makers' own cellars are also increasing**: pre-Covid some 46% of Italians had never visited a wine-maker's own cellar, a figure that has now fallen 39%. Less surprisingly, the outstanding performance of the last year was recorded by **online sales**. **Proprietary e-commerce** enables consumers to access the wine-maker directly: **prior to lockdown, 71% of Italians had never bought wine online from the wine-makers' cellars, but now the number is seven percentage points lower (64%)**. The number of people who had never used a wine-cellar's e-commerce website or online offering was 74% before the pandemic started; now the same number has decreased to 69%.

Consumers' new purchasing behaviour seems to reflect certain common features: demand for quality; a preference for the local, giving priority to local products and manufacturers; and the increased take-up of delivery food.

If we look at the spending appetite in terms of cost per bottle, the trend, albeit only with very slight movements, seems to be towards two related phenomena:

- An increasing polarization in terms of the price bracket, with the gap between low and high level bottles of wine becoming more pronounced;
- A weakening of the intermediate price bracket, which has tended to slip back down to the lower one as a result.

With reference to the issue of **biological wine**, finally, interest can be broken down into three distinct levels: those who are **bio-attracted**, i.e. highly interested in biological wines, who represent 36% of wine drinkers; those who are **bio-light**, i.e. unconvinced but inclined to follow



the fashion for biological produced, who account for 33%; and those who are **bio-resistant**, who make up the remaining 31%. Among the bio-attracted a group of genuine **bio-enthusiasts** can be identified, some of whom are also high-spenders, and these make up 24% of the total number of wine drinkers.

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