

THE ITALIAN APPROACH TO DISTRIBUTION

Trying to understand Italy's distribution system is as difficult as coming to grips with its politics, finds Michéle Shah. If you're interested in doing business there, it's best to have a single, national agent or create your own network of distributors. And don't get upset when your wines go into a random 'international' pile.

Italy's wine distribution, like its politics, is highly individualistic. There are many ways of operating, but no single system. In fact, it's a nightmare to understand which system is used and by whom. In general, the small to medium size estates tend to use regional agents who represent a number of wineries. Some employ single agents for all Italy, while the larger key players tend to have their own network of distributors.

Recent statistics from a 2006 Nielsen report show that Italy's national sales equate to 13m hectolitres of bottled wine, sold through wholesalers, of which there are 2,000 in the wine sector, including specialist wine shops, cash & carry, the hotel, restaurant and catering (horeca) channel, and supermarkets. "Out of the 2,000 wholesalers, about 40% is controlled by the beer industry distribution network [Partesa, T&C Italia and Doreca], which is the main organ of distribution with the most muscle," says Ettore Nicoletto, CEO of Gruppo Santa Margherita. "Most wholesalers, with the exception of a few specialists, are divided into smaller groups, some covering one single region, while others cover several provinces."

Many of the small- to medium-size estates work with agent networks on a national or regional scale and these often distribute other products in addition to wine, taking a commission of between 4% and 25%. According to Nicoletto, these agencies are often just a single person, though the tendency, especially in the larger and more important areas, is veering towards structured agencies with several partners,

or collaborators, including a public relation specialist in charge of events and merchandising. "When it comes to distribution, Italy is still far behind other countries," says Emilio Pedron, president of Gruppo Italiano Vini, GIV, "There are very few wineries that can



»» With the exception of Champagne and French wine, imports are unlikely to grow in Italy any time soon. ««

Renzo Cotarella, CEO of Antinori

deal effectively with supermarkets, and most fall victim to their pricing policy and lack of promotion." According to Pedron, the on-trade horeca distribution is usually carried out individually by single estates, with excessively high costs; transport, distribution and

commissions can be up to 30% to 40% of the product's cost.

GIV's 14 estates are located throughout the country and the wines are dispatched to three logistical areas in Italy, distributed through a network which includes five key accounts and eight promoters who are employed by GIV. The horeca line is sold through agents, who receive a commission which can vary between 7% and 12%.

Marchesi di Antonori, one of Italy's key players, has its own distribution network, made up of 100 agents, managed by eight regional supervisors, delivering orders directly to its 1,700 clients. This network also distributes Antinori's imports, which represent a mere 1% of its sales, including Maison Krug Champagne plus wines produced internationally under the Antinori umbrella. Antinori's agents get a commission which varies by distribution channel. "Having one's own network means one has more control," explains Renzo Cotarella, CEO.

Supermarket muscle

Italy's main supermarkets - Esselunga, GS Carfour, Auchan and Coop Italia - are starting to show their muscle. In a 2007 study carried out by IRI Infoscan, supermarket sales accounted for 7m hectolitres of bottled wine, equivalent to €1,500m in value. This equates to 60% of all bottled wine sold and distributed within the Italian domestic market.

The report states that sales figures between 2006 and 2007 increased by more than 6% in volume and nearly 7% in value. A further breakdown shows that wines below €2 increased 9%, while

