ÉCOLE
INVINO
VERITAS

The Canadian Market:Québec&Ontario

02-12-2015 Wine2Wine, Verona,IT

Richard Sagala, Wine MBA

CANADA

Current trends in the international wine and spirits market and outlook to 2016, conducted by British firm, The International Wine and Spirit Research (IWSR) on behalf of Vinexpo:

> …A veritable benchmark for sector professionals, this much-anticipated study confirms that **Canada will maintain its impressive growth rate** with regard to wine consumption **between 2012 and 2016 (+14.27 per cent), three times greater** than the global average…

Canada's market ranks seventh in the world, with a value of $6.1 billion; that is projected to grow by 10.4 per cent by 2018, Vinexpo says...

World sales soar for wines priced higher than US$10 per bottle

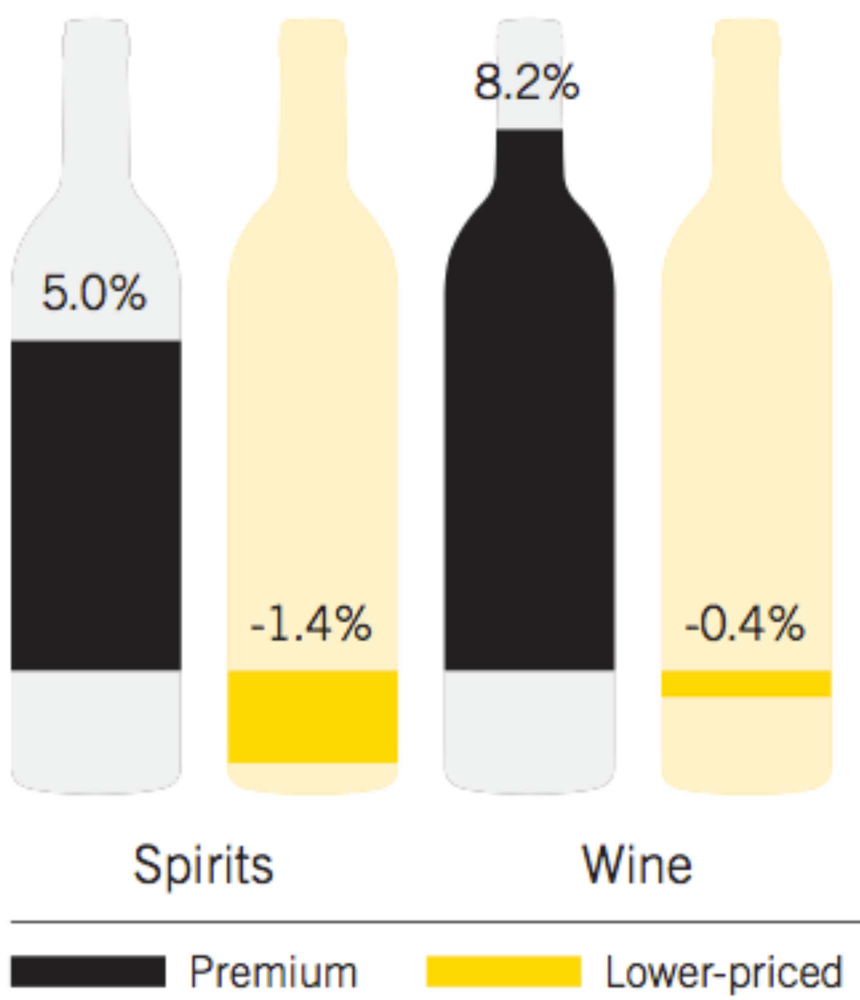
Their growth should continue between 2011 and 2016 by a massive 29.93%, while at the same time the consumption of wines priced from US$5 to US$10 per bottle is expected to increase by 9.99%.

Wines that sell for less than US$5 per bottle, which represented 69.92% of wines drunk in 2011, are expected to increase by 2.77% over the same 5-year period.

ex: LCBO Sales soar for wines priced higher than US$10 per bottle

Sales growth among premium products continued to exceed that of lower-priced products in 2014, providing support to absolute margin improvement in the spirits and wine categories. Unlike spirits and wine, the mark-up applied to beer is on a volume basis so similar-sized beer products generate the same margin, regardless of their price.

Lower-priced Versus Premium Product Volume Sales Growth



Sourcing Bottle & Bulk WINE 2013

In Canada we buy from:

(millions L)	Bottled	Bulk
Italy	57	8
USA	50	9
France	48	8
Australia	30	**20**
Chile	18	**12**
Argentine	18	6
Spain	13	**13**
Portugal	8	
New Zealand	8	
South Africa	7	13

Italian wines are consistently liked in Canada

% Vol Import Wine 2013	Qc	Ont	BC	Alb	Man	NS	CAN
France	28	9	5	5	6	7	15
Italy	20	20	7	15	14	12	17
Australia	13	15	22	15	22	33	16
Spain	11	5	9				8
USA	9	19	20		15	16	10
Argentina	5	6		9	6	7	6
Chile	5	13	20		15	16	10
South Africa			7			6	4
New Zealand				7			2
Germany					5		2

LCBO 2014 (Ontario)

- Sales of European wines were 2,5% above 2013.
- Italy, which accounted for 47% of sales, grew by 2,6% (France 27% & 2%).
- The ripasso subset remained particularly strong, gaining 9,5%.
- Italian whites continue to be dominated by Pinot Grigio, which rose 2% and accounted for 59% of all Italian wine sales.

