



# Champions Trophy

## Case Competition 2012



### Case 4 (Final): Invivo Wines

4 February 2012

Case prepared by Miss Alison Dunn under the supervision of Mr Sunny Gu. This case has been prepared solely for the Champions Trophy Case Competition. All data in this case has been obtained from publically available sources and Invivo Wines. This case is not intended to serve as an endorsement, a source of primary data or an illustration of effective or ineffective management.

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## Marilyn Merlot

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**From:** Marilyn Merlot  
**Sent:** Saturday, 4th February 2012 7:30  
**To:** Invivo Wines Project Teams  
**CC:** David Dollar; John Jobs; Peter Partner; Warren Wallstreet  
**Subject:** Invivo Wines Strategy Presentation

Team,

It's been a long week, but you only have one more project to complete before you can relax and toast the end your week with a glass of fine wine. Our final client for this week is Invivo Wines, a premium wine producer whose vision is to produce the best of New Zealand wine and bring it to the world in an innovative and contemporary approach.

The team at Invivo buy carefully selected grapes from Marlborough and Central Otago vineyards, manufacture the wine, market and brand their product, and distribute it to fine wine independents, supermarkets, high end Michelin restaurants and bars around the world.

Invivo is a young company, producing its first wine in 2008. In a short space of time, Invivo has established itself on the world stage, winning accolades for both their wines and their unique approach to supporting the Invivo brand around the world.

Tim, one of Invivo's two co-founders, has asked us to analyse the company and provide recommendations on a strategic level. He is particularly interested in what you have to say about potential growth opportunities; how Invivo should position itself in different market channels (eg, supermarkets, fine wine independents) across global markets; and how Invivo can continue to sell its wine at a premium following one of the largest wine gluts.

Please prepare a presentation to the Invivo team of no more than ten minutes to talk about your analysis and strategic recommendations. Also, be prepared for a ten minute question and answer session. Information gathered by our research team is attached to this email.

Kind regards

## Marilyn Merlot

Senior Vice President  
SYG Consulting Group

... I often think to myself ... men are like a fine wine – they all start out like grapes and it's our job to stomp on them and keep them in the dark until they mature into something with which you would like to have dinner with. Women are like a fine wine – fresh, fruity and intoxicating. Perhaps this is a little off the point, but something to ponder next week.



# Company Profile



## 1. Background and Vision

Some fine winemakers are often baffled why their excellent, often competitively-priced wine doesn't fly off the shelves and on to the tables of discerning customers. It's a trifecta: distribution, branding and marketing. When it comes to the latter two, you'd be hard pressed to find anybody doing it better than old school friends Tim Lightbourne and Rob Cameron, whose brand Invivo was conceived in 2006 over a few drinks.

Lightbourne and Cameron buy carefully selected grapes from both the Marlborough and Central Otago regions. Cameron is the winemaker and Lightbourne spearheads marketing, and together they bring an innovative, contemporary creative approach to selling wine.

The duos mantra seems to be "think globally, act globally". Not that the local market has been ignored - their wines pop up at fashion shows, sports and various cultural events, while Invivo's Sauvignon Blanc can be found on Air New Zealand's flights, both domestic and international.

Invivo released their first wines in 2008 and currently produces Sauvignon Blanc, Pinot Noir, Pinot Gris and Rose. They produce premium wines which are sold for between NZD\$18.99 and \$29.99 a bottle. Eighty five percent of Invivo's sales are from exports, while 15 percent are achieved within New Zealand. They currently export to ten countries and have recently landed a deal with high-end English stores, Harvey Nichols. They have gained a lot of attention with their initial 2010 release of a Marlborough Sauvignon Blanc with just nine percent alcohol and 30 percent fewer calories than their standard sauvignon. It's called "Bella by Invivo" and was officially launched at New Zealand Fashion Week in 2010.

Invivo's vision is to produce the best of New Zealand wine and bring this to the world in an innovative and contemporary approach. In five years' time, Invivo aspires to:

- Earn at least NZD\$10 million turnover, produce 150,000 cases of wine and still be profitable.
- Achieve a unique global positioning for the Invivo brand where customers understand that Invivo is a premium, contemporary New Zealand wine brand, a strong supporter of the creative industries and engages with consumers on the international stage.
- Achieve quality distribution in key markets (in major chains) throughout the United Kingdom, Australia, the United States of America, Japan and improved traction in China.
- Innovate in bringing new wine styles packaging/formats to the wine industry.

## 2. Co-Founders

Invivo's duo team, Lightbourne and Cameron have a passion for making premium wine and are going from strength to strength.



*Tim Lightbourne, Rob Cameron and Graham Norton backstage*

### 2.1 Tim Lightbourne | Marketing and Director

Co-founder Lightbourne has developed the marketing strategy behind Invivo. Having returned from Europe, Lightbourne has an extensive international marketing background, including L'Oreal UK as a senior marketer for Garnier products where he achieved record market share for the L'Oreal brand and Group Danone where he studied with Danone's Marketing University in Paris, Lyon and Istanbul. He has been employed as a marketing consultant for HJ Heinz Co and helped develop the strategy to launch HP Foods in new and emerging markets across Europe. He was the winner of the British Marketing Innovation Award for 2005 for his work with international culinary sauce brands HP and Lea & Perrins. While based in Europe in 2002, Tim took some time out to work at a vintage in Burgundy where his fondness for wine started.

## 2.2 Rob Cameron | Winemaker and Director

Cameron has been making wine for 12 years, qualifying from Lincoln University with a Bachelor of Viticulture and Enology. He spent his early years learning his craft at Villa Maria and Rapaura Vintners. His work then took Cameron overseas initially shunning the more sought after locations in California, France or Italy and instead he spent seven years making wine in often challenging conditions in the likes of Moldova, Cyprus and Slovenia before working vintages in France and Spain. He credits those early years in Central and Eastern Europe for learning some valuable lessons in winemaking amongst extreme conditions.

Cameron's experience includes establishing and creating the award winning Lochiel Estate Vineyards & Winery; one of Slovenia's first foreign winemakers; consultant winemaker to bring Slovenia into the EU in terms of wine quality; senior winemaker for KEO plc in Cyprus looking after four wineries and a 30,000 ton harvest; consultant for Firebird Legend in Moldova, producing for Waitrose stores; and contracted to Cellarworld International.

## 3. Key Pillars to Invivo's Success: Quality Product, Marketing, Branding and Distribution

### 3.1 Marketing

Invivo's marketing approach is to make its wine brand fashionable and contemporary. Invivo has taken a creative approach to marketing in the past to maximise return on its investment – take for example that Air New Zealand is now serving their wine on flights and celebrity British comedian Graham Norton has a glass of their Sauvignon Blanc on his show. Moreover, Group Codoniu, Spain's largest and oldest wine producer is now promoting Invivo wine in the UK – the first time it has taken on a foreign brand, and Angela Mount (whose taste buds are insured for millions of pounds) is their UK face – attracted by their marketing approach not just their wine.

The awards received and international recognition of Invivo as a quality wine producer throughout various wine competitions has resulted in 'free' marketing purely as the result of Invivo producing world-class wines.

#### 3.1.1 Another Stunner

In December 2011, Invivo launched an outdoor poster campaign across New Zealand with hundreds of Invivo posters being placed around busy street locations in Auckland, Wellington and Christchurch. To design the poster Invivo appointed creative Tristan O'Shannessy.

Invivo cofounder Tim Lightbourne commented that "we're very happy with Tristan's work, he's produced a unique watercolour poster for this campaign with the tagline Another Stunner that will work well for outdoor, especially over the important summer period" The Invivo "Another Stunner" campaign also appeared in print in various national magazine publications over summer and in point of sale.

See photos of Invivo's Another Stunner campaign in the Appendix at G.

