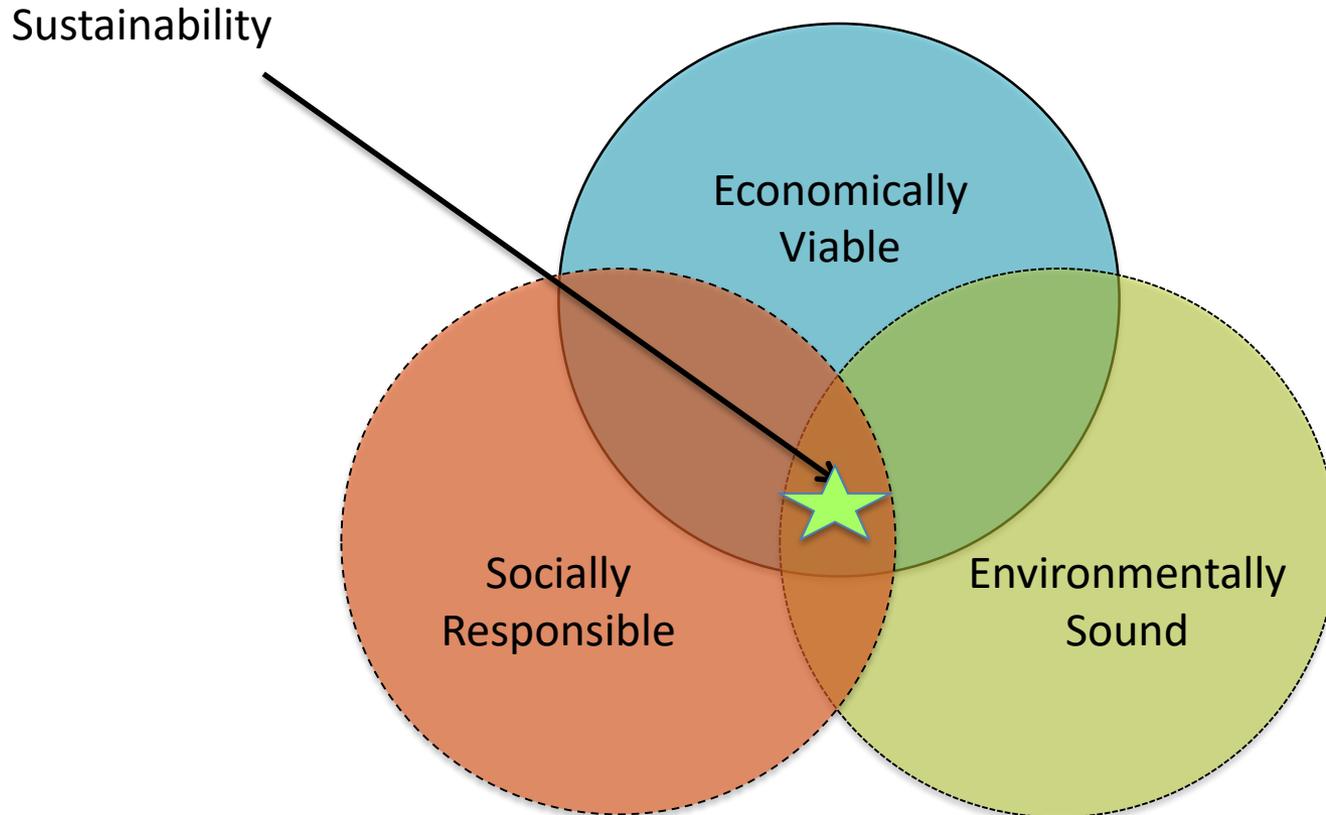


Oregon Wine Symposium
Portland, OR

The Business of Sustainable Wine
February 12, 2019

Sandra E. Taylor

SUSTAINABILITY: *The “Triple Bottom Line”*



Ensuring viability over time... benefitting current and future generations.

