



**TREASURY
WINE ESTATES**

The Importance of Branding Strategies and Brand Development to Success in Global Markets



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Owen Malone

Director Intellectual Property, Treasury Wine Estates





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SUMMARY

- Brief Introduction to Treasury Wine Estates
- The Importance of Brands to Business Success in a Global Economy
- Branding Strategies in Global Markets
- Key Elements of Brand Development





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Treasury Wine Estates Limited

- Demerged and listed on the Australian Stock Exchange as a separate company in May 2011
- Largest listed wine company in the world
- 20 Wineries globally
- Market value – \$A3 billion (est)
- 3,500 employees
- Sales: \$A1.5b globally





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Global Wine Brands



- **PENFOLDS** – luxury goods, refined appreciators of fine wines (old world legacy)
- **WOLF BLASS** – Australian premium & super-premium wines
- **BERINGER** – Californian premium wines & super-premium wines
- **ROSEMOUNT** – fashionable, style conscious
- **LINDEMANS** – truly international wine
- **GABBIANO** – specialist Italian brands





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Reasons for the Expanding Role of Intangible Assets such as Brands?

- Market globalisation and the impact of national economic development in emerging nations across the world
- Rapid technological innovation
- The expanding growth and role of both product and service branding
- Meeting the aspirations and demands of an enormous consumer base globally engaged across the world.



Examples of Market and Net Asset Values (\$USb)

Company	Market Value	Revenue	Profits	Net Assets	“Hidden Value”
General Electric	169	79	7.3	31	138 (82%)
Coca-Cola	148	19	3.5	6	142 (96%)
Exxon	125	119	7.5	43	82 (66%)
Microsoft	119	9	2.2	7	112 (94%)
Intel	113	21	5.2	17	96 (85%)



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Tangible Assets in the Wine Industry



- **Wineries**
- **Vineyards**
- **Plant, Vehicles and Equipment**
- **Warehouses and distribution Centres**
- **Business & Sales Offices**

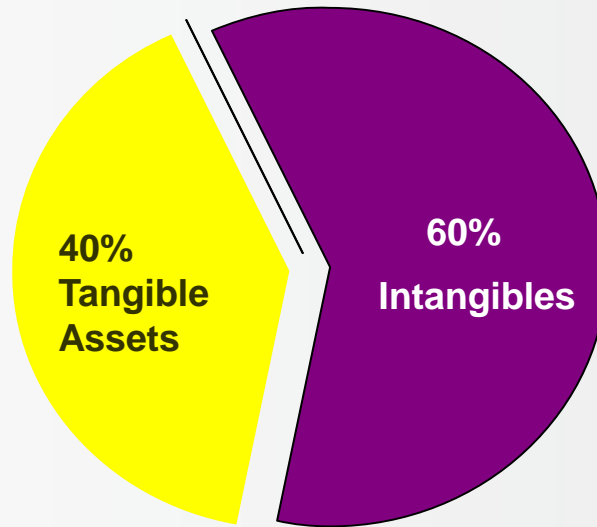
Above: Vintage at Penfold's Grange in 1905.





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Value of intangible assets (largely brands) represent approximately 60% of Enterprise Value



Enterprise Value = Market Cap + Total Liability





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Building Brand Strategies

- Articulate a vision – Treasury Wines Estates objective for Latin American is *“to be one of the leading 3 luxury and mastige wine importer companies in Latin America by 2018”*
- Where and how to play! Undertake a careful analysis of key brands for each market and an execution strategy.





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The Importance of Brand Classification

- Global
- Regional
- Local
- Specialist
- Differentiated brands across markets





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Operation of a Global Brand

- Global brands usually remain a single entity worldwide in familiar livery, with a common brand proposition
- However expression of the brand proposition may vary from country to country depending on local factors.
- The elements of change are commonly confined to:
 - advertising & promotion
 - communications
 - adjustments (minor) to price positioning



Benefits of a Global Branding Strategy

- Potential for economies of scope & scale in production, brand development & communications
- Premium pricing potential through reputation & status
- Capturing markets by offering consumers an experience of global diversity and progressiveness
- Creating a flagship for the company's regional products



Key Elements of Brand Development

- Very clear strategy and vision
- Resourcing and dimensions of the opportunity
- Sound planning, particularly Route to Market (RTM)
- Market attractiveness, in terms of priority, economic outlook and growth projections
- Brand protection, compliance and regulatory requirements
- Consumer consumption trends and digital media
- Understand local culture, needs and requirements