#### 3.1.2 Sponsorship

*"Thank you Invivo Wines for your support of the arts community, your wines have been much appreciated and enjoyed from Venice to Te Papa" - Dame Jenny Gibbs DNZM*

Invivo sponsor a number of events in creative industries with New York artist Eric Orr, Sydney's Gaffa Gallery and exhibitions at the 53rd Venice Biennale in Italy.

Some of the other creative industry events sponsored by Invivo:

Event	Event Information	Invivo Involvement
<b>'Home of Golf' Gleneagles, Scotland</b>	On Friday 2 December 2011, Invivo hosted an exclusive wine and food tasting evening at the world famous Gleneagles golf club and hotel in Scotland. Gleneagles has been the location for important international events including the G8 leaders meeting and the upcoming Ryder Cup.	Invivo hosted the event, matching its wine to local Scottish cuisine.
<b>Launch of New Zealand Fashion Museum</b>	On Friday 4 June, The New Zealand Fashion Museum opened in Auckland. The first opening event celebrated the achievements of New Zealand fashion industry leader Gus Fisher who headed the House of El Jay in New Zealand for almost 50 years, this exhibition has been curated by the acclaimed Auckland designer Doris de Pont.	Invivo Wines was the proud sponsor for the opening of the New Zealand Fashion Museum.
<b>Gregor Kregar's Cultural Nature Opening</b>	Gregor Kregar's inaugural solo exhibition with Gow Langsford Gallery features an immersive environment of gleaming metallic sculpture and white ceramics. The art pieces embody the contradictions of nature versus culture, and the mathematical versus a more intuitive artistic process.	Gregor is sponsored by Invivo Wines and is a current Invivo featured artist.
<b>Eru Dangerspiel Tour</b>	The Eru Dangerspiel group is led by founding member of Trinity Roots and former Fat Freddy's Drop drummer Riki Gooch. Invivo produced an advertisement with Riki Gooch in his Wellington studio photographed by Pat Sheppard to promote the partnership.	Invivo supported Eru Dangerspiel – an ensemble of 30 leading New Zealand musicians touring New Zealand.

## 3.2 Branding

### 3.2.1 The Invivo Label

Their distinctive, modern, Invivo label was designed by Neville Findlay from the fashion house Zambesi. Invivo invited iconic New Zealand fashion house Zambesi to design the beautiful and unique Invivo label.

*“The design was in part inspired by the face of a ship’s compass-rose indicating the points of direction or navigation as the wines will be emanating from diverse wine regions within the country. It also seemed appropriate to symbolize a focal point of excellence which culminates in the art of the Invivo wine maker. So the mark also represents a coming together of the grapes, the vintner’s art and the essence of Aotearoa- New Zealand. Like many symbolic marks there is more than one notion of reference.” - Neville Findlay, Zambesi*

### 3.3 Distribution

Invivo distributes to fine wine independents, supermarkets, high end Michelin restaurants and bars. But recently Invivo has faced challenges among competing distributors – fine wine independents don’t want to see their wine being sold at supermarkets and have been cancelling orders. This poses a significant challenge to Invivo.

See B at the Appendix for a list of who Invivo currently distributes to.

## 4. Invivo Wine Production

### 4.1 Invivo’s relationships with its growers

Cameron manages Invivo’s wine making and production. He contracts with around 12 growers in Marlborough and Central Otago and works with them on a weekly basis. Recently a number of new growers are coming on board in order to meet the increased year on year demand.

Invivo’s relationships with its growers are very important. Each year Invivo must negotiate pricing by the ton with growers – these prices fluctuate year on year and are heavily dependent on crop size and the industry supply-demand dynamic from season to season. Invivo pays growers on a per ton basis with the pricing being set by negotiation according to quality and yield.

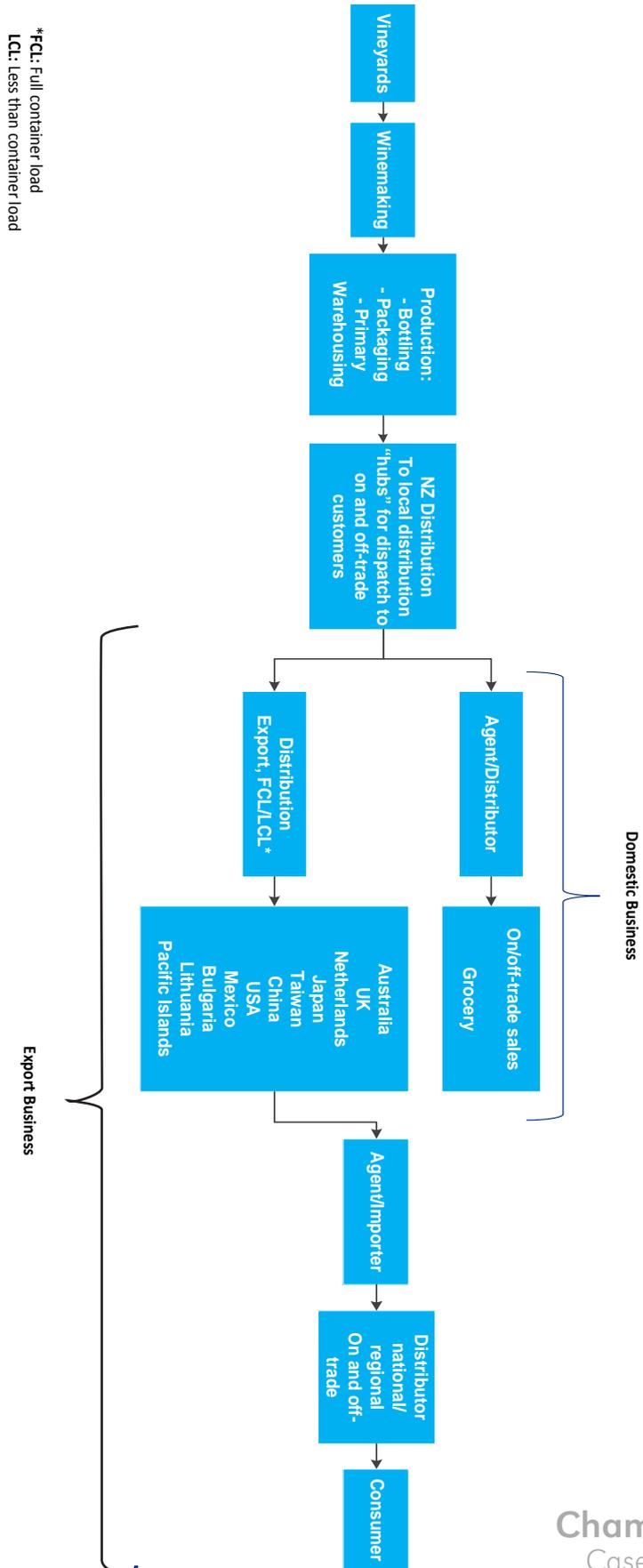


*The challenge for Invivo and for all wine businesses is that grapes are only harvested once a year (March/April), hence the quantity of fruit contracted needs to be able to fulfil anticipated demand for the entire year. Trying to secure accurate forecasts from distributors is almost impossible so the planning of contracted quantities and varieties is a challenge, the net result being that in the past three years Invivo has sold out of all product well before the new vintage is available.*

In certain circumstances Invivo can purchase wine from the bulk market to meet specific demand – usually for the cheaper price point products where quality is less of an issue. The challenge for Invivo is that it is a brand founded on the quality of its wines and this absolutely must not change as the company grows.

## 4.2 Manufacturing, warehousing and shipping

Invivo leases space at wineries in Blenheim (a town in Marlborough, north east of the South Island) and a winery north of Auckland. Bottling and packaging is all handled by contract facilities. A value chain for Invivo is shown below:



Invivo stores its wine at three warehouses in Auckland, Wellington and Marlborough and ships out of their respective ports. Key challenges faced by Invivo include:

- Horticultural industry that is subject to the vagaries of weather.
- Only receive one opportunity per year to make the products, hence planning is critical.
- Cashflow – essentially buying raw materials and services approximately nine months before payment is made – ie, it takes approximately five months minimum to create the products and the average debtor days from sale (export) is 130.

