



WAW Insights

Decanting Prestige Wines'
high price dilemma

September 2024

OUR FOCUS IS TO GIVE STRATEGIC, BUSINESS-FOCUSED, ACTIONABLE INSIGHTS TO TACKLE THE PRESTIGE WINES HIGH PRICE DILEMMA

WAW Insights is not...

...A descriptive 'état du marché'

We believe in **Actionable insights**

... An 'infinite pool' of industry numbers

We believe in **Clarifying the 'ins & outs'** of industry dynamics, backed by **few but relevant data points**

... A subjective (however good) expert opinion

We believe in Identifying **solid, strategic, business focused insights** that will give you the cards to **reflect on the issue**

FOCUSING ON PRESTIGE WINES IS PARTICULARLY INTERESTING AS THEY ARE INFLUENCED BY THE BUSINESS DYNAMICS OF BOTH THE W&S & LUXURY SECTORS, EACH HOLDING RELEVANT INSIGHTS



Luxury

/ Business giant:
€1500 bn in 2023 and up to €2500 bn in 2030

/ No 'price x quality' equation
Through emotionally engaging Brand dreams and product storytelling

/ D2C champion:
66% sales made online / monobrand stores in 2030

/ GenZ magnet:
up to 30% of Luxury clients in 2030



Prestige Wines

€10 bn
214m eb
in 2024



W&S

/ Multi tier powerhouse:
From access to Uber Prestige

/ Lifestyle product by essence:
In line with the rise of Experiential Luxury

/ Consummable product
Thus subject to specific dynamics

/ Premiumisation trend:
Across segments

THE CROSSING OF A 'TOO HIGH' PRICE THRESHOLD HAS LEAD PRESTIGE WINE MARKET TO GET STUCK AT A CHALLENGING CROSSROADS: THE BEAR MARKET IMPASSE

Prestige Wines **prices have boomed** to sky high levels, especially for **Prestige Plus Wines**

Up to +30%

for Prestige Plus Wines
Since 2019

...**Demand is receding** and **Market Indexes are dropping...**

-18%

Fine Wine 100 Index
since September 2022

BEAR MARKET IMPASSE

...**Stocks are on the rise...**

"Ultimately, the supplier of capital is the consumer, not merchants and négociants who don't want to take on more stock"

(Financial Times)

...**Decreasing prices is a delicate strategic move** (re. Brand perception & positioning), for any Domaine stating their ground in the **Luxury arena**

3 KEY QUESTIONS



What are the risks

of playing the 'steep price increase' game
and entering the bear market impasse?

1



How to control price increase strategy

to maximise prices without entering
the bear market impasse?

2



How to hedge

the bear market impasse risks
before it happens... and after?

3

3 KEY QUESTIONS RELEVANT FOR THE PRESTIGE WINES INDUSTRY

What are the risks

of playing the 'steep price increase' game and entering the bear market impasse?

How to control price increase strategy

to maximise prices without entering the bear market impasse?

How to hedge

the bear market impasse risks before it happens... and after?

CLIENT

Jamming the Clients Business Powerhouse

CLIENT

The Price Perception Rim

PRICE

Adopt a multi-tier price increase strategy at the service of Brand & product offer

PRODUCT / BRAND

Sabotaging the Investment Game

PRODUCT

Bridge the value gap & explore offer polarisation to revitalise core product attractiveness

DISTRIBUTION

Scrambling the *Prescripteurs* lines

DISTRIBUTION / COMPETITORS

Disruptors in Decanter

BRAND / TALENT

Give the front seat to Creativity to break free from the price x quality equation









MARKET

Stalling the Growth Engine & facing shareholders' *malus*

D2C

To acknowledge market dynamics and unleash full strategic potential of other levers

THE PERSONAL & EXPERIENTIAL LUXURY MARKET CAN BE DIVIDED IN 3 CLIENT SEGMENTS, EACH BEARING SPECIFIC RISKS RE. THE CROSSING OF THE PRICE THRESHOLD OF THE BEAR MARKET IMPASSE

	Spend Threshold (min. spend/year)	Population (in m pax % total, 2024)	Total Spend (in m€ % total, 2024)	Average Spend (in €, 2024)	Comments Bear Market Impasse Risks Analysis
 <p>TOP VICs</p>	> 50k€	0,1% 0,6	21% 213	350k	<p>BEAR MARKET IMPASSE RISK</p> <ul style="list-style-type: none">  Risky over reliance  Eroding Margin <p>RISK LEVEL: HIGH</p>
 <p>CORE LUXURY CLIENTS</p>	2K - 50k€	10% 42	22% 219	5k	<p>BEAR MARKET IMPASSE RISK</p> <ul style="list-style-type: none">  True Luxury Clients Loss  Brand Love Damage <p>RISK LEVEL: HIGH</p>
 <p>ENTRY-LEVEL LUXURY CLIENTS</p>	< 2k€	90% 392	57% 569	1,5k	<p>BEAR MARKET IMPASSE RISK</p> <ul style="list-style-type: none">  Large revenue loss <p>RISK LEVEL: MEDIUM</p>

THE 2 PITFALLS OF THE INVESTMENT GAME FOR PRESTIGE WINES



Losing the 'investment card'

the key characteristic that differentiates Prestige Wines from expensive (even though qualitative) wines



Becoming a pure patrimonial product

Never seen, never consumed and at some point forgotten

This risk can weight on Domaines within the same category as the ones within the bear market impasse, even if they did not raise their prices



PRICING 'TOO HIGH' IS NOT JUST AN ISSUE FOR 'DOWN THE LINE PLAYERS' AND CAN LEAD TO 2 KEY (NON MUTUALLY EXCLUSIVE) RISKS FOR DOMAINES & MAISONS