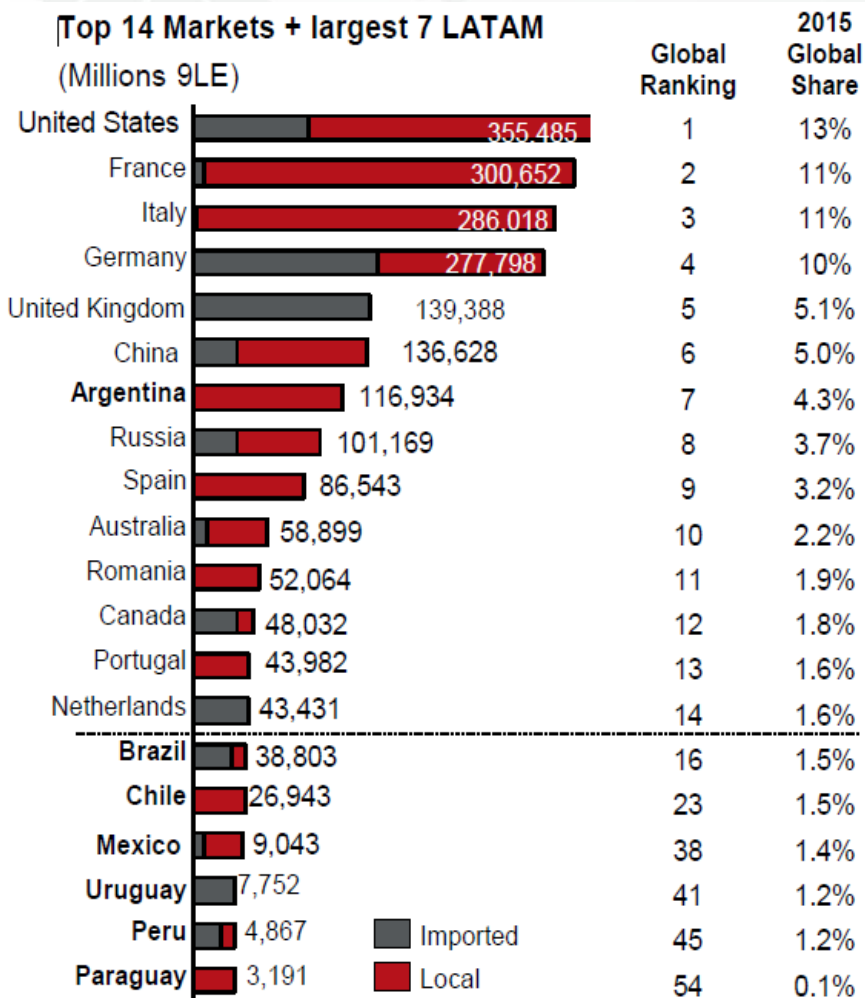


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Wine Market Analysis – Global

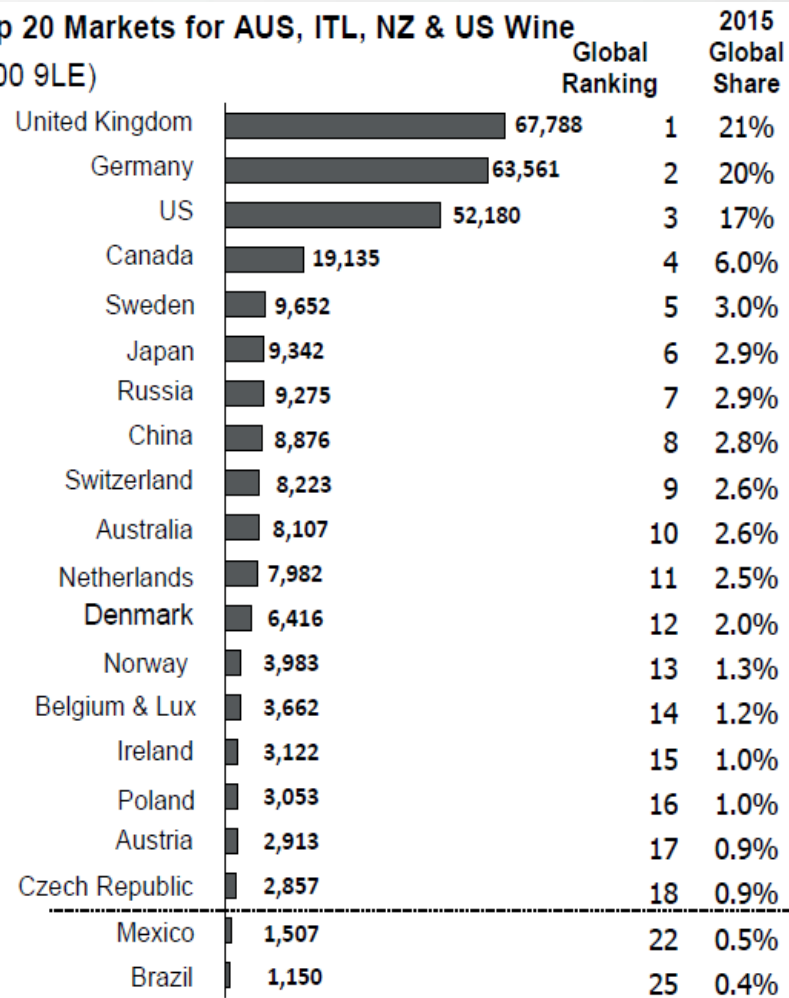
Top 14 Markets + largest 7 LATAM

(Millions 9LE)