## 5. Invivo Exports

Invivo currently exports to ten countries and recently won the Emerging Exporter Award for its success in such competitive overseas markets. Eighty five percent of Invivo's sales are from exports, while 15 percent are achieved within New Zealand. Key overseas markets are the UK and Australia but Asia is also picking up. Invivo's "A" markets include New Zealand, the United Kingdom and Australia. It's "B" markets are its developmental and opportunistic markets including the Netherlands, Japan, China, Bulgaria, Taiwan, Hong Kong and Mexico – these "A" and "B" markets comprise Invivo's ten export markets.

### 5.1 Special considerations in Asian markets

Asian wine markets should be considered as a heterogeneous body, because each country, to a certain extent, is a unique entity. Firstly, there are very different tax and custom systems with regard to wine imports and consumption. In fact, one can be totally lost with the myriad of tax and custom systems that exist in the different Asian countries. Secondly, different wine consumption behaviours have emerged in the region. For example, in countries like Singapore the demand for premium wines has grown. Then there are different national perspectives at looking at wines. Some countries view them as a status symbol, while others would consider them part of their newfound lifestyle. Thirdly, different industries have different structures. Since some Asian countries have an indigenous wine production industry, foreign wines will often face competition (and even unfair competition in the form of tariffs) from domestic producers.

### 5.2 Invivo Wines in Japan

In September 2011, Rob Cameron visited Tokyo and Yokohama in Japan. Cameron was accompanied by Invivo's local Japanese distributor Southern Cross for the duration of the visit. Japan had just received the latest 2011 wines released from Invivo (Japan was the first export market in the world to receive the latest vintage!). The trip was very positive with real excitement around Invivo wines in Japan ... Cameron was even asked to sign bottles for customers, and one person had driven four hours just to meet him.

### 5.3 Wine market in China

Wine is now becoming a fashionable drink for the wealthy, younger generations or urban Chinese, and the favoured drink of China's elite. In China consumers are looking for luxury products and brands, which pose a challenge to New Zealand wines which typically do not fit within extreme luxury products. Industry data shows that the top three wine brands – Changyu, Great Wall and Dynasty control as much as 50-60 percent of the market. These companies have well developed national sales networks covering both retail and HoReCa (hotels, restaurants and cafes) channels. Other wine brands dominate local markets, such as Harvest Wine in Beijing.

China's wine consumption is concentrated in the economic centres, such as Shanghai. Wine drinking in China tends to be associated with western customers and is viewed as fashionable, sophisticated and worldly. Industry experts suggest that 80 percent of wine sales are red wine, though this varies across China. In China the annual wine consumption is roughly 1.15 litres per capita vs. New Zealand's annual wine consumption of 20 litres and France and Italy's annual wine consumption of 45 and 42 litres respectively per capita.

At present, wine purchases by average Chinese consumers fall largely into two categories: banquet dining and retail gift purchases. In neither case does the buyer buy wine for themselves. Instead wine serves as an elegant and tasteful gift to share or for others to enjoy.

## 6. Invivo Wines

### 6.1 Bella by Invivo

When researching the concept of “Bella by Invivo”, marketing director Lightbourne says, “We looked at trends in other categories, such as demand for mid-strength and low-carb beer, growing consumer interest and an awareness of alcohol levels, busy lifestyles and responsibility around the enjoyment of alcohol.”

The upshot was creating a lower-alcohol, lower-calorie premium wine that targeted health-conscious consumers. It was the only New Zealand wine to have a nutritional label and sold out in its first three months on the market. The UK Harvey Nicol store bought most of it.

“To create a nine percent alcohol sauvignon blanc throws up some challenges,” says Cameron. “The aim has been to achieve an explosive, fruity but balanced, not overly acidic wine combined with great texture and body. So we’ve selected a vineyard parcel that always produces ripe flavours. We changed the management of the canopy to allow more sunlight in the mornings and ripen the fruit without higher sugar accumulation ... so it doesn’t become overly sugar-ripe or alcoholic.”

### 6.2 Invivo’s 2011 Marlborough Sauvignon Blanc

*“This punchy dry wine was mostly grown in the late ripening Westhaven Vineyard at Dashwood. Rich and refined, it is tight and mineral, with vibrant, slightly nettley flavours, showing impressive intensity, delicacy, harmony and length”*  
- Michael Cooper, 5 stars Invivo Sauvignon Blanc 2011, Wine of the Week

*“A really lovely wine with an aroma of cut grass, red capsicum, snow pea and fresh lime. Not too high in alcohol, yet with plenty of flavour, it is crisp and refreshing”* - Jane Skilton MW 4 stars Invivo Sauvignon Blanc 2011, *Sunday Star Times*

The fruit was harvested at night, de-stemmed and crushed then cold settled for 48 hours. Clear juice was racked and solids vacuum filtered back to the free run. A number of yeasts were used to help create a spectrum of aroma’s and texture with average fermentation lasting around three weeks. The tanks were then topped up and stirred (battonage) without sulphur for 10–12 weeks. After the wine had gained some lees texture it was lightly fined with Casein and Isinglass and stabilised for bottling.

### 6.3 Bella Rose

Bella Rose is being launched due to a demand specifically in the United Kingdom for lower alcohol Rose. Invivo is also planning on selling Bella Rose into Japan and New Zealand. Rose is predominately a summer drink, consumed mainly in the afternoon and is very popular with on-trade channels (bars and cafes).

Rose wine is very popular in the United Kingdom – consumption of Rose wines almost doubled in the United Kingdom between 2005 and 2009 with a growth rate of 93 percent. The United Kingdom is now the fourth largest Rose wine consumer market after France, the United States and Germany, and consumption is forecasted to rise by a further 11.5 percent between 2010 and 2014 (*The Drinks Report* January 2011).

This combined with the overall trend in lower calorie beverages resulted in an opportunity for Invivo to extend the Bella range.

## 6.4 Eight Point

Invivo's Eight Point Sauvignon Blanc is driven by customer demand and current difficulties faced by Invivo in being able to concurrently sell to supermarkets and fine wine independents. Eight Point has been developed to sell exclusively to supermarkets at a lower price point between NZ\$12.99 and \$15.99. Invivo is aware that margins in selling Invivo wines at supermarkets are low, but for a small company like Invivo, increasing sales volumes will reduce Invivo's fixed costs through greater economies of scale.

Invivo's Eight Point carries a different bottle label to other Invivo wines, but still contains the Invivo logo so that it will be associated with Invivo and its contemporary and quality image. For images of Invivo's Eight Point label see G at the Appendix.

## 7. Customers:

### 7.1 Invivo's customers

Invivo's customers are its distributors including fine wine independents, supermarkets, high-end Michelin restaurants and bars. But beyond these immediate customers, Invivo must also appeal to its consumers – people who ultimately consume Invivo wine.

### 7.2 Invivo's consumers

There are a number of questions relating to consumers for fine wine business' to consider today:

- Do customers want cheap wine and is it really all about price?
- Are they all smartphone-carrying Millennials who talk in 140 characters or less and have no land phone?
- Are they arthritic Boomers or mid-career Gen-Xers distracted by young kids and with no time or money for affordable luxuries?
- Maybe they want to be part of your wine club, or maybe they hate your idea of a club?
- Did you ask if they had any suggestions to make your programme better?
- Maybe they are green and want something that is authentic and environmentally-friendly?
- Maybe you are sending them red wine, but they only like white wine?
- How would you know if your customer's attitudes are changing? What will you do to stay relevant with them?
- Why do people buy Invivo wine?

## 8. Competitors

### 8.1 New Zealand Competitive Landscape

The competitive landscape in wine has further fragmented with the increase in number of local wineries. Despite the fragmented competitive landscape, Pernod Ricard New Zealand led wine with a 25 percent share of total volume sales in 2010. With a wider brand profile, the company caters for all segments including premium, mid-priced and economy brands in all wine types. Amongst the other players, Constellation New Zealand, Villa Maria Estate and Foster's New Zealand retained the second, third and fourth positions respectively in the company rankings in 2010.

