



Strategic plan for « South of France » wines

Global strategy

Agenda

1. Context - why are we here today?
2. Vision and mission of “South of France” wines
3. Our strategic assets
4. Values to be communicated within the umbrella brand
5. Positioning and business goals
6. Strategic plans for key markets:
 - France
 - North America
 - Europe and Asia
7. Resource structure + external marketing budgets for “South of France”
8. Conclusions and discussion

The global context : Why does the region need a strategy ?

- Annual global production is at 270 million hl but only 240 million hl are consumed; France contributes to between 5 and 7 million hl of the 'overproduction'
- The market share (and value) of Languedoc-Roussillon wines in the principal export markets has been in decline over the past few years
- The five principal markets represent just over half of the global market, today and in 2010*
 - France ; USA ; Germany ; Great Britain ; Italy
 - The first 4 are critically important markets for Languedoc-Roussillon
 - The French market will probably decline by 10% in the next five years
 - The USA will become the biggest consumption market by 2010
- The Languedoc-Roussillon Region has therefore decided to put into place a growth and revival strategy . . .

Define and execute a strategy which will significantly increase the success of Languedoc-Roussillon wines globally and generate increased value for the Region

The role of Intersud - details

= definition of who we are and what we do

Who are we ?

Intersud unites, under a unique and collective marketing organisation, the organisation of production and resources of CIVL, CIVR, VdP d'Oc, and the VdP/VdT of the four producing départements of the Languedoc-Roussillon (Gard, Hérault, Aude, P-O)

What do we do ?

- Intersud provides partners, trade and consumers with marketing programmes under the umbrella brand, delivering compelling reasons to increase their focus on the wines of the Languedoc-Roussillon region
- Intersud also provides our stakeholders with tools, insights and support to increase their international competitiveness

The Intersud vision and mission



The Intersud vision

= How we wish to be perceived by our stakeholders

Enable the Languedoc-Roussillon Region to become one of the major and more profitable players at the heart of the market, in all key wine consuming countries

The Intersud mission

= Why we exist and how we are different from other organisations

Intersud has developed a marketing plan built on the values of South of France/ Sud de France, to generate and support profitable distribution and consumer propositions in all key markets

What 'advantages' do we bring ?

- The strategic assets of wines from the Languedoc-Roussillon region



- ✓ The biggest production region in the world, offering potential global advantages founded on scale of operations and continuity of offer
- ✓ Competitive and relatively stable production costs
- ✓ Diversity of style, varietal and know-how, and traditions of winemaking
- ✓ Wines for all occasions: Sparkling, White / Red / Rose, Sweet Wines
- ✓ Increasing preference in many key markets for wine as drink of choice at informal occasions, demanding the styles and price-points which are at the heart of the Region's offer
- ✓ Important support of the Regional Council of the Languedoc-Roussillon Region
- ✓ Strong global support from buyers and influencers

7 key assets on which to build a global plan for market success and value for the Region

The South of France

“Brand essence”

- Our image in the key markets



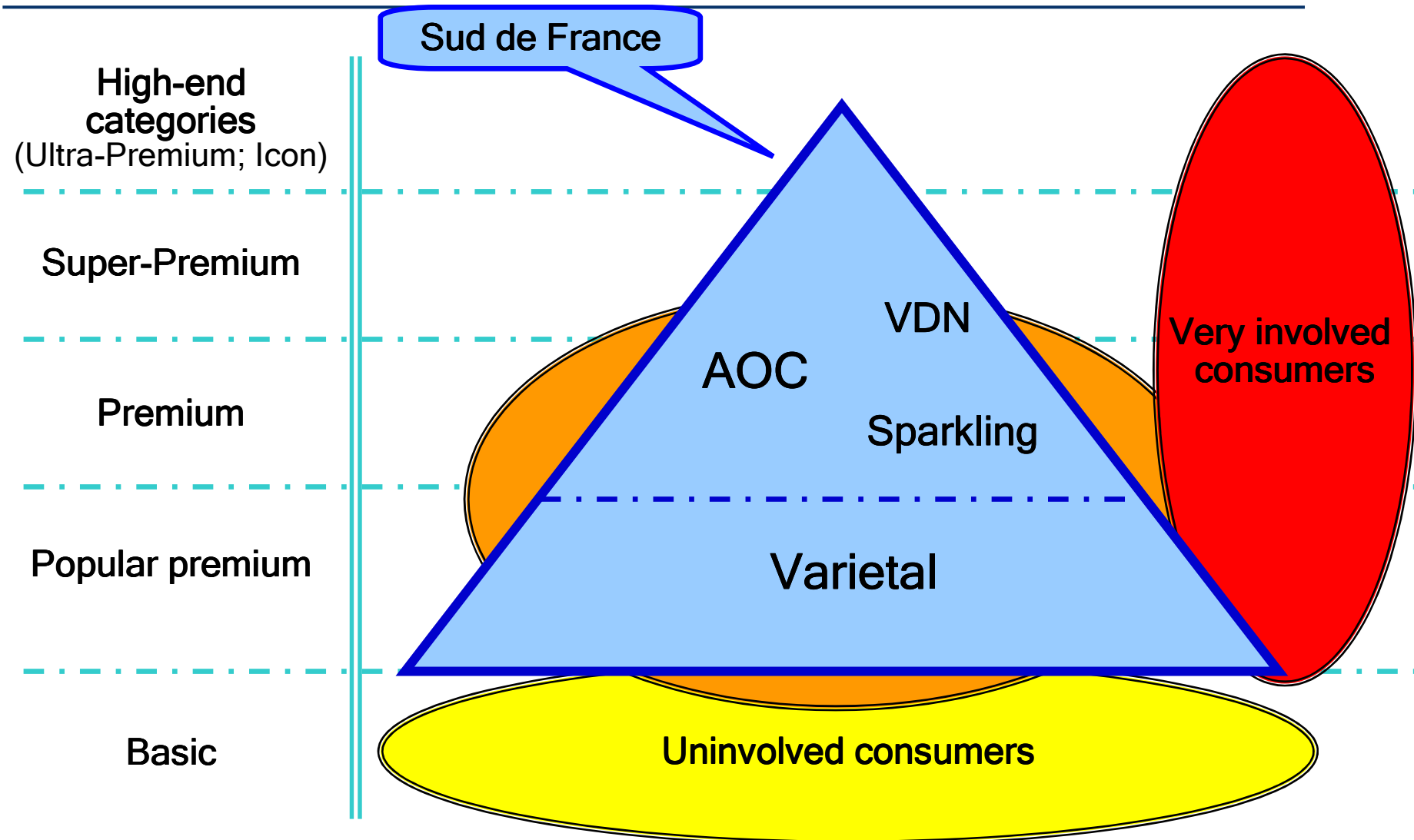
Values : what does this wine region stand for?