THE SUSTAINABILITY CONCEPT

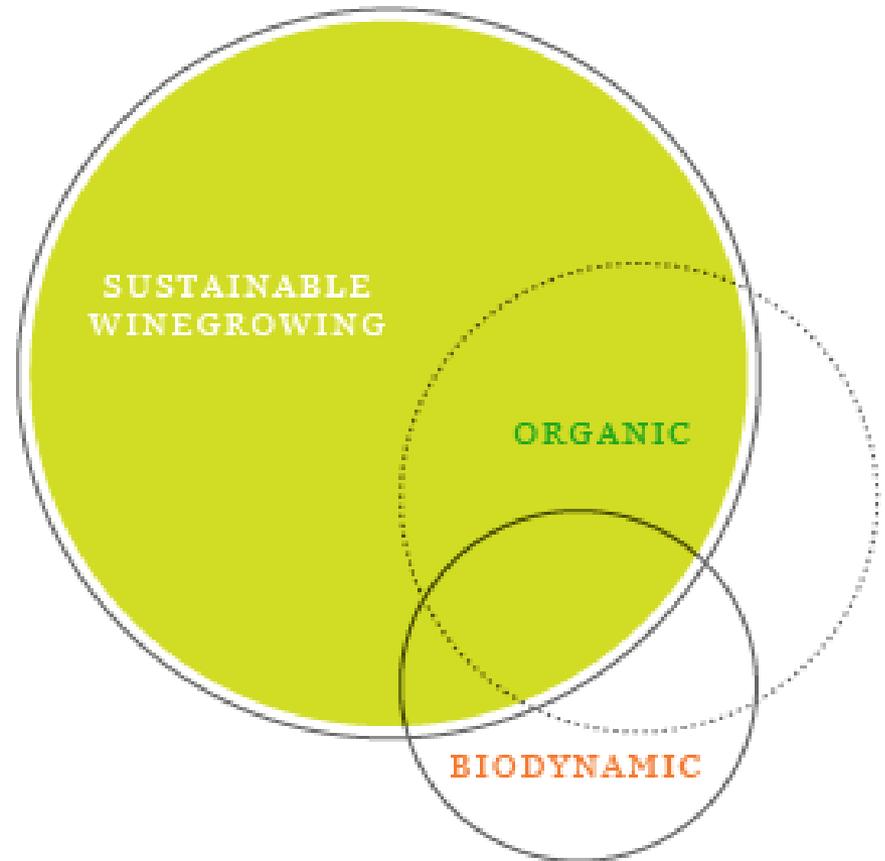
ORGANIC AND BIODYNAMIC

Very specific requirements or legal criteria must be met to be certified.

- no synthetic pesticides or nonorganic chemicals
- natural alternatives to soil enrichment, pests, weeds and vine disease management

SUSTAINABLE WINEGROWING

Sustainable practices go from the vineyard to the bottle on the shelf in the supermarket. It is a system that employs the soil's fertility as base, takes measures to reduce emissions, provides a healthy environment for workers and the community, and balances the need for profitability now and for future generations.



Certified Sustainable Winegrowing – a broad concept

Sustainable wine production can include:

- biodynamic or organic farming practices
- sheep, birds & insectaries to control weeds and pests
- cover crops, drip irrigation, process ponds to conserve water
- waste minimization
- protecting air and water quality
- preserving local ecosystems and wildlife habitats
- renewable energy in wineries
- supplier certification
- fair labor practices
- lighter bottles and biodegradable packaging
- Emissions reductions through bulk shipping & bottling in market; wine in kegs



Leading Sustainable Certification Programs

CHILE – Sustainable Wines of Chile - independent audits, requires full supply chain compliance, management commitment to social responsibility; bottle seal.

NEW ZEALAND–Sustainable Wine New Zealand; 99% industry adoption, bottle seal; recently launched Continuous Improvement program with 9 “stretch” goals: zero waste, maximize renewable energy; and more

SOUTH AFRICA– Integrated Production of Wine (IPW) for sustainable certification, Wine Industry Ethical Trade Association (WIETA) for labor, requires full supply chain compliance; BWI for habitat, biodiversity protection; bottle seal.

UNITED STATES- While California Certified Sustainable Winegrowing has more mass, LIVE has long been considered the leader in rigorous sustainability criteria and widespread adoption. California also has SIP and Lodi Rules. Sonoma County Growers moving toward their goal of 100% sustainable by 2019 and engage in innovative marketing at retail and consumer level.