Crazy by Nature offered by the Millton Vineyard and introduced in September 2009 is one of few organic wines sold in

the mainstream market. The company's farming and wine making practices are without the use of herbicides, insecticides, systemic fungicides or soluble fertilisers. These wines also carry the certified organic trademark "BioGro", and the grapes are also certified as biodynamic by Demeter New Zealand. Initial offers included 2008 Crazy By Nature Shotberry Chardonnay and 2009 Crazy By Nature Cosmo Red.

Private label products experienced strong growth over the review period. "Cleanskin" products (sold in Woolworths and Countdown supermarkets) and Naked Cellar by Mill Liquorsave expanded their offers to include premium and mid-priced wines in addition to budget brands. Private label wines are sold at bargain prices, in many instances 30-50 percent lower than their branded counterparts.

In an effort to further consolidate its luxury brand portfolio, Pernod Ricard sold several of its brands and vineyard assets to Lion Nathan New Zealand led by a joint venture in October 2010.

In terms of who Invivo believe are their direct competitors – Invivo sees wines producers with a similar price point, quality and accolades as their main competition. Invivo's key competitors include Astrolabe, Spy Valley, NZ Villa Maria reserves and Cloudy Bay (whose drinkers have recently been seeking a similar quality wine at a lower price point).

## 8.2 Global Competitive Landscape

International competition on the wine market is characterized by a considerable disparity of strategies used by the different producers and wine-producing regions around the world. The competitive market is also extremely fragmented with the largest players in the global wine market holding 1.1-2.5 percent of the market (*Euromonitor 2011*).

## 9. Recent Company Highlights

*"One of my personal passions is great wine and this weekend I tasted a delicious bottle of your Pinot Noir followed the next day by the Sauvignon Blanc – exquisite. Both wines I found to be eloquently made – both intense in flavor yet with mouthfuls of subtlety. Little nuances that peak and trough as you savor every sip. Bravo! I will be sharing my NZ find here in NYC" - Nigel Barker, Fashion Photographer*

*"Invivo is marking its mark in international judgings" - Huon Hooke, Sydney Morning Herald*

It's been a positive last few months for Invivo and their 2011 vintage, winning Champion Wine of the Show and Sauvignon Blanc trophy at the inaugural 2011 Marlborough Wine Show, International Sauvignon Blanc trophy, NZ Sauvignon Blanc trophy and gold at the 2011 Cathay Pacific International Wine and Spirit Competition in Hong Kong, Blue Gold and Top 100 Wines in Sydney and five stars from Michael Cooper in his latest *2012 Buyer's Guide to New Zealand Wine*.

The two Invivo cofounders Lightbourne and winemaker Rob Cameron have just spent the last few weeks in UK and Europe promoting Invivo's 2011 vintage at tastings and visiting customers. A highlight was hosting an Invivo tasting event with their distributor Codorniu UK at the famous Gleneagles golf club in Scotland, location of the 2014 Ryder Cup and an Invivo outlet.

Recently, the results of the 2011 Hong Kong International Wine and Spirit Competition (Asia's biggest wine competition) were announced. The Invivo Marlborough Sauvignon Blanc 2011 has been awarded: gold medal and trophy best New Zealand Sauvignon Blanc, and then went on to win the overall international Sauvignon Blanc trophy.



**Champions Trophy**  
Case Competition 2012

Some of Invivo's other recent successes include:

- Trophy Winner TNT Express Emerging Exporter of the Year, 2011 Export New Zealand Awards.
- Invivo 2011 Sauvignon Blanc, Champion Wine of the Show and Trophy Sauvignon Blanc Marlborough Wine Show.
- 2009 and 2010, Trophy finalist for New Zealand Wine Producer of the Year at the prestigious International Wine and Spirit Competition (IWSC) in London.
- Invivo Central Otago Pinot Noir named in the Top Five in the world and awarded Gold Best in Class by over 40 MW judges at IWSC 2010 London.
- Invivo Sauvignon Blanc awarded Gold, five stars and Top Ten at the Decanter World Wine Awards 2010.
- Invivo Sauvignon Blanc selected by Air New Zealand to be served on flights and Koru lounges in both 2010 and 2011.
- Trophy Winner UK Quality Drinks Awards, UK White Wine of the Year 2010.
- Trophy Winner AMCOR Innovation in New Zealand Wine Marketing 2009.
- Rated Top Ten Sauvignon Blancs in New Zealand by *Cuisine Magazine* two years in a row 2010 & 2011.
- Wine supplier to the BBC's Graham Norton Show (requested by Graham personally!).
- Sponsor to the Venice Biennale, Italy (New Zealand Pavilion) in both 2009 and 2011 – world's largest art show.

## 10. Industry Overview

- Three billion nine-litre cases of wine were sold globally in 2010.
- 1.3 percent CAGR volume growth for wine globally between 2005 and 2010.
- Four litres of wine is consumed per cap globally.
- Global wine volumes are expected to grow by three percent CAGR between 2010-15.

*Euromonitor April 2011: Trends and Opportunities Shaping the Global Wine Industry*

The current market has also seen retailers take a far greater role. Retailers are taking more of a gatekeeper role, and it could be argued that they have replaced the customer as king. Demands are now placed on wineries and winemakers to produce wine to specification at directed prices, with wineries that fall out of mainstream distribution networks facing difficult times. The ever increasing presence of big retailers partnering with big brands backed by large companies is pointing to an increasing divide in retail, with smaller chains and independents forced to seek up and coming brands and points of difference. However, if your wine is widely sought after by customers and end users, this will in turn drive demand by retailers to stock your wine.

As drinking choices have exploded, so have sales channels and opportunities. Any wine producer fortunate enough to court favour with an audience through clever marketing or critical acclaim is now exposed to a whole world of wine drinkers able to be serviced by flexible distribution channels.

### 10.1 New Zealand Trends

#### 10.1.1 Oversupply

The demand for wine improved progressively between 2009 and 2010 led by New Zealand wine, with a 25 percent increase in total wine sold locally across the New Zealand wine industry during the previous year. Wine oversupply conditions prevailed over the last few years in New Zealand which led to significant trading down in favour of quality wine available at lower price bands. This trend coupled with continued consumer low-spending in the foodservice channel favoured retail sales.

Similar to most other players, Invivo felt the effects of the current wine oversupply situation.

## 10.1.2 Industry Prospects

Both local and international brands in the New Zealand market will continue to witness a buyer's market resulting in continued discounting activities. The wine glut is phasing out, but the effects of oversupply over the last few years are ongoing in the medium-term. For years consumers have enjoyed buying wine at discounted prices and this has stimulated the market. This year, Invivo predicts an undersupply of wine.

Several factors are likely to influence the slower recovery of wine over the forecast period. First, wine oversupply conditions are expected to continue during the short term and are likely to limit value sales growth. Further regulatory restrictions such as amendments to drink-driving laws, increases in tax on wines (which often needs to be absorbed by the wine producer) and the purchasing age of alcoholic drinks are also likely to negatively influence demand and increase Invivo's costs. Per capita consumption is also unlikely to increase amongst the mature consumer base for health and wellness reasons.

The average unit price of wine is likely to decline marginally during the forecast period. With excess wine in wineries from the previous vintages and the further accumulation from the current vintage means trading down is likely to continue during the short term. Private label and "cleanskin" wine are likely to come with the offers spanning from premium to economy wines at discounted prices.

Consumer trialling of organic wine is likely; however, the product's mass market success will remain to be seen due to the widespread availability of quality wine at affordable prices. Furthermore, higher retail prices associated with organic wine are unlikely to attract the average consumer suffering from declining disposable income.