Ensuring the South of France name brings value to the market

- Once established and defined, the brand can be used by all of the following Languedoc-Roussillon wines categories :
 - Appellation wines, Vins de Pays
 - Still wines, sparkling wines, Sweet Wines
- The right to use the brand will be strictly controlled - agreed procedures, controls and sanctions to be put in place to police the right of bear the South of France brand

Our objectives: - where is our space?



The objectives: South of France objectives in volume

- ❑ +2.5 million Hl in export markets
- ❑ +1.2 million Hl in France

Objectives in volume (million Hectolitres)

	6 key export markets* <small>*UK, Germany, Holland, Japan, USA, Canada</small>	France - above 2 €
2006	2.2	1.5
2010	3.1	1.8
2017	4.7	2.7

The objectives: South of France objectives in value

- ❑ + 1,550 million euros in the key export markets
- ❑ + 1,300 million euros in France

	Objectives in value (million euros; consumer prices)	
	6 key export markets*	France - above 2 €
2006	950	700
2010	1,650	900
2017	2,500	2,000

*UK, Germany,
Holland, Japan, USA,
Canada

Strategic plan in the key markets

- France
- North America
- Europe
- Asia



Development of a strategic "Sud de France" plan for the French market



Objective of Ernst & Young France's study

1. The objectives of Ernst & Young's engagement are:
 - a. To provide ongoing assistance to Intersud's strategic project in France and to validate the interest of a Sud de France brand and its potential contributions to the various product families in the Intersud de France project
 - b. To define the market positioning for this Sud de France brand (targets, message)
 - c. To determine whether or not this brand would be an umbrella brand, covering all of the product families, and if so, the conditions thereof.

Objective of Ernst & Young France's study

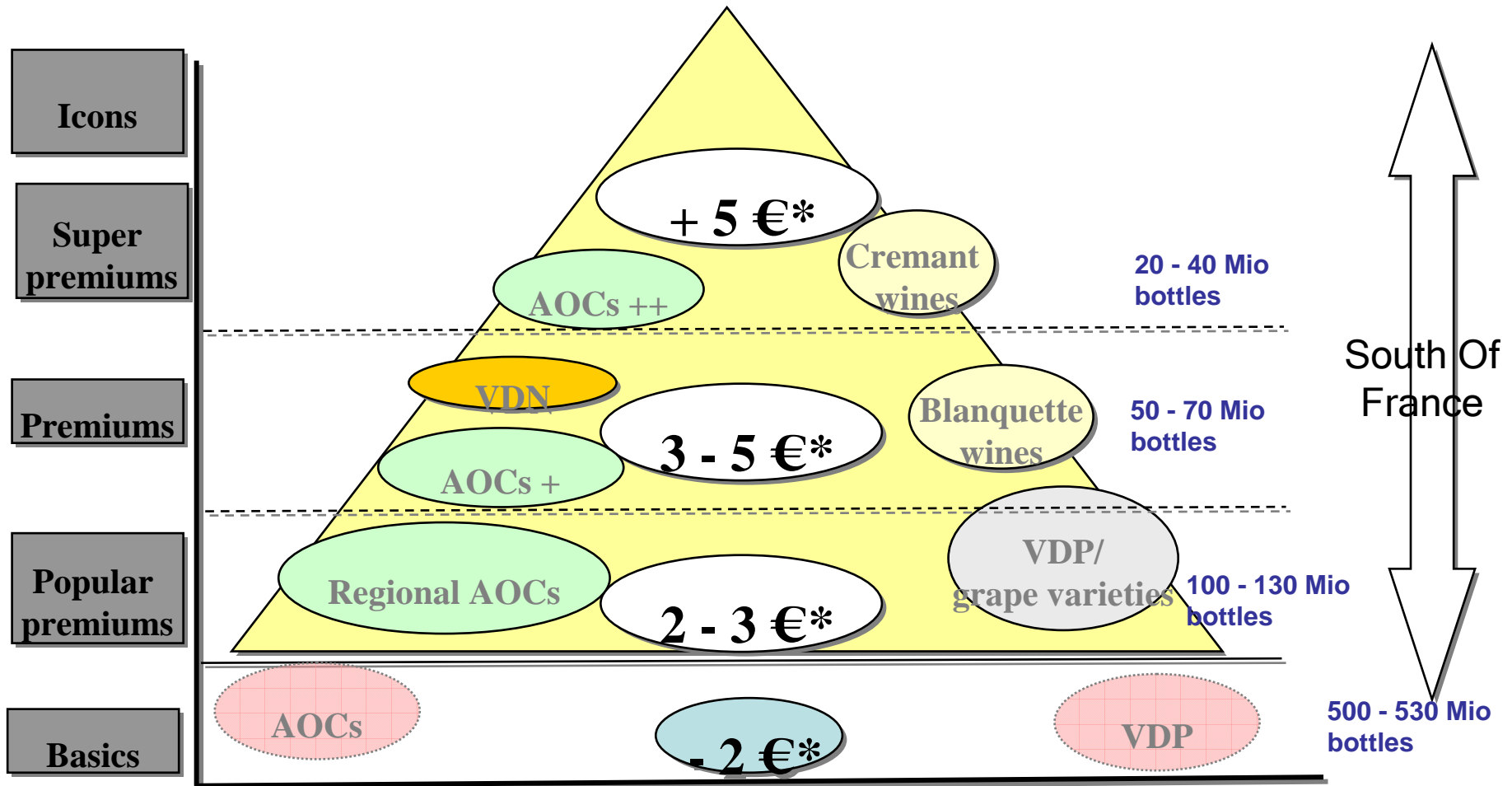
2. This engagement was performed between March 15 and June 15, 2007, on the basis of meetings with distributors, consumers and professionals from the wine producing sector of Languedoc-Roussillon under the responsibility of Intersud's Communication Commission. Our investigations were limited to French markets.
3. In accordance with our engagement letter, the work presented in the final report provided to the Commission concerns only the review of the **development of the strategic "Sud de France" plan on the French market.** This plan is ambitious and requires the implementation of the overall plan of action in order to achieve the strategic objectives. Moreover, insofar as the hypotheses are based on estimations concerning events that have not yet taken place and are likely to encounter significant variations, it is not possible to guarantee that the forecast results will effectively be reached. This hypothesis is based in particular on a commercial aggressivity that is identical to that of the competitors and on sustained marketing investments over the next ten years.