For the Prestige Wine wholesale world to function in a commercially efficient way,
each and every key player along the value chain needs to make sufficient profit

Domaines & Maisons

Négociants & Merchants

Final Resellers



Simplified Value Chain

If down the line players decide
to buy at 'high price' & reduce their margin

**Beware of the
price collapse spirale**

even below ex-négociants prices

*This is a category risk transcending
individual Domaines in the bear market impasse*

If down the line players decide
not to buy at 'high price'

**Beware of damaging
Brand integrity on the long term**

if you cut yourself from strategic *prescripteurs*

To **maximise prices** at Domaines & Maisons level without 'jamming the line', it is crucial to have a
precise & realistic vision of the price elasticity of all players along the value chain **down to the final client**

A COROLLARY ISSUE OF FACING THE BEAR MARKET IMPASSE IS TO GET INVESTORS CONCERNED ABOUT THE POTENTIAL (IF AT ALL) SHORT-TERM GROWTH OF THE MAISON, AS LEVERS ARE JAMMED



Projected Revenues

=

Nb of existing Clients

X

Client Pool Growth Rate

X

Average Price

X

Av. Price Growth Rate



RISK 1

Jamming the Clients Business Powerhouse



RISK 3

Scrambling the *Prescripteurs* lines



RISKS 2 & 3

Sabotaging the Investment Game
Scrambling *Prescripteurs* lines



RISKS 2 & 3

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KEEPING AN EYE ON SALES VOLUMES IS KEY TO MONITOR PERFORMANCE AND ADJUST PRICING,
BUT IT IS NOT A 'GOOD ENOUGH' KPI TO GET THE PRICE SIGNAL EARLY-ON AND ON ITS OWN

**SALES VOLUMES ARE NOT A GOOD STANDALONE INDICATOR
TO GET THE PRICE SIGNAL**

/ They are subject to **macro-economic trends**

/ They are the direct reflection of **speculative bubbles**

/ It is often **too late** when declines are noticed

2 WAYS TO CONTROL PRICE INCREASE STRATEGY TO MAXIMISE PRICES WITHOUT ENTERING THE BEAR MARKET IMPASSE

The Price Perception Rim

Leveraging final clients' purchase history and 'market practice' price increase expectations

To keep reality and the 'rules of the game' in mind, and know when you deviate from them
(not to reach 'too many' times)

CLIENT CENTRIC KPI

Disruptors in Decanter

Tracking the power of challengers to steel your clients through 'top quality x lower price point' USP

To assess early-on when the price limit is getting close by keeping a finger on Prestige clients' price perception' pulse (disregarding speculation effects)

COMPETITORS-CENTRIC KPI

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HOW TO HEDGE THE BEAR MARKET IMPASSE RISKS BEFORE IT HAPPENS... AND AFTER? (1/2)

PRICE

Adopt a multi-tier price increase strategy at the service of Brand & product offer



Reasoned price increases at brand level

rooted in value considerations



Nuanced price increases at offer level

supporting the readability of the offer pyramid



Multi-tier price increases at category level

reflecting the strategic role of each category

PRODUCT

Bridge the value gap & explore offer polarisation to revitalise core product attractiveness

OFFER ENRICHMENT



Bridge the value gap

in an authentic (thus product-centric) way

OFFER POLARISATION



Rethink Access

to revitalise core offer by winning (back) 'price alienated' clients through newness



Embrace Über Luxury

to glorify Craftmanship under a new light and leverage this aura on core offer



HOW TO HEDGE THE BEAR MARKET IMPASSE RISKS BEFORE IT HAPPENS... AND AFTER? (2/2)

BRAND / TALENT

Give the front seat to Creativity to break free from the price x quality equation



Master the challenging equilibrium between Domaine & Maître de Chais's unique creative visions

to unleash the full strategic potential of Creativity



A proprietary and truly differentiating storytelling

sparking emotions



The key to break free from the price x value equation...

in clients' eyes, claim and state (back) the investment card



...thus supporting the passing of higher price points

at domaine level up until final reseller

D2C / CLIENTELING

To acknowledge market dynamics and unleash full strategic potential of other levers

A QUICK REMINDER ABOUT D2C & CLIENTELING



It goes way beyond selling to clients directly

it is a client centric ecosystem where interconnection unlocks Consumer Lifetime Value

D2C & CLIENTELING IS A KEY LEVER

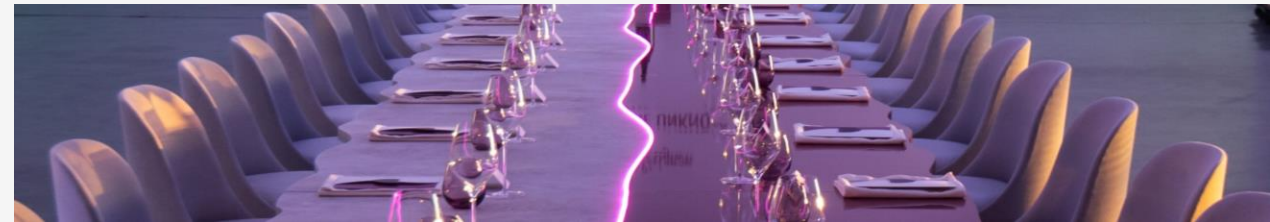


Addressing clients has never been more pressing

The luxury top-down dynamics remain unchanged, but the bear market impasse somehow shifts the needle to the benefit of clients



A powerful tool to address all risks, detect price signal & properly hedge



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