The off-trade channel is expected to perform better than the on-trade channel. Although consumer spending pressure is likely to ease during the forecast period as economic conditions improve, the recovery process is expected to be much slower than originally anticipated, leading to limited consumer discretionary spending during the forecast period. Consequently, on-trade sales are likely to demonstrate slow recovery during the forecast period. By contrast, off-trade sales of wine are expected to perform better than on-trade, stimulated by significant trading down to good quality wines at lower prices, supported by excess wine production from previous large vintages.

### Please note:

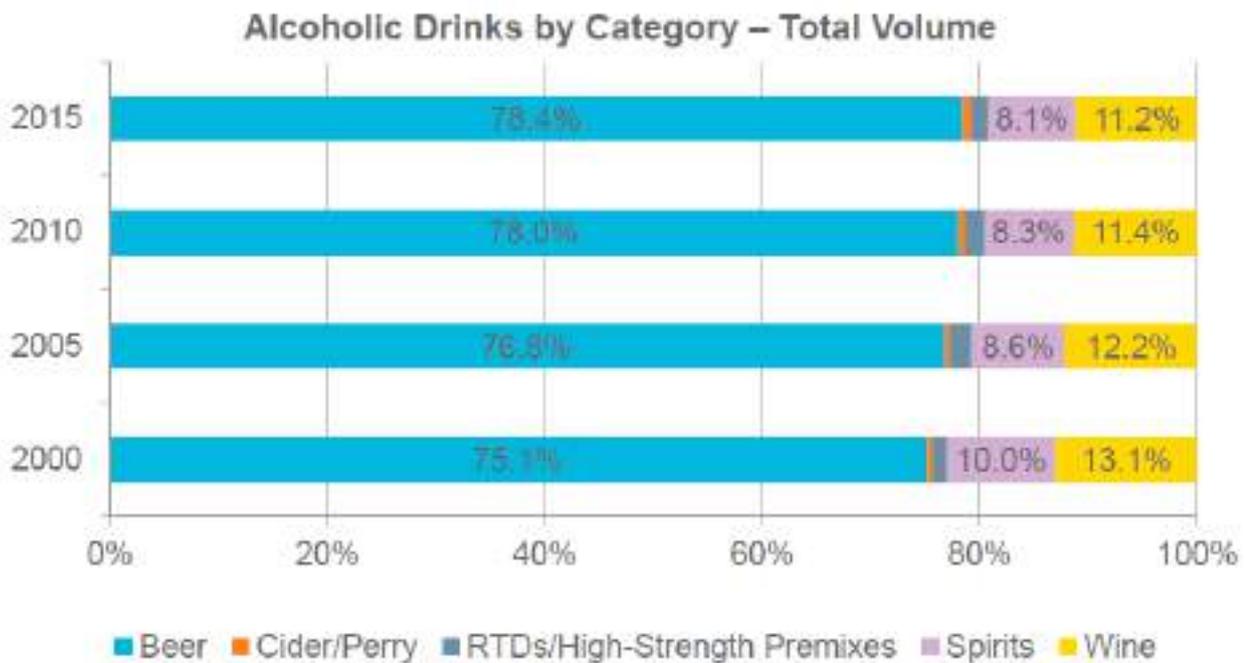
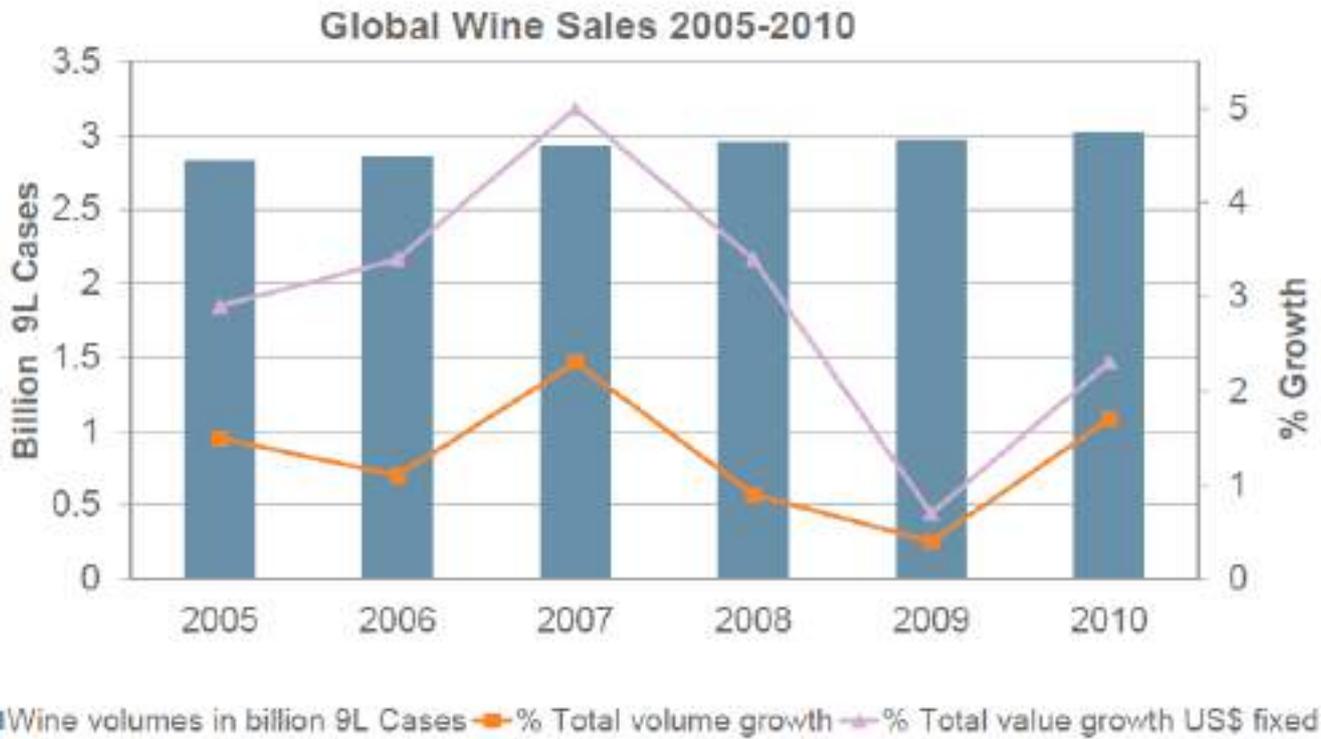
On-trade: Refers to sales where an 'on' licence is required for sale for the consumption of the wine on the premises eg, restaurants, bars.

Off-trade: Refers to sales where no licence is required as the wine is not consumed on the premises eg, supermarkets, fine wine independents.