Sud de France's strengths



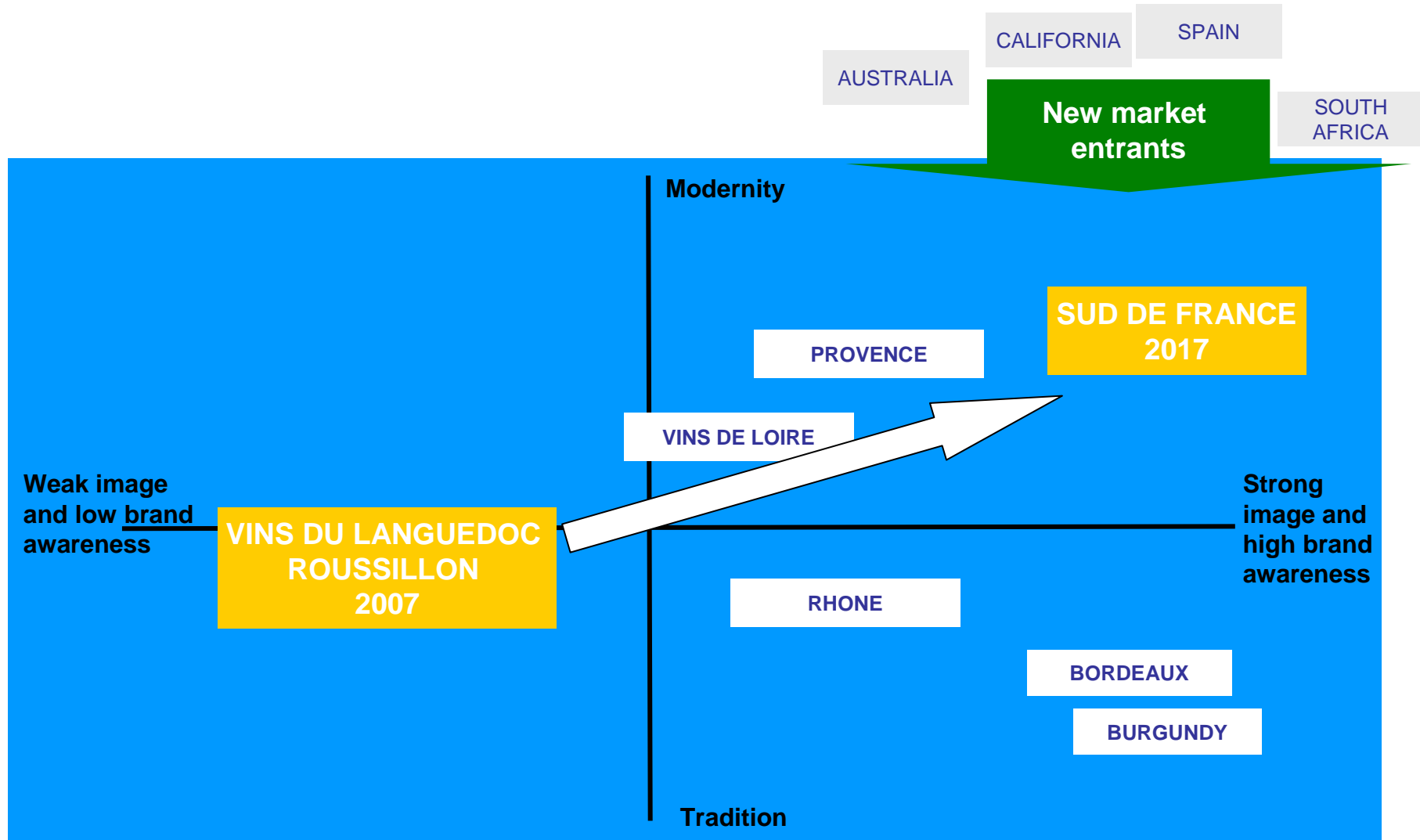
1. A dynamic, energetic, innovative region in movement
2. A region with a Mediterranean *art de vivre* and a heritage of *savoir faire*
3. Offers a wide variety of **table/festive/affordable wines**
4. Improved quality
5. The leading regional promoters on the market deploy pro-active marketing
6. Presence at wine fairs and development on BIBs
7. Sud de France's range of wine offerings is both **wide (grape varieties, AOCs, sweet wines, sparkling wines)** and **deep** (basic wines to icon wines).
8. With its **market logic and resources**, the Sud de France brand represents an opportunity for Languedoc Roussillon.
9. Sud de France needs to **improve its image, brand awareness, and visibility** and give thrust to its marketing.
10. Through its innovativeness, change in attitudes and approach, modernity, product accessibility, Sud de France represents interesting **positioning potential** with respect to the concept of the new world « of » wines.
11. A genuine driver, with **promotional actions and events**
12. The **association** of Sud de France wines with gastronomy and tourism is well received.