LEADING ITALIAN DISTRIBUTORS

<p>1 Gruppo Italiano Vini (GIV)</p> <p>Villa Belvedere, 37010 Calmasino Phone: +39 045 626 9600, www.giv.it</p> <p>Turnover: €294m CEO: Emilio Pedron Number of Agents: 125 Number of bottles produced: 85m Total number of bottles exported: 63m Number of key brands: 18</p> <p>GIV has 14 wineries in seven wine growing regions. It is also Italy's largest exporter and producer of Italian wines as well as providing logistics, marketing, a sales organisation and administrative support to all its products.</p>	<p>6 Fazi Battaglia</p> <p>L. Go A. Ponchielli 6, 00198 Roma Phone: +39 068 443 11, www.fazibattaglia.com</p> <p>Turnover: €13.5m CEO: Luca Giannotti Number of Agents: 150 Total number of imported bottles: 170,000 Total number of bottles sold: 3.1m Number of bottles exported: 750,000</p> <p>An historic winery in the heart of Verdicchio, they also own two other important Tuscan estates: Fassati and Greto delle Fate. Since 2002 they have imported foreign spirits and Champagne brands.</p>
<p>2 Marchesi Antinori SRL</p> <p>Piazza Degli Antinori 3, 50123 Firenze Phone: +30 055 235 9848, www.antinori.it</p> <p>Turnover: €135.6m CEO: Renzo Cotarella Number of Agents: 100 with 1 sales manager and 8 regional supervisors Number of clients served: 12,500 Total number of bottles exported: 13m Total number of bottles sold: 20m</p> <p>Marchesi Antinori is one of Italy's largest family owned companies with 1,838 hectares spread mainly over Tuscany, with other vineyards in Umbria, Lombardy, Puglia, Hungary, Washington State, Chile and Malta. Antinori is one of the key wine estates which contributed to the innovation of Italian viticulture in the early 1960s.</p>	<p>7 Gaja Distribuzione</p> <p>Via Torino 18, 12050 Babaresco Phone: +39 017 363 5158, www.gajadistribuzione.it</p> <p>CEO: Lucia Giordano Number of Agents: 108 Total number of imported bottles: 570,000 Major imported brands: Casa Lapostolle, Gosset, Guigal, Jadot, Jolivet, Leon Beyer, Pascal, Phelps, Riedel, Vega Sicilia, Yarden. Import by country: France 60%, ANZ 13% Spain 12%, South America 7%.</p> <p>Gaja Distribuzione was established by Angelo Gaja in 1977, with the aim of offering the market imported wines and accessories. Gaja focused on the horeca and wine shops. He is the Italian distributor of Riedel glassware.</p>
<p>3 Marchesi de' Frescobaldi</p> <p>Via S. Spirito 11, 50125 Firenze Phone: +39 055 271 41, www.frescobaldi.it</p> <p>Turnover: Gruppo Frescobaldi €67.9m CEO: Giovanni Geddes da Filicaja Number of Agents: 100 agents Total number of bottles exported: 6.7m Total number of bottles sold: 9.7m bottles</p> <p>Flagship, 700 year old, family-run estate, producing some of Tuscany's top wines. In 1995 Frescobaldi teamed up with Robert Mondavi, setting up a 50-50 joint-venture company in Montalcino, Luce, which it now owns, and later purchased Ornellaia.</p>	<p>8 Philharmonica SPA</p> <p>Crystal Palace, Via Cefalonia 70, 25124 Brescia Phone: +39 030 227 9601, www.philharmonica.it</p> <p>Turnover: €13m CEO: Guido Folonari Number of Agents: 102 Total number of imported bottles: 600,000 Total number of bottles sold: 600,000 Major imported brands: Ruinart, Domecq, Gustav Lorenz, Aberlour, Edmond Rothschild.</p> <p>Young dynamic import group headed by a branch of the Folonari family. They produce wine under estate labels in Piedmont and for global export. The main commercial activity is imports, which have grown rapidly since the business was established in 2002, distributing wine, spirits and liqueurs to the horeca channel throughout Italy.</p>
<p>4 Santa Margherita SPA</p> <p>Via Ita Marzotto 8, 30025 Fossalta di Portogruaro Phone: +39 042 124 6111</p> <p>CEO: Ettore Nicoletto Number of Agents: 87 Total number of bottles exported: 10.3m Total number of bottles sold: 16.5m</p> <p>Santa Margherita is a major group producing a complete range of wines from the family's vineyards throughout Italy. Brands include Santa Margherita; Lamole di Lamole and Villa Vistarenni estates in the Chianti Classico DOCG. area; and the Torresella line, which has achieved great success in the US market, among others.</p>	<p>9 Ruffino SRL</p> <p>Piazzale I. L. Ruffino 1, 50065 Pontassieve Firenze Phone: +33 055 836 05, www.ruffino.it</p> <p>Turnover: €65m CEO: Adolfo Folonari & Luigi Folonari Sales director: Maarten Leereveld Number of Italian agents: 100 Number of countries: 85, with 8,000 clients Total number of bottles exported: 14.75m Total number of bottles sold: 16.8m</p> <p>The winery is involved in the production of premium wines from its Estates in Tuscany and Friuli. Ruffino's seven Tuscan estates are located in the best DOCG growing areas of Tuscany.</p>
<p>5 Meregalli Giuseppe SRL</p> <p>Via A.Visconti 43, 20052 Monza Phone: +39 039 230 1980, www.meregalli.com</p> <p>Turnover: €50.5m CEO: Giuseppe Meregalli Number of agents: 130 Number of clients served: 12,500 Total number of imported bottles: 675,000 Total number of bottles sold: 4.5m Major imported brands: Georges Duboeuf, Barons de Rothschild and Michel Laroche,</p> <p>Penfolds, Los Vascos Rothschild, Beringer.</p> <p>Meregalli is an Italian distributor with more than 12,000 clients mainly in the luxury and niche sector of restaurants and hospitality.</p>	<p>10 Avignonesi Classica SPA</p> <p>Via della Resistenza 276, 53040 Abbadia di Montepulciano Phone: +39 057 870 741, www.avignonesi.it</p> <p>Turnover: €13m CEO: Alberto Falvo Number of Agents: 82 Total number of bottles sold: 1,587m Share of export: 56% Major brands distributed: Avignonesi, Li Veli, Aia Vecchia, Ajello, Champagne Duval Leroy</p> <p>In 1998 the Falvo brothers established their distribution company CLASSICA which is run as a separate identity, buying directly from the producer and distributing mainly wine, but also food products direct to the client. CLASSICA imports wines mainly from France.</p>