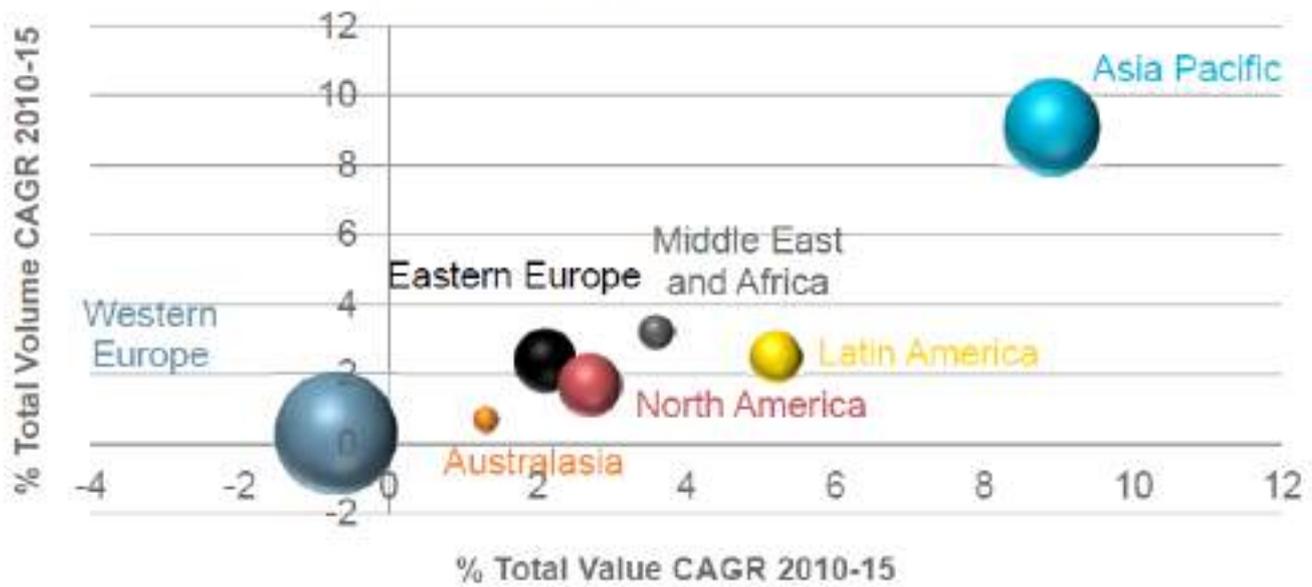


## 10.2 Global Trends

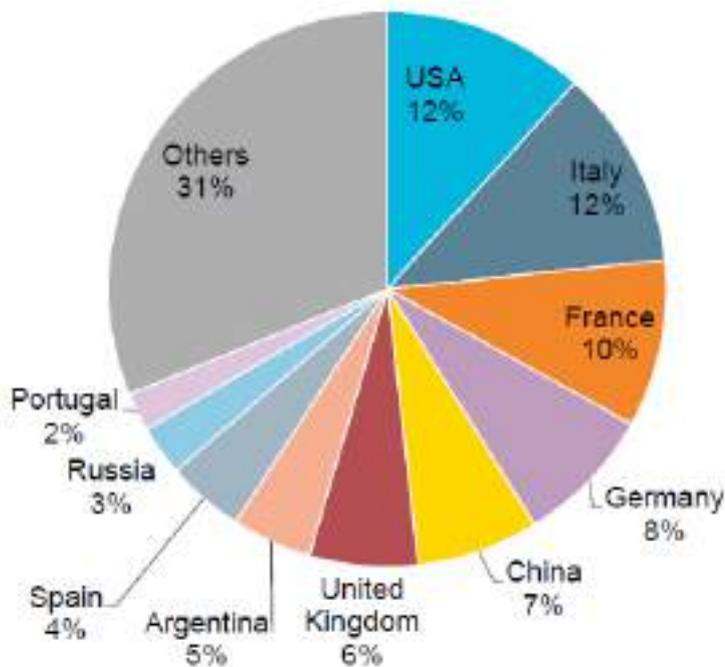
See the graphs and information below concerning current global trends in the wine industry.



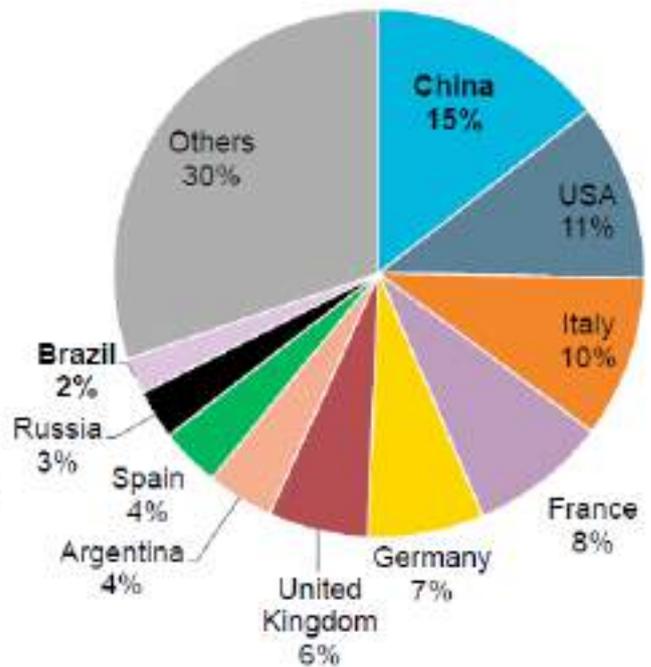
### Wine Sales by Region 2010-2015

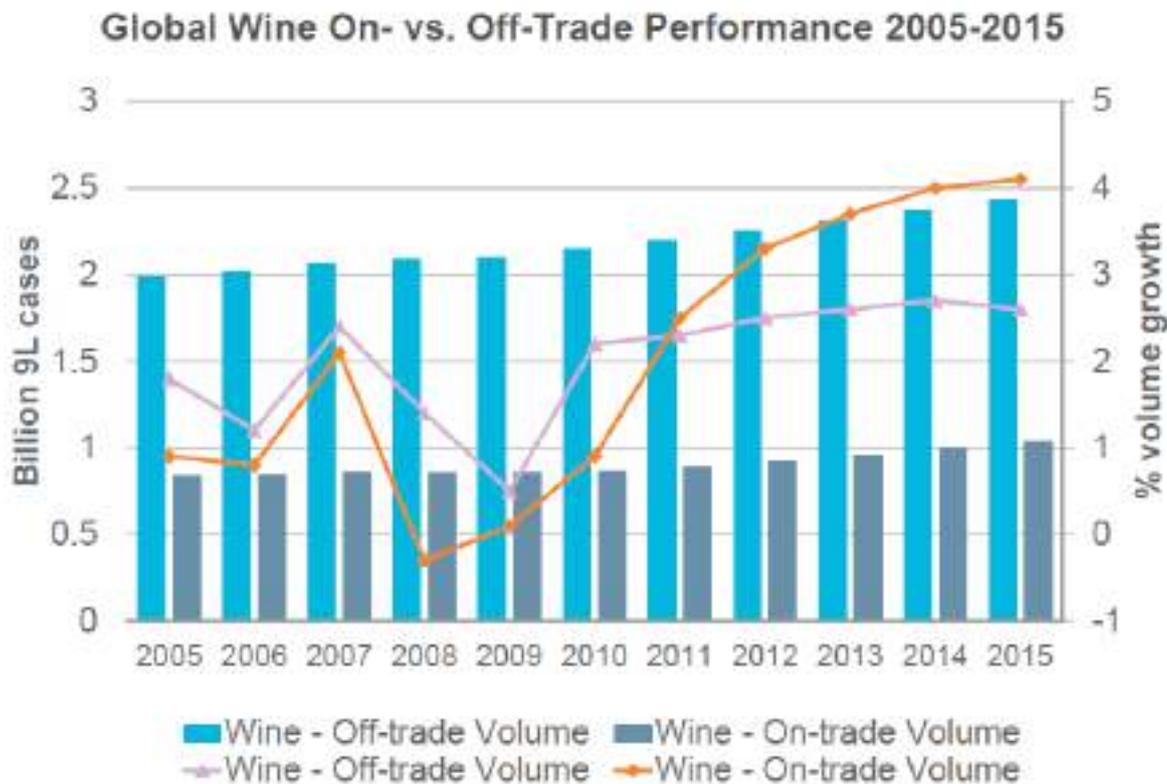
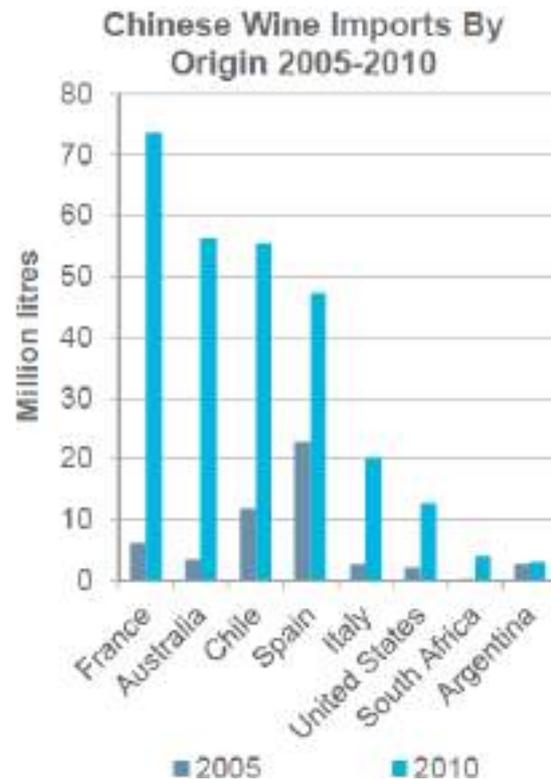
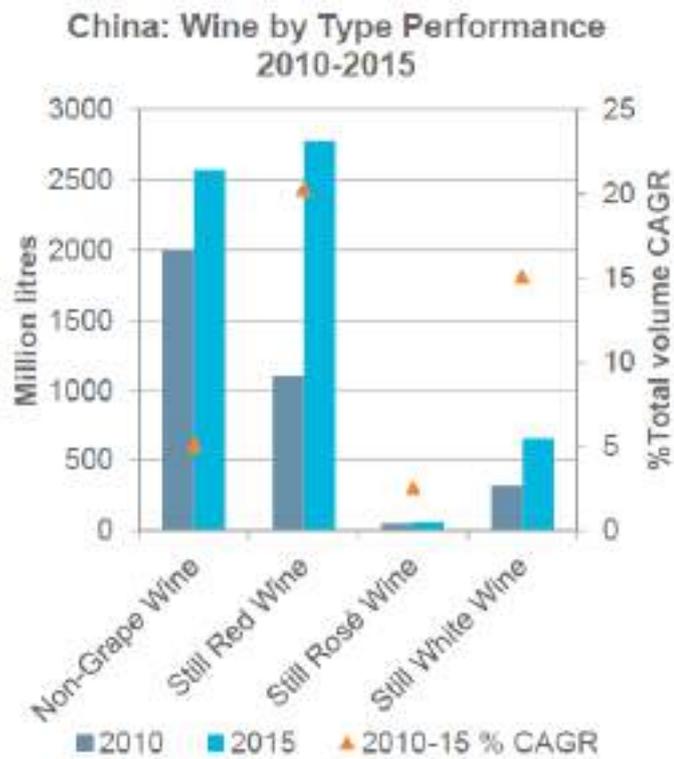