Scope of Sud de France's action



* : Consumer prices (VAT included)

Sud de France's strategic objectives



Sud de France's strategic objectives

Objectives:

- To create value
- To improve sales performance

Resources:

- A marketing budget of EUR 5.5 M per year
- A 4-point marketing plan:
 - Internal marketing (10% of the budget, or EUR 0.55 M)
 - Operational marketing (40% of the budget, or EUR 2.2 M)
 - Communication (40% of the budget, or EUR 2.15 M)
 - Product marketing (10% of the budget, or EUR 0.55 M)

Sud de France's strategic objectives

Operational marketing: (40% of the budget)

- Operational marketing at sales points with possibilities for pragmatic actions adapted to the policy of each store brand:
- Brief, repeated events and actions organized around **tastings (to encourage tastings / to encourage purchases / to build customer loyalty)** in order to **increase average weekly sales** while preserving a **quality image**
- Placement of Sud de France sign markings on store shelves in order to gain visibility



Sud de France's strategic objectives

Communication + PR: (40% of the budget)

- A market positioning that distinguishes Languedoc Roussillon as a region having its own brand (art of living, etc.)
- Review the brand labelling by associating Sud de France with Languedoc Roussillon
- Concentrate and harmonize inter-professional collective communication efforts and group resources together
- Inform French consumers of the results of the quality-related efforts undertaken in the last 10 years in Languedoc Roussillon

Sud de France's strategic objectives

Product marketing: (10% of the budget)

- Offer innovative products to attract new consumers
- Encourage the creation of strong private brands (Languedoc AOCs, rosés, multi-format packaging)
- New formats, new designs

Economic objectives - France 2008 / 2017

Hypothesis A

1. Sales prices for the consumer increase 60% in 10 years
2. An average increase in volumes in the first 5 years (+ 5% per year) and a sharper increase in the last 5 years (+ 10%).
3. Necessary conditions:
 - a. evolution of the product mix (creation of private brands + new products)
 - b. commercial aggressivity, identical that of competitors
 - c. sustained marketing investments over 10 years for private companies: 5%-10% of their marketing budget (EUR 17M- EUR 34M per year)

Hypothesis B

1. Sales prices for the consumer increase 60% in 10 years
2. Companies maintain the current level of marketing investments, i.e., 2%-3% of revenues (EUR 7M-EUR 10M per year)
3. A 2% decrease in volumes per year over the 5 first years with leveling off over the last 5 years

Economic objectives - France 2008 / 2017

Objectives: scope beyond EUR 2

Hypothesis A

Volume in millions of HI	Value in EUR M (in consumer prices)
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2006	1.5	700
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2010	1.8	900
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2017	2.7	2000
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Total value created over 10 years/2007 (in consumer prices)	+ 7870
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Hypothesis B

Volume in millions of HI	Value in EUR M (in consumer prices)
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1.5	700
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1.4	800
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1.4	1050
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+ 2175



Inter Sud United States & Canada Strategic Recommendation & Positioning

USA - Wine Category Overview

1. **Growth in terms of market penetration and consumption:**
 - a. More than 60 million American wine consumers, and growing
 - b. 70 million potential wine consumers - the 'Millennial' generation
 - c. Per capita consumption in 2005 : 12.3 liters/year (+6% annual increase since 1996)

2. **Increasing sophistication of the consumer in a market that is becoming more and more profitable:**
 - a. Estimated growth in volume 2005-2010
 - in the \$5-\$10 price segment = +18%
 - in the >\$10 price segment = +13%
 - in the imported wine segment = +27%

3. **Currently, the US is 1% market in terms of value**

4. **3% in volume today, but anticipated to be 1% in 2010 (27.3 million hl)**



Canada - Wine Category Overview

- 1. Continuous progression** for approximately the last fifteen years: +84% in volume since 1994
- 2. In 2005, for the first time, wine sales (in dollars) have exceeded sales of spirits**
- 3. Canadians like red wine :**
+223% since 1994, representing of 61% of sales in terms of volume in 2005 vs. 36% for white wine
- 4. Québec is the leader for wine sales in volume (36%) vs. 32% in Ontario and the rest of the country**
- 5. France is in the lead of imported wine sales in Canada**
521,684 hl in 2006: 25% SOM

Strengths - South of France in North America



1. « South of France »/« Sud de France » evokes positive imagery
2. Dynamic and innovative marketing
3. Wide variety in terms of the offer
4. Boast several key positioning angles against which « South of France » could position itself :
 - a. ultra-premium price point
 - b. dry rosés
 - c. Millennial generation
 - d. women
 - e. on-trade
 - f. club stores...
5. And in Canada:
 - a. Category leader in Québec, positive growth in Ontario
 - b. Healthy support from the trade and the press

North America -Objectives

1. Become a key « player » in the dynamic North American wine market
2. Maximize sales growth (in value and in volume) and the return on investment - ROI - of South of France wines in North America over the next ten years
3. Focus on three major areas of development:
 - a. provide an added value for the entire region's wine offer
 - b. increase awareness of South of France wines
 - c. increase numerical distribution and in terms of rotation throughout the « three tier system » and the various channels of distribution