Top 20 Markets for AUS, ITL, NZ & US Wine

('000 9LE)



Note: IWSR classifications
Source: IWSR 2013 (excludes fortified & other wine)





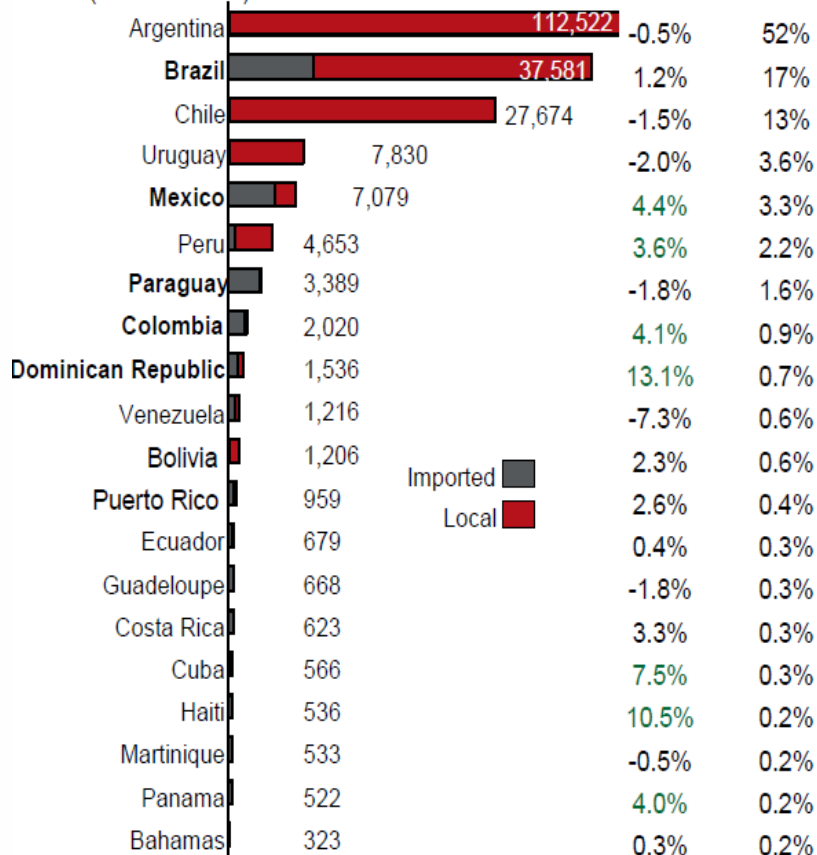
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Wine Market Analysis – Latin America and Caribbean

Top 20 LAC markets (still & sparkling)

(Millions 9LE)