Largest Still Grape Wine Markets Globally in Volume 2010



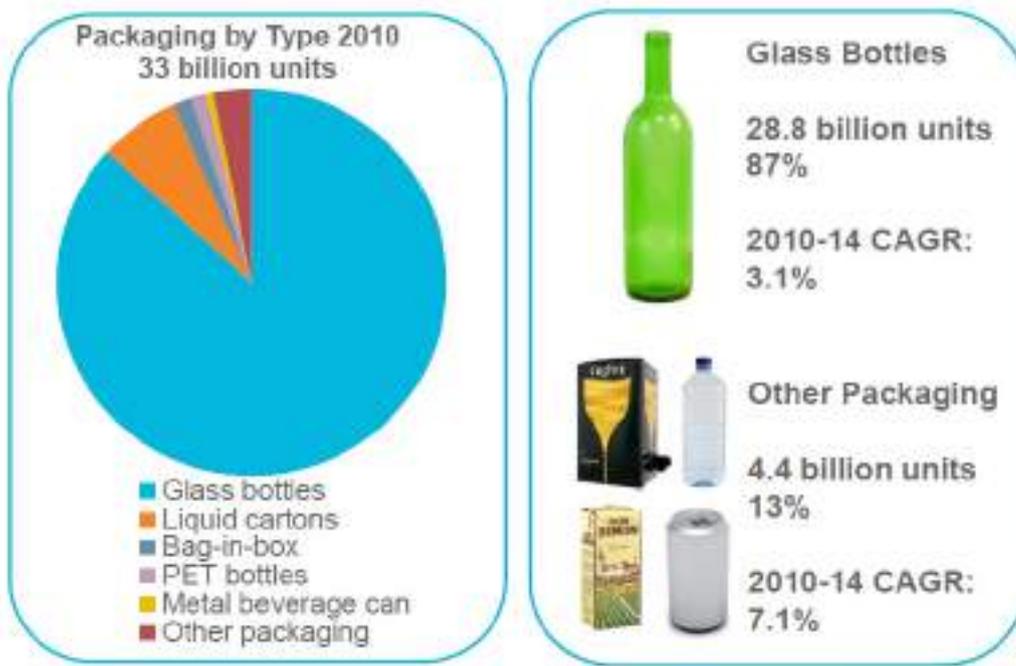
Largest Still Grape Wine Markets Globally in Volume 2015





\* On-trade: Refers to sales where an 'on' licence is required for sale for the consumption of the wine on the premises e.g. restaurants, bars.

Off-trade: Refers to sales where no licence is required as the wine is not consumed on the premises e.g. supermarkets, fine wine independents.