North America - Business Objectives

	VOLUME (HL)			VALUE (1 000 EUROS)	
	USA	Canada Anglophone	Canada Francophone	USA	CANADA
2006	160 000	50 000	105 000	130 000	210 000
2010	400 000	65 000	135 000	380 000	240 000
2017	1 000 000	100 000	200 000	940 000	420 000

Marketing Budget (€) Objectives

	USA	Canada Anglophone	Canada Francophone	Action
2008	2 500 000	280 000	420 000	Promo / Pub / RP
2009	2 500 000	280 000	420 000	Promo / Pub / RP
2010	2 500 000	280 000	420 000	Promo / Pub / RP



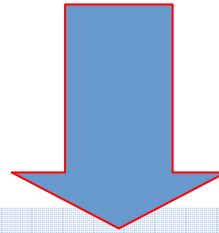
Amérique du Nord - Means

1. We believe that the aforementioned objectives can only be attained if several leading South of France brands emerge rapidly: this requires substantial private investments *in addition to the collective investment*
 - a. Competitive analysis - USA: \$2 à 5 million required annually for a visible consumer-focused advertising campaign + \$2/bottle minimum for promotional and PR efforts
 - b. Competitive analysis - Canada: \$300,000 for each province (Ontario or Québec) required to launch a brand

South of France - Positioning

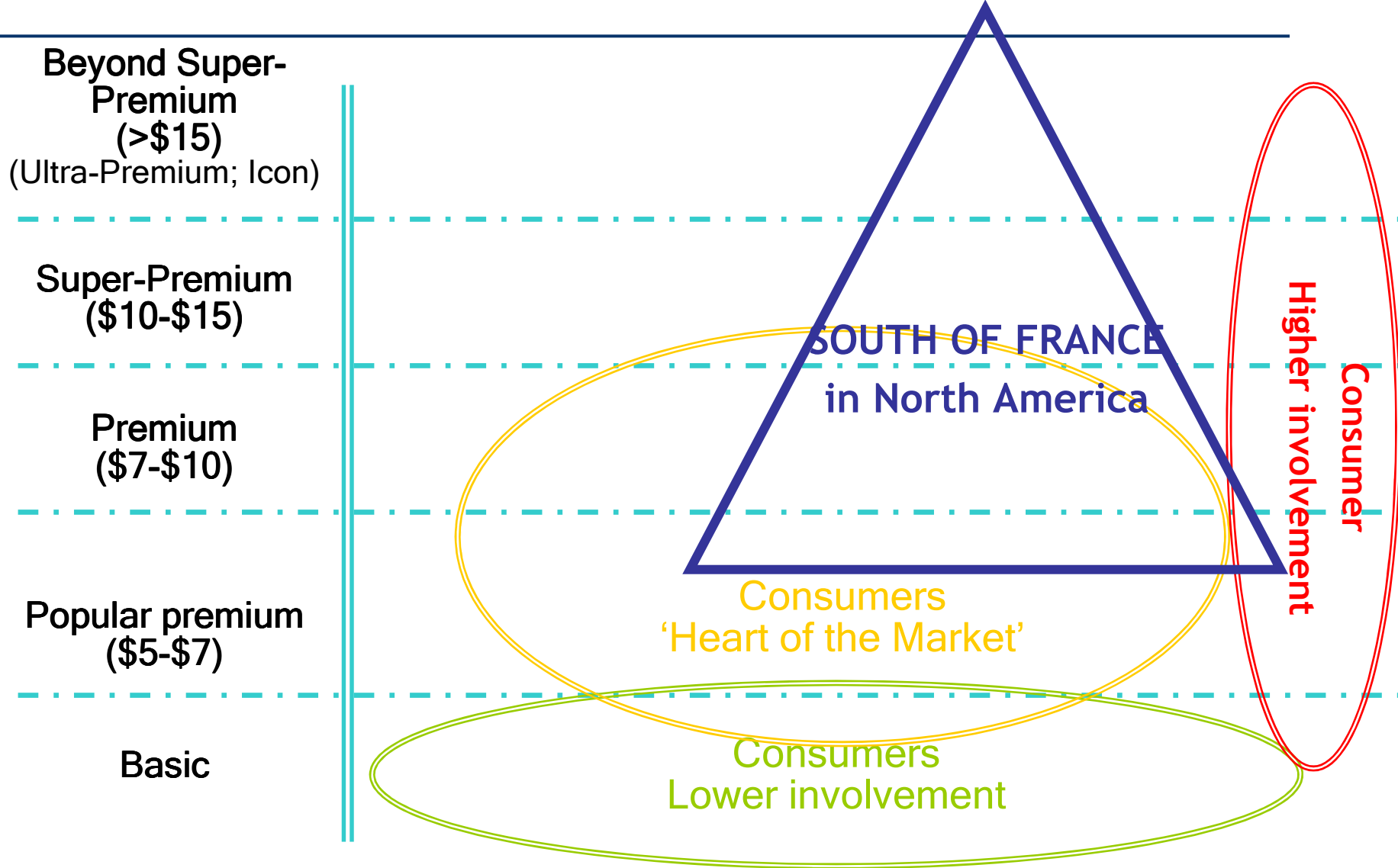


Three key values evoke the South of France in North America:
Heritage/*Savoir Faire* Mediterranean For All Occasions