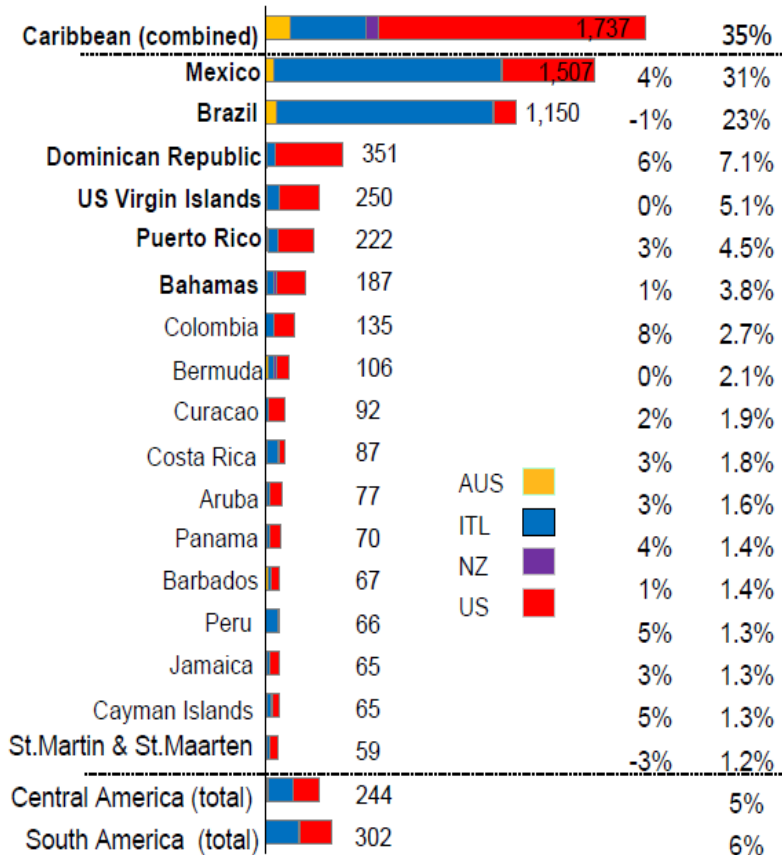
CAGR % 2015 Region*
(2009-13) Share




Imported 
Local 

Largest Regions & Markets AUS, ITL, NZ & US Wine ('000 9LE)

CAGR % 2015 Region*
(2013-19) Share



AUS 
ITL 
NZ 
US 



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Thorough Commercial Assessment including Brand Protection

Regulatory Requirements & Commercial Check list

Activities / Initiated	Check questions to cover off	Complete(Y/N)
Legal	<input type="radio"/> - proposed changes and advice on legal and regulatory considerations?	TBC
Intellectual Property	<input type="radio"/> - proposed changes and advice regarding relevant IP considerations? <input type="radio"/> - has a plan for mitigating the risks of IP infringements been prepared?	TBC TBC
Taxation	<input checked="" type="radio"/> - proposed Market Entry Model, funding structure and relevant taxation reporting obligations in both home and host countries been prepared? <input type="radio"/> - reviewed local tax incentives on market entry?	N N
Finance / Treasury	<input checked="" type="radio"/> - Proposed Market Entry Model, funding structure, financial models and business case reviewed? <input type="radio"/> - Financial reporting obligations in both home and host countries met? <input type="radio"/> - Prepared a financial business case on the market entry proposition?	Y N Y
Governance & Risk	<input type="radio"/> - Actioned risk assessment performed regarding the proposed New Market Entry or Change?	N
HR	<input type="radio"/> - Proposed changes regarding relevant legal and regulatory considered?	TBC
Production	<input type="radio"/> - Advice on bottling, packaging, labelling and chemical compositions in the host market?	N
Free Trade Agreements	<input type="radio"/> - Free Trade Agreements considered with the proposed model of entry?	TBC
Strategic Alignment	<input checked="" type="radio"/> - Alignment to TWE's strategic direction and /or 5 year plan agreed?	Y
Market Assessment	<input checked="" type="radio"/> - market analysis performed? <input checked="" type="radio"/> - business development meet minimum thresholds: in-market sales and forecast returns? <input type="radio"/> - consulted the Australian Government in the relevant host market?	Y ? N
Market Entry Model	<input checked="" type="radio"/> - prepared a proposed Market Entry Model? <input checked="" type="radio"/> - entry pricing points been developed and reviewed by finance? <input type="radio"/> - reviewed by the commercial stakeholders?	Y TBC N
Partner Due Diligence	<input checked="" type="radio"/> - identified and select partners for this project? <input checked="" type="radio"/> - background checks been performed? <input type="radio"/> - does this require further review?	? ? TBC
People	<input checked="" type="radio"/> - identified experienced in-market staff to be part of this model of entry?	Y
Risk	<input type="radio"/> - strategic risk assessment required of entering and operating in this market? <input type="radio"/> - safeguards to manage higher risks when operating in these markets? <input type="radio"/> - business contingency planning for this proposed entry?	TBC TBC TBC
Product Localisation	<input type="radio"/> - product requiring localisation to the host market? <input type="radio"/> - market research considered and applied to the product offering?	Y Y
Distribution Channels	<input checked="" type="radio"/> - channel specific distribution strategy been considered and agreed? <input type="radio"/> - review been performed of the local distributors?	Y (but not agreed)
Marketing & Promotion	<input type="radio"/> - localised marketing and brand strategy been developed? <input type="radio"/> - Is a local marketing agency required to assist in set up?	N TBC
Sales	<input type="radio"/> - in-market sales team been through appropriate training? <input type="radio"/> - Have targets of performance been set?	N N
Internal Review	<input type="radio"/> - financial and non-financial key performance indicators been set?	N



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The Major Challenges

- Ensuring that you have a clear strategy, sound implementation plan and adequate resources.
- Understanding local markets by building sustainable partnerships with resident businesses to ensure the most effective route to market (RTM).
- Understanding consumer behaviours and the effective utilisation of digital/social media.
- Ensuring brand security and managing compliance and regulatory risk.