Recent Sustainability Initiatives

ARGENTINA – A Sustainability Protocol

AUSTRIA – Sustainable Austria – Certified Sustainable Wine

AUSTRALIA – Entwine

ITALY – Equilitas, a merger of 15 different programs

FRANCE – Sustainability certification in Champagne and HVE

GERMANY -- Fair N' Green

UNITED STATES -- Long Island Sustainable Wine (LISW)

The Business Case

Why do wine companies adopt sustainable practices?

- Attract and retain employees
- Increase customer loyalty
- Reduce operating costs (e.g. energy, water)
- Strengthen their supply chain(s)
- Certification and bottle seal; good marketing story
- Fulfill social commitments to communities
- Meet retailer hurdle
- Comply with industry mandate, peer pressure



The Retailer Hurdle

Concerned about their “sustainable” reputation, or while implementing their own CSR policy, retailers frequently play the role of “curator” for consumer purchases. A decade ago, it was rare for consumers to take notice of terms such as organic, biodynamic, sustainability, carbon-neutral, or “wine miles,” but their concern in this regard is increasing.

Retail chains are increasingly demanding purpose-made plans to show wineries’ commitment to environmentally friendly approaches. Retailers present a sustainability “hurdle” which must be crossed by suppliers, sometimes without specific criteria. Sweden’s liquor retailer Systembolaget and retail liquor monopolies in Canada – LCBO in Ontario and SAQ in Quebec – have very specific sustainability requirements as part of their procurement process.

Retailer Expectations

The Sustainability Consortium (TSC) in the US, led by Walmart, has created key performance Indicators (KPIs) to improve the sustainability of products when they are made, purchased, and used, with a focus on manufacturers and the retail buyers who decide what products to carry in stores. The KPIs for wine recommend supplier performance in these key areas:

Fertilizer and Nutrients

Land and Soil

Pesticides

Supply Chain Transparency

Climate and energy

Packaging

Water

Workers and Communities

Consumer Expectations

Sustainability is gaining momentum with consumers

Nielsen **Insights on Consumer Expectations in 2015** :

66% of consumers said they were willing to pay more for sustainable brands.

72% of millennials willing to pay more for sustainable products

50% of global consumers take “green” factors into account when making purchasing decisions

In 2015, sales of consumer goods from brands with a demonstrated commitment to sustainability grew more than 4% globally, while those without grew less than 1%.

By 2018 Nielsen global survey showed, 81% of respondents said that it’s extremely or very important that companies implement programs to improve the environment. When it comes to action, 73% said they would change their consumption habits to reduce their impact on the environment.

Consumer Engagement

Consumers are paying more attention to the impact of their decisions on the world around them. They care about environmental and social factors in their path to purchase and seek sustainable attributes in the products they choose.

They expect manufacturers they reward with their purchasing power to operate responsibly. This is no longer optional -- it's essential to growth.

Consumers also trust and rely on certifications that communicate and reinforce credibility.

Consumers want to see proof of sustainability efforts and outside endorsement of the company's efforts as an unbiased validation. In our digital and social media age, transparency and authenticity are key. Sustainability claims on packaging must also reflect how a company operates inside and out.

Building a Brand of Sustainability

Brands are an increasingly powerful component of a company's value, and developing a relationship with consumers grounded in values and purpose is essential. For the wine industry, authentic sustainability can be that purpose.

Marketers seek to understand the needs of their target and respond to those needs in ways that drive demand for their product. Consumers' needs for environmental sustainability and social responsibility should be no exception and should be promoted along with other important attributes of the wines they seek.

Consumers want to feel they can make a difference in addressing the world's social and environmental challenges through the products they buy. Successful organizations engage and inspire these savvy consumers.

Sustainability is a growth and innovation opportunity.

In many ways this space is evolving: each month we hear a different take on the role of millennials in wine purchasing and their penchant for all things sustainable!

No matter what, this is no longer a niche play: your bottom-line and brand growth depend on it.

For most consumers and companies, sustainability has evolved from a buzzword or passing trend into a necessary business opportunity. Companies are making strides to take a more holistic approach by looking up and down the value chain to meet consumers' evolving needs in innovative ways.

The challenge for the wine industry is to educate retailers and consumers about sustainability and its connection to quality wines.