THE PROSECCO SYSTEM: CONSOLIDATION AND SUSTAINABILITY

The Prosecco system has grown in the past 5Y (up 29.9% in 2023 vs 2018), whereas the rest of the wine industry has retreated (down 30.1%)

UNESCO recognition for the hill region around Conegliano Valdobbiadene where Prosecco is made has been the driver

Exports have driven sales of Prosecco, with growth of 5% expected for 2024 (2.5% of total revenues)

Distribution: 42.5% of total sales come the mass retail channel, and just 17.9% from hotels/restaurants/catering and wine bars

Wine tourism growing, among younger consumers and international visitors especially

Milan, 12 June 2024

The **Mediobanca Research Area** has published a **focus on the Prosecco system,** which combines the earnings and financial data for wine makers with 2022 turnover of more than €20m for the 2019-22 period. The report also contains an indepth analysis of trends in wine tourism.
The full survey is available for download from www.areastudimediobanca.com.

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Prosecco and the region where it is made

Two-thirds of the increase in the global consumption of white wine is attributable to sparkling white wines,[1] which, with their effervescence, freshness and relatively low alcohol content are very popular among young people in particular, who are the most likely to consume wine outside the home. **The growth in demand has led to this segment outperforming the wine industry as a whole**, with the production of Prosecco increasing by 29.9% in the years from 2018 to 2023 (vs a 30.1% reduction for Italian wine in general).

The current **Prosecco system** includes three denominations: Prosecco itself (DOC), and Conegliano Valdobbiadene Prosecco Superiore and Asolo Prosecco Superiore, both of which are DOCG (cf. Italian Ministerial Decree 17 July 2009). **A total of 736 million bottles of Prosecco were produced in 2023**, 20.4% more than in 2020: 83.8% (1.9 pp more than in 2020) was attributable to Prosecco itself (DOC), 12.5% to Conegliano Valdobbiadene (DOCG; down 2.6 pp) and 3.7% to Asolo (also DOCG; up 0.7 pp).

As is the case with all DOP (protected designation of origin) products, Prosecco too has a clearly defined region within which the grapes used to make it must be grown and collected. The Conegliano Valdobbiadene region, which is the original area of production, was recognized as the first *spumante*-making district in Italy in 2003, and **in 2019 the Conegliano and Valdobbiadene hill region was included in the UNESCO World Heritage list** as a cultural landscape. This recognition has contributed to the region's development: in the years between 2017 and 2022, non-hotel residential facilities increased by 53% and their bedspace by 47%, while the *spumante* manufacturers increased by 13% and companies in general by 2%.

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[1] *Source: OIV- International Organization of Vine and Wine.*

Export-led growth

The leading Prosecco makers see growth of 2.5% in total sales for 2024, and of 6% for exports. Total sales amounting to approx. €1.5bn were posted in **2023**, down 1% on 2022, with the growth in exports (up 1.3%) only in part offsetting the reduction reported by the domestic market (down 3.5%).

Between 2019 and 2022, the leading Prosecco manufacturers posted an average growth rate of 11.7%, in line with the performance delivered by other *spumante* manufacturers (up 10.1%), but twice as high as that reported by those who make non-sparkling wines (up 5.3%). Domestically Prosecco fared worse than the other *spumanti* (CAGR 2019-222: +7.6% vs 11.1%), whereas both outperformed still wines (+4.9%) **Internationally, however, the growth has been explosive**: between 2019 and 2022 exports grew at an annual average rate of 15.8% (the other *spumanti* reflect growth of 8.1%, and still wines of 5.7%). In 2022, the share of the leading Prosecco manufacturers' turnover represented by exports reached 53.3% of their total sales (vs 47.7% in 2019, an increase of 5.6 pp), in line with the still wine manufacturers (53.6% in 2022, up 0.6 pp), and higher than that of the other *spumante* manufacturers (31% in 2022, down 1.8 pp).

Can the model be improved further?

Unhelpful commercial model: in the years between 2019 and 2022, the average Ebit margin recorded by the Prosecco manufacturers was 4.6%, lower than that of the other *spumante* manufacturers (which averaged 7.2%) and the non-sparkling wine makers (6.1%). **Successful industrial model**: the average return on capital invested (ROI) in the 2019-22 period for the leading Prosecco manufacturers was 7.9%, higher than that of the other *spumante* manufacturers (5.3%) and that of the still wine manufacturers (4.9%). **Of the sales of Prosecco, some 42.5% are distributed through the mass retail channel** (vs 32.5% for still wines, and 43.4% for the other *spumanti*), while wholesale intermediaries accounted for 22.7% of the total (19% for still wines and 18.3% for the other *spumanti*). **Sales of Prosecco are lagging behind in the most lucrative channels:** hotels/restaurants/catering and wine bars represent just 17.9% of total sales (compared with 24.7% for still wines and 29.4% for the other *spumanti*), while direct sales account for 2.9% (9. 4% for still wines and 3% for the other *spumanti*); **but are ahead of the opposition in online sales** (2.3% of total sales, vs 1.4% for still wines and 0.8% for the other *spumanti*).

Leading players

The leading producer of Prosecco in 2023 was the co-operative La Marca, which posted total sales of €225.8m, down 4% on 2022. In second place was Mionetto with €153.5m (up 10.1%), followed by Villa Sandi in third place, with €131.1m (down 9.8%). Serena Wines 1881 **also posted 2023 revenues of over €100m** (€108.4m), up 8.2% on 2022. In terms of **profitability** (measured by net sales as a percentage of total revenues), Serena Wines 1881 performed best of the leading players in 2023 with 8.5%, followed by AC (Astoria) with 6.1%, and Mionetto with 6%. The highest shares of exports were reported by La Marca (87.2%), Bottega (81.1%), and Mionetto (78%).

Wine tourism: potential for further growth

In 2023, the average price for a wine tourism experience in the Prosecco region was €24.7 per person, 25% lower than the national average (€33). Of the bookings made, 57.4% are in Italian (vs a national average of 61.6%), 38.6% in English (36.8%), and 4% in other languages (1.6%). The Prosecco wine cellars are flexible and have fast response times: one-quarter of the bookings are made the day before or on the same day as the visit (compared with an annual

Italian average of 13.8% of bookings). **More international tourists visit the Prosecco region wine cellars** (37.7% of visitors are from outside Italy, compared with a national average of 35.2%), with Austria the best-represented nation (4.6% of visitors to the Prosecco region, compared with a national average of 0.9%), followed by the Germans (3.5%, vs 3%) and Danish (2.3%, vs 0.8%), with relatively fewer visitors from the United States (8% vs 10%). **Visitors aged 18-24 years make up 13.7% of the total, more than double the average for all Italian wine cellars (6.2%)** (Source: Divinea – Wine Suite).

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