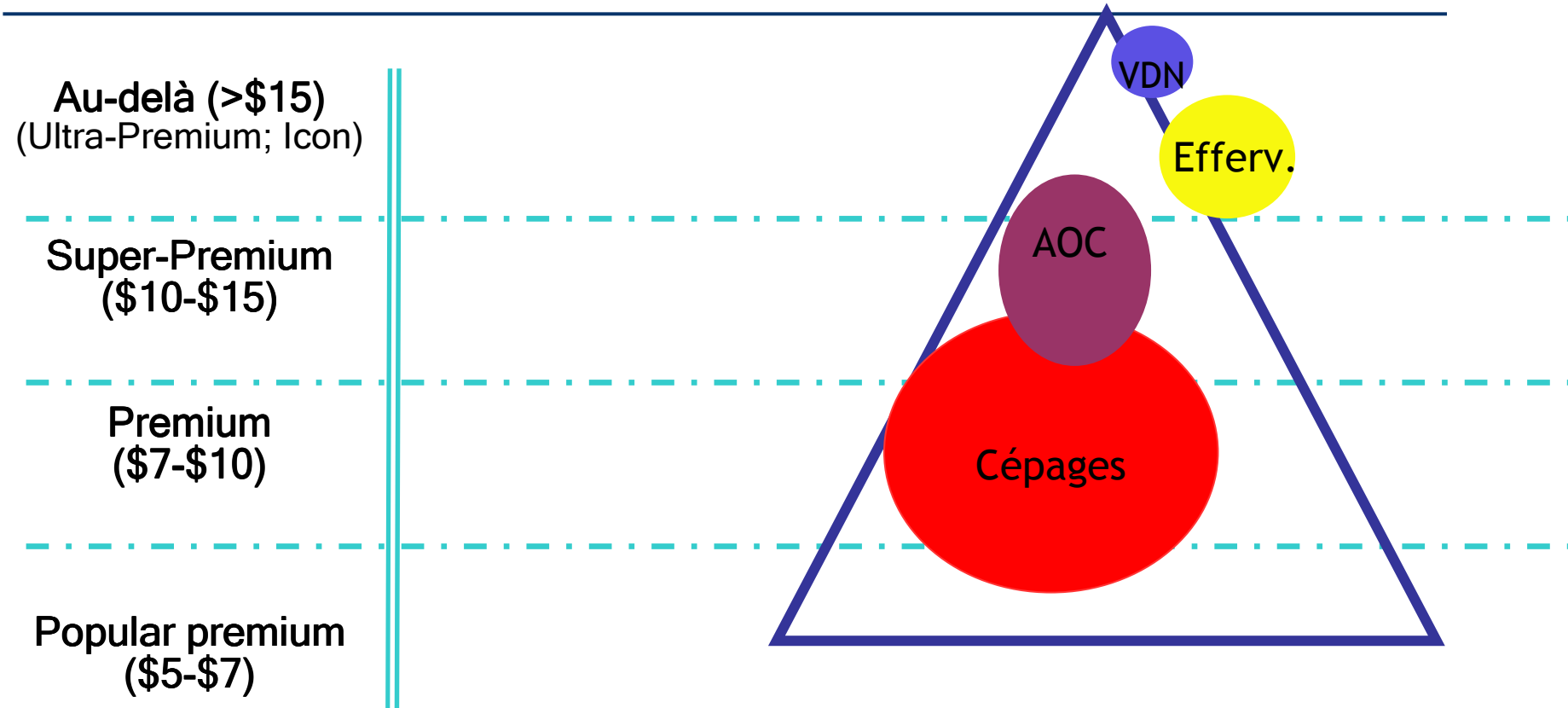


South of France wines are all-occasion wines that evoke the soul of the Mediterranean and boast centuries of wine-making heritage.

Marketing Mix - Overall Price (USA)



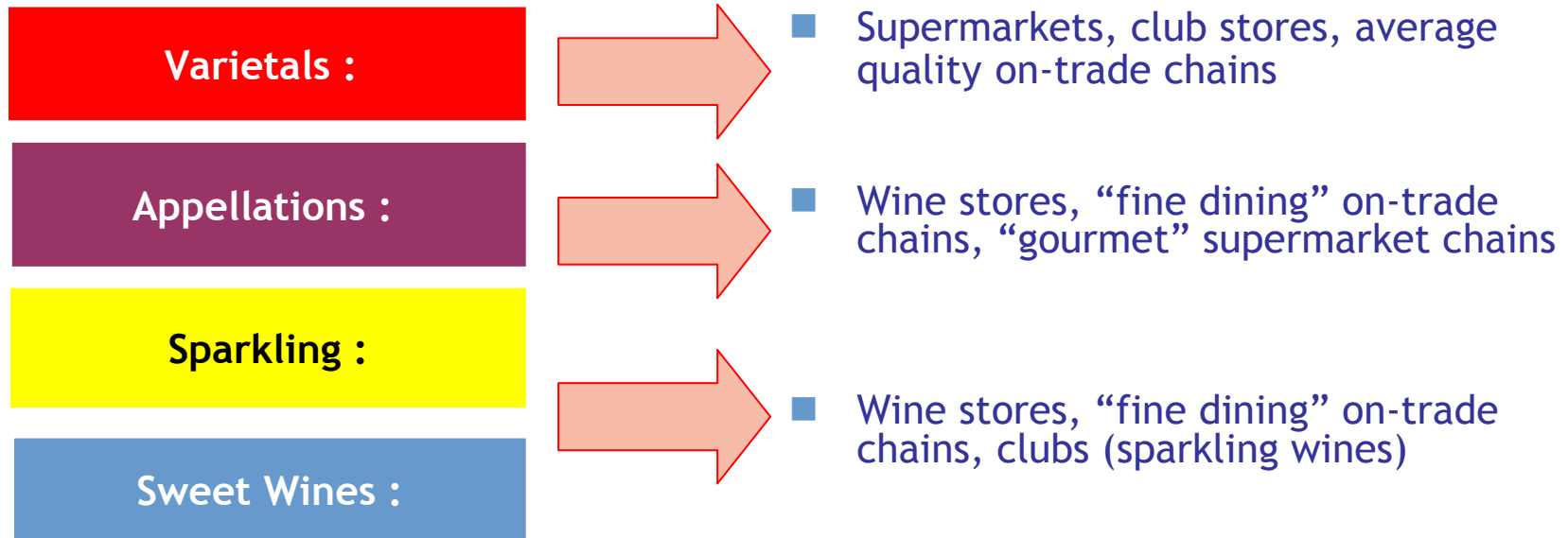
Marketing Mix - Price per South France segment (USA)