MARKET WATCH

those selling for above €7 increased 15%. Overall, though, 60% of supermarket volume is bought for less than €3 a bottle.

“Supermarkets count for 90% of the off-trade in Italy,” says Lamberto Frescobaldi, CEO of Tuscan flagship winery Marchesi de Frescobaldi, one of the first producers to use their own network of agents. He explains that wines are dispatched directly from the cellar to the client, while niche products are sold by specialist enotecas. “Internet sales are still far behind.”

From all accounts, small estates will in the near future be forced, due to transport costs, to group together and find distribution synergy. Supermarkets will remain the battle ground of the larger key players, able to sustain an active and incisive role in promotion and pricing.

Distribution of imported wines

A recent study carried out by Pernod Ricard (Vini Ricard Italia) states that each year Italy imports an average of €50m worth of bottled wine, equivalent to 11% in volume and 9% in value. The study goes on to state that between 2001 and 2005, imports made a major breakthrough, increasing by almost 150% in volume and 50% in value. This is a trend, according to the report, which should accelerate.

Emerging importer Philarmonica, established in 2002 and headed by Guido Folonari, reflects the optimism. Only five years old, their turnover reached €13m in 2007. Folonari, who was trained at Deloitte&Touche, says his philosophy and outlook is forward thinking; however, this does not always coincide with how distribution operates in Italy. “We distribute 100% of our imports to the on-trade, horeca channel, and though business is on the increase for us, there are some deeply rooted problems which are impossible to eradicate,” he says.

“We chose this channel because we do not have the market muscle, nor the well-known brands that attract supermarket chains, who with teams of buyers are far more professional in their outlook compared to the horeca channel.”

According to Folonari, the horeca channel is one of the most difficult and outdated distribution channels, yet it is still the best method for brand building. “Italy’s horeca channel is 50 years behind the rest of the world,” he says. “Our network of agents spend hours visiting restaurateurs, even to deliver a case of six bottles, when it would be so simple to get them to fill in an automatic re-order sheet. But in Italy it doesn’t work like that.”