SAQ 2014, Market Share (Qc)

France + Italy dominate the Qc Market (> 50%)

SAQ 2014, Market Share (Qc)

California, star of the American wine scene

Though their remarkable surge lost a little steam, wines from the United States – and mainly from California – gained yet more ground this year with a nearly 10% increase in volume sales, a figure that applied equally to whites and reds. It goes without saying that these appealing products continue to seduce Quebecers. That Spain and Portugal remain a source of quality products appreciated by Quebecers was shown by their sales increases of 2.9% and 6.9% respectively. That said, France and Italy maintained their lead over all other countries; taken together, the two countries' share of the Quebec market is well over 50%.

Market Share of Still Wines by Country of Origin

(share of volume sales)
(stores and specialized centres)

France	31%
Italy	23%
United States	14%
Spain	8%
Australia	6%
Argentina	4%
Portugal	4%
Chile	3%
South Africa	2%
New Zealand	2%
Other	3%

Change in Litre Sales of Still Wines by Country of Origin

(stores and specialized centres)

France	(0.7)%
Italy	(0.6)%
United States	9.6 %
Spain	2.9 %
Australia	(3.5)%
Argentina	(10.8)%
Portugal	6.9 %
Chile	2.5 %
South Africa	0.3 %
New Zealand	9.3 %
Other	(3.7)%

École in Vino Veritas

Price Structure example

- Based on a 4 euro bottle FOB

SAQ Ad Valorem Markup/ bottle = 135%

(This example is provided by SAQ on its B2B site)

- imported wine bottle bought 5,44$ (including freight) (4 euros equivalent)
- Ad Valorem mark up = 135% CDN 7,34$
- Taxes: GST+PST+ Special Tax= ,7$+ 1,4$+,84$
- Excise & Customs= ,48$
- Retail price: 16,20$
- ad Valorem in 2010 was 129%. For Spirit paid 3,72/btle ad valorem = 316%

IP= Private imports allowed in QC

- Wine Bars and Fine dining stacks > 80% of their wine list with IP
- They differentiate with special products, (nobody knows their costs)
- Allow for niche products in small quantity to enter the market scene
- ex: No sulfur « Natural » wines deemed unstable by SAQ

Listing with the 2 CAN biggest wine markets

exemple of ponderation grilles from SAQ and LCBO

Listing with SAQ

Criteria	Preselection							Final selection							Grand total
Criteria	Promotional investment at the SAQ	Supplier performance	Quality: Awards, medal, media	Product: Volume on other markets	Brand: Trademark volume	Supplier: Supplier volume in Quebec	Total preselection	Sustainable development	Quality	Quality/price ratio	Visual	General appreciation	Agent performance	Total final selection	Grand total
Regular – wine & celebration	15	0	7	5	3	5	35	5	10	30	10	7	3	65	100
Regular – spirits	15	0	0	10	13	7	45	5	10	15	15	7	3	55	100
Specialty – wine & celebration	0	5	25	0	2	0	32	5	20	33	0	7	3	68	100
Specialty - spirits	5	0	10	10	10	5	40	5	15	15	15	7	3	60	100
Seasonal – rosé	0	0	8	5	7	7	27	5	20	30	8	7	3	73	100
Seasonal – cooler	5	0	0	10	13	7	35	5	20	15	15	7	3	65	100
Seasonal - beer	5	0	10	10	5	5	35	5	20	25	5	7	3	65	100

New Grille

SAQ

Ponderation / Selection criteria

	1- Financial performance				2- Notoriety						3- Sustainable development		4- Qualitative aspects					
	1.1 Promotionnal investment at the SAQ	1.2 Sales objective ($)	1.3 Supplier performance	Sub-total Section 1	2.1 Awards, medal, media	2.2 Product: Volume on others markets	2.3 Brand: Trademark volume	2.4 Supplier: Supplier volume in Québec	2.5 Creation of notoriety - TV, radio, posters, media, press, Internet	Sub-total Section 2	3.0 Environment	Pre-selection total (sections 1 to 3)	4.1 Quality	4.2 Quality/price ratio	4.3 Visual	4.4 General appreciation	Sub-total Section 4	Grand total Final selection
Specialty	2,5	-	5,0	7,5	25,0	5,0	2,5	-	-	32,5	5,0	45,0	20,0	30,0	-	5,0	55,0	100,0
Regular	15,0	10,0	-	25,0	10,0	5,0	3,0	2,0	-	20,0	5,0	50,0	5,0	35,0	5,0	5,0	50,0	100,0
Regular Spirits	15,0	10,0	-	25,0	3,0	10,0	10,0	2,0	10,0	35,0	5,0	65,0	5,0	15,0	10,0	5,0	35,0	100,0

Old Grille

Listing with LCBO

SECTION “G” – FOR LCBO USE ONLY

Evaluation

This application will undergo the following point form evaluation.

Sales Information “D”	10	Points
Marketing Information “E”	45	Points
Organoleptic Assessment	20	Points
Sample Package Appeal	25	Points
Total Marks for Application	100	Points

For LCBO use

Sales “D”	________
Marketing “E”	________
Organoleptic	________
Packaging	________
Total	________

☐ Accepted ☐ Rejected

Thank you!