Marketing Mix - Distribution



1. Exploit all distribution channels based on segmentation of the South of France offer:



2. Strong partnerships with importers and distributors (key for all segments)



Marketing Mix - Product & Packaging

1. Key Success Factors:

- a. products well adapted to the North American consumer's palate (i.e., sensory analysis) and strict control of the quality
- b. innovative packaging that is easy to understand (i.e., varieties clearly identified, clear communication of the positioning via the packaging), accessible and engaging

Marketing Mix - Promotion



1. Integrated communications plan

a. Advertising (initial investment of 50% then 40% of the budget as the program progresses)

- advertising targeting trade and consumer opinion leaders
- a strong focus on new media and cross marketing

b. Promotion (initial investment of 40% and then 50% of budget)

- increase the promotional « muscle » by working in tandem with the key players in distribution across the entire territory
- educational forums presented in a simple and easy to understand fashion

c. Public Relations (10% of budget)

- well-targeted, intriguing press and public relations

Conclusions / Key Implications

1. Profitable segments are growing in these markets
2. Very positive perceptions of the South of France even is SOM is weak (with the exception of Quebec)
3. *Retainable positioning : South of France wines are all-occasion wines that evoke the soul of the Mediterranean and boast centuries of wine-making heritage.*

Conclusions / Key Implications

4. Qualitative and well-adapted products/packaging are needed.
5. Pricing should be positioned globally as follows: for the premium segments (\$7-\$10), super-premium (\$10-\$15) and ultra-premium (\$15+).
6. Heavy promotionnal efforts (i.e., investments) are essential for each stage of the « three tier system » and for each channel of distribution. Each segment should focus on channels of distributin most synergistic with the product attributes.
7. To achieve these aggressive objectives, it is necessary to invest appropriately in a marketing plan both at a collective level as well as at the individual brand level.



“South of France” wines
Strategic overview:
Europe et Asia

Many market opportunities for South of France

- 4 markets for immediate and specific focus

4 key markets = 2/3 of current export activity

<u>Country</u>	<u>Volume (2006)</u>	<u>Export value (2006)</u>
Germany	27%	21%
UK	17%	17%
Benelux	21%	20%
Japan	3.5%	4.7%

As percentage of total exports, Languedoc-Roussillon 2006

South of France strategy commits to substantial growth across all these markets

Goals for 2017: the 4 key markets

<u>Country</u>	<u>Volume (% diff vs 2006)</u>	<u>Export value (% vs 2006)</u>
Germany	1,200,00 HL +40%	€171M +50%
UK	735,000 HL +50%	€149M +60%
Benelux	1,000,000 HL +30%	€170M +43%
Japan	250,000 HL +130%	€65M +140%

Objectives for consumer recognition of the “South of France” » proposition



Objectives	2007	2010	2017
Spontaneous awareness of SdF logo Awareness measured by testing recognition of the logo	n/a	50% / 60% 60% / 35%	65% / 75% 75% / 45%
Penetration of SdF wines Consumers who have bought at least one SdF wine in the past 6 months	26% / 40% 41% / 12%	32% / 50% 45% / 20%	36% / 55% 50% / 25%
Consumer understanding of which wine names belong to « South of France » Correct Identification of AOC's and VDP with the wine region: "South of France"	3 % / 4% 4% / 3%	10% / 15% 15% / 8%	18% / 20% 25% / 12%

Germany / UK
 Holland / Japan

4 countries - a common focus:

- Off-trade and informal occasions

The distribution channels for consumption at home represent:

...About two thirds of volume sold:

- 86 % in Holland
- 85 % in Germany
- 85 % in the UK
- 66 % in Japan

And within these sales, informal occasions represent:

