Own- label wines to increase tenfold?

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You can pick the meat out of Vinexpo without having to set foot, or spend a cent, in Bordeaux, thanks for instance to this report of yesterday's wine trade conference on Consolidation in the Wine Industry organised by the wine marketing consultancy Skalli & Rein. I have italicised the bits that struck me as most interesting.

For **Robert Nicholson**, a Californian- based strategy consultant, consolidation will lead to the development of *[just] five or six major global groups* (Fosters, Constellation, E&J Gallo, Diageo and maybe Pernod). Nicholson's vision of the industry also includes the emergence of a major second tier of regional players from most major vineyards (Vincor for Canada- Washington state is a good example).

David Combe, former Senior Vice- President of Southcorp, agrees with this idea of a "global regionalisation" of the industry. The recent acquisition of Southcorp by Foster's to build the biggest wine group in the planet from Australia makes sense because the synergies and strategy can be easily set in such a group. In the years to come for *the Australian wine industry will have to face an oversupply* and big brands with a unified strategy will be essential. Along with this statement, David Combe believes that consolidation in the retail sector shall lead to a growing market share of *private labelling [retailers' own brands] rising from 4% to 40%.*

Rabobank regrets that *in Europe wine companies are still too vulnerable* and that brands can be replaced too easily. This explains why there is a consolidation trend despite the wine industry's remaining highly fragmented. Wine industry requires consolidation to improve financial returns, to increase distribution power and to offer a broad range of attractive wines. On a marketing stand point, the industry has to adapt its message to satisfy customer expectations.

In Bordeaux, where estates are highly capital intensive, **Vincent Mulliez**, former banker at JP Morgan in Merger & Acquisition and new owner of a château in Haut Médoc, notices that consolidation has taken place mainly "within" the producer space, without much interaction with downstream distribution players. If small wineries will be the only real credible solution to produce high- end wines, Vincent Mulliez admits the lack of economic interest for new global players to invest in estates with a *return on equity close to 30 years*.

Finally, in the audience, **Christopher Carson**, CEO of Constellation Europe, seized the occasion to assert that his company *[Constellation] is not finally interested in bidding on Allied Domecq assets*. The group will focus on consolidating its recent acquisition portfolios in the month to come.