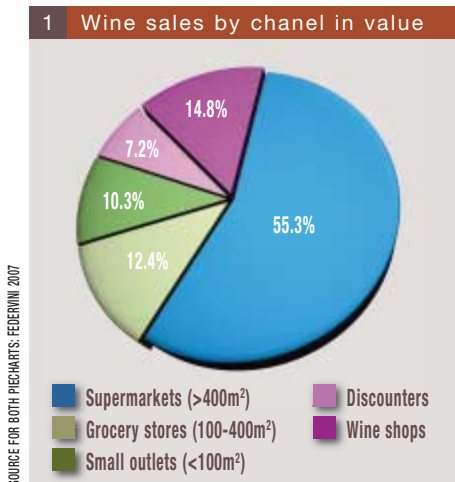
Alberto Falvo, CEO of Classica, Avignonesi’s distribution company agrees. “Many of the agent distributors

represent a number of companies and products, some often competing with each other,” he explains. “Competition is tough and when using agents, one doesn’t always have complete control over sales targets.”

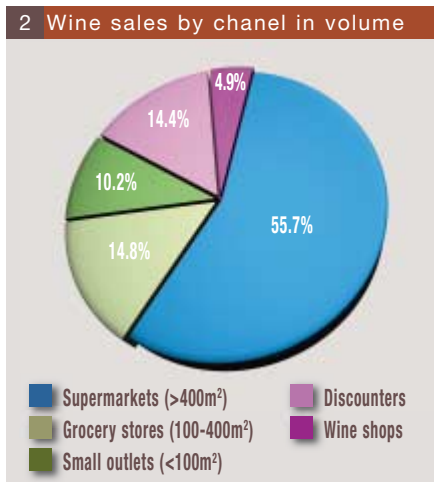
Not everyone believes imports will rise. According to Cotarella, imports at present are stable and unlikely to increase in the future, with the exception of Champagne and French wines, after which come Californian and Spanish wines. Wines from the New World, which count for 2% of Italy’s total imports, are stable, but low compared to other European countries. “The reason for this is that Italy has its own national production and this culture is deeply rooted in the country and its people,” explains Cotarella. “In fact, consumption in Italy is very often limited to regional production.”

Imported wines remain a mere curiosity and are often sold on supermarket shelves without country identification, stacked next to Italy’s regional selection. It is often difficult to actually identify that the wine in question comes from another country, the exception to the rule being Champagne.

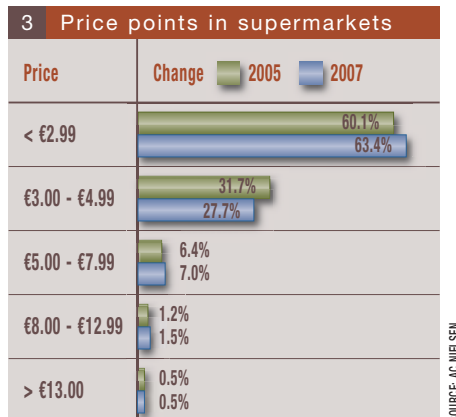
There are few specialist wine importers, with foreign wines imported through domestic producers like Antinori, or through specialist distributors, such as Meregalli Trade Marketing. ■



Although wine shops sell less than 5% of the wine consumed in Italy, they account for 15% of value. Total value in this pie chart is €1,768m.



Just over 30% of all wine sold in Italy is consumed in restaurants. This pie chart represents the 751m litres sold off-trade.



Compared to markets like Holland or Germany, the Italians are more likely to spend €5 or more on a bottle of wine. That said, the category under €3 per bottle is growing, and as elsewhere the large majority of all trading is done below €5 per bottle.

SOURCE FOR BOTH PIECHARTS: FEDERVIN 2007

SOURCE: AC NIELSEN

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frenchblackwine.com