...Two thirds or more of the volume

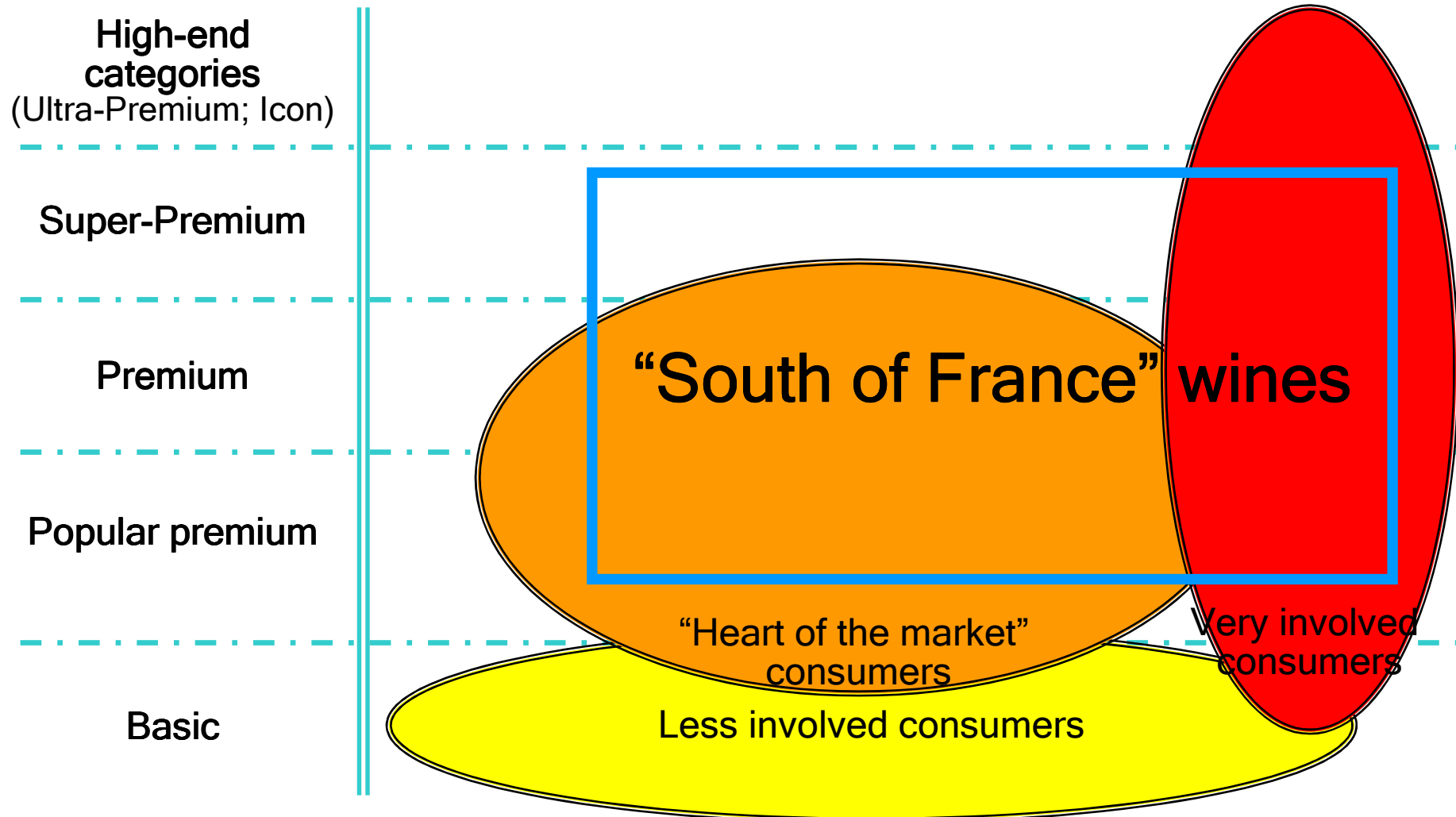
- 79 % in the UK
- 74 % in Japan
- 73 % in Germany
- 66 % in Holland

...About two thirds of the value

- 74 % in the UK
- 62 % in Japan
- 69 % in Germany
- 62 % in Holland

Objectifs - Europe and Asia :

Summary of the positioning



Germany:

Positioning and market focus



1. Product positioning

- Initial focus on the red wine opportunity
- Focus on informal occasions

2. Price positioning

- Core market positioning: 2 to 4+ euros

3. Distribution channels:

- Focus on supermarkets and wine merchants
- Develop in the Cash & Carry market
- Large distribution companies who operate in the middle and high end
- Wholesalers who supply the casual-eating/social drinking outlets The “stubes”

UK:

Positioning and market focus



1. Product positioning

- Focus on white wine as well as red and rosés wines
- There are opportunities to communicate on all types of occasion

2. Price positioning - core market target of £3 - £5

3. Programmes for all major off-trade distribution channels:

- Multiple grocers
- Convenience operators
- High street multiples
- Direct retailers
- Wholesalers who service the independent shops

4. Twin-track focus on the On-trade:

- Multiple operators - pub companies; casual dining groups
- White table cloth - distinctive section within French lists

5. Market investment focus on Point-of-Sale and targeted promotional programmes

Holland :

Positioning and market focus



1. Product positioning

- Initial focus on the red wine opportunity
- But also drive for increased share of the Rose market
- There are opportunities for programmes focused on a wide range of occasions

2. Price positioning: focus on core markets of €2 to € 4

3. Channels of distribution

- Build on wide distribution in the major off-trade multiple operators
- Fully capitalising on the dominant position France has as preferred country of origin
- But also target the primary specialist distributors to restaurants and bars

Japan :

Positioning and market focus



1. South France wines positioning is key to market growth

- Build on the well-established cachet attached of French food/wine and luxury goods within Japanese culture and consumer lives
- But create a clear and separate identity for South of France wines relative to the established imagery of Bordeaux and Burgundy
- Position South of France wines as “affordable formality” . . . “The French experience at everyday prices”

2. Off-trade priorities

- Focused point-of-sale programmes to provide uncertain and busy consumers with signposting and clarity about the South of France wines proposition
- Advertising in metro systems to build consumer interest and recognition
- To support well-distributed product ranges across ¥800 - ¥1,500 price points

3. On-trade

- Focus on wholesalers/importers serving bar groups + especially *Izakaya* sector

4. Plus drive a Japan-specific programme - “influence the influencers

Resource structure + external marketing budgets for “South of France”

“South of France” must have a high-performing team



Chief Executive

Marketing

Director + Assistant

- France: 2 (On + Off)
- USA: 1
- Asia: 1
- Northern Europe: 1
- UK + Ireland: 1
- PR/Communication: 1

Economy

Director

- 2 market analysts

Finance

Director

- 4 accounting & control staff

Quality

- 2 quality controllers

The “South of France” global team: 20 people

The “South of France” commitment :

- “We will be market-driven”



Appoint a Global Advisory Board

- Which acts as an international council of expert advisors
- Made up of key trade leaders and influencers in the principal markets
- About 10-12 people, each appointed for 2-3 years
- To meet 1-2 times a year, within the Region and out in the markets
- Tasked with evaluating progress and action plans, and advising on strategy and priorities

Minimum budget to support a competitive global marketing plan



€15M euros per year, for at least the first 3 years

✓ France	€5.5M
✓ UK + Ireland	€1.3M
✓ Benelux + Switzerland	€1.2M
✓ Germany	€1.0M
✓ Scandinavia	€0.8M
✓ Eastern Europe of which Russia	€0.1M
✓ USA	€2.5M
✓ Canada	€0.7M
✓ Japan	€0.8M
✓ Asia of which China	€0.4M
✓ Other countries	€0.2M

Conclusions and discussion