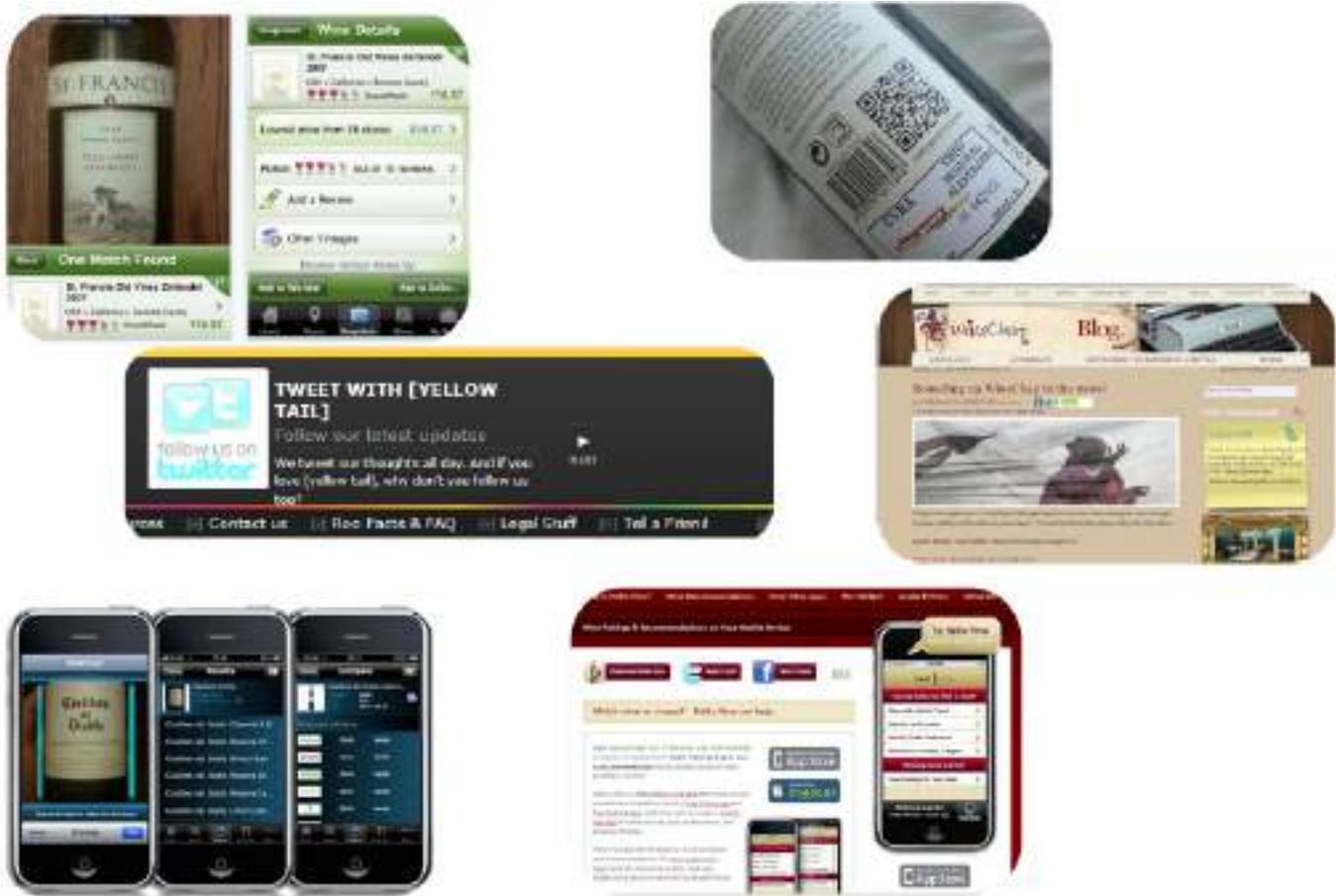


**Rise of convenience and sustainable wine products**



## Rise of technology in the wine industry

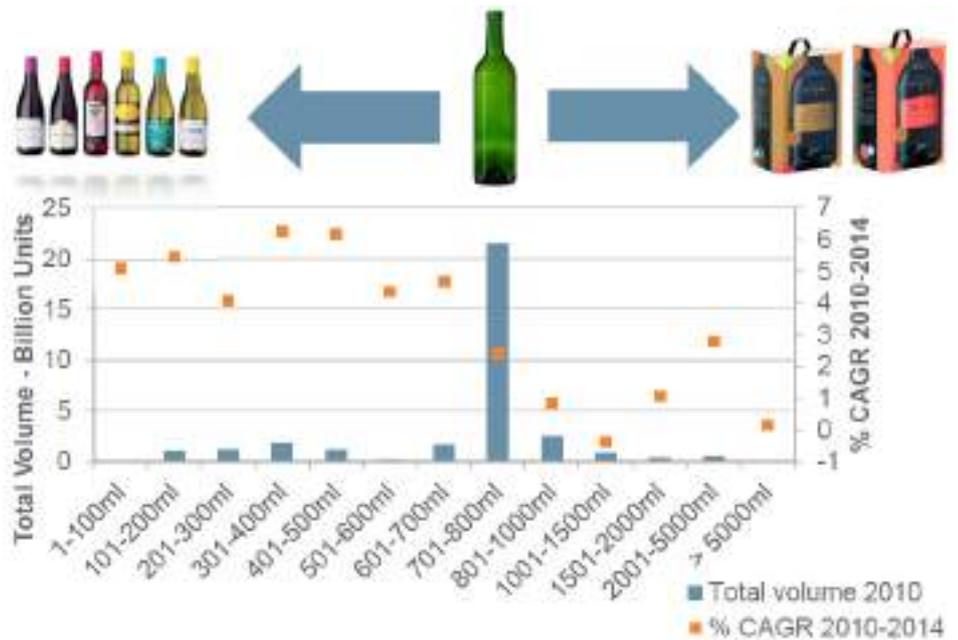
Purchasers of Invivo wine can scan the back of the bottle with an iPhone or Android device and be taken to the Invivo website, or receive information on an upcoming tasting near them.



## Rise of untraditional bottle sizes

Challenges:

- 'Smaller' on shelf profile – "Is that half a bottle?"
- Associated with soft drinks
- Shorter shelf life
- Taste perceptions
- Opportunities:
- Changing consumption culture – buy to drink now
- Lighter
- Value for money – most of the weight is wine not packaging
- Green perceptions



## How online is changing the off-trade world?

<p><b>Key findings Internet retailing grows by 90 percent over 2005-2010</b></p>	<p>Internet retailing was the most dynamic channel in wine distribution between 2005 and 2010, benefiting from consumers' quest for value and convenience.</p>
<p><b>Internet retailing still very small</b></p>	<p>Although dynamic, internet retailing accounts for only two percent of global wine sales. Supermarkets/hypermarkets dominate with almost half of off-trade wine sales.</p>
<p><b>Wine particularly strong in alcoholic drinks online sales</b></p>	<p>Compared to the overall alcoholic drinks industry, the wine category is disproportionately strong in global online alcohol sales. Only in cider/perry does internet retailing have a larger share of off-trade sales.</p>
<p><b>Online wine retailing limited to a few key markets</b></p>	<p>The geographic reach of online wine retailing is currently very narrow. Three markets dominate sales within the channel: the UK, Germany and France, with Western Europe thus leading the way in terms of regions.</p>
<p><b>Grocery retailers lead the way</b></p>	<p>Over the past few years, major grocery retailers have gone online and wine sales have gone with them. They have a strong focus on price, although this is gradually changing with some moves upmarket.</p>
<p><b>Online retailing offers opportunities for specialist retailers and mail order companies</b></p>	<p>As online retailing is a cost-effective channel, it offers opportunities for specialists, mail order companies and smaller producers which are trying to compete with the major grocery retailers. They cannot compete on price with big grocery retailers, but have the advantage of being able to offer expert advice, as they focus solely on wine.</p>
<p><b>Substantial future opportunities for online wine retailing</b></p>	<p>With more people going online in the future, there are more opportunities for online wine retailing across different price points and for different formats, from large retailers to niche brands across developed and emerging markets. Social networking sites offer an opportunity for word-of-mouth recommendations, either through general networks, such as Facebook or Twitter, or more specialist wine forums.</p>



# Appendices



Champions Trophy  
Case Competition 2012

## Appendix A

### % Off-Trade Volume Sales by Price Segment

Invivo retails its wine at the following price points:

Sauvignon Blanc RRP	NZD 19.99	on promotion	NZD 14.99
Pinot Gris RRP	NZD 21.99		
Rose RRP	NZD 19.99	on promotion	NZD 16.99
Pinot Noir RRP	NZD 29.99		

**Table 1**

### % Off-Trade Volume Sales of Still Red Wine by Price Segment 2005-2010

	2005	2006	2007	2008	2009	2010
<b>Under NZ\$7</b>	21.0	20.5	19.5	17.0	16.0	15.0
<b>NZ\$6.01 to NZ\$10</b>	12.5	12.5	12.0	11.0	11.5	12.0
<b>NZ\$10.01 to NZ\$13</b>	20.5	20.5	21.5	23.0	23.5	23.6
<b>NZ\$13.01 to NZ\$16</b>	15.0	15.0	16.0	17.0	17.5	18.3
<b>NZ\$16.01 to NZ\$20</b>	14.0	14.5	14.0	15.0	14.7	14.5
<b>NZ\$20.01 and above</b>	17.0	17.0	17.0	17.0	16.8	16.6
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0

**Table 2**

### % Off-Trade Volume Sales of Still White Wine by Price Segment 2005-2010

	2005	2006	2007	2008	2009	2010
<b>Under NZ\$10.5</b>	23.0	21.5	20.5	19.0	17.0	16.0
<b>NZ\$10.51 to NZ\$12</b>	11.5	11.5	10.5	10.0	12.6	13.0
<b>NZ\$12.01 to NZ\$14.5</b>	28.5	28.5	29.0	30.0	30.0	31.2
<b>NZ\$14.51 to NZ\$16</b>	17.0	18.5	19.5	20.0	19.5	19.3
<b>NZ\$16.01 to NZ\$20</b>	12.5	12.5	13.0	13.5	13.5	13.3
<b>NZ\$20.01 and above</b>	7.5	7.5	7.5	7.5	7.4	7.2
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0

**Table 3****% Off-Trade Volume Sales of Still Rosé Wine by Price Segment 2005-2010**

	2005	2006	2007	2008	2009	2010
<b>Under NZ\$10.5</b>	4.0	3.5	3.0	3.0	2.0	2.0
<b>NZ\$10.51 to NZ\$12</b>	6.0	5.0	4.0	3.5	3.0	3.0
<b>NZ\$12.01 to NZ\$13.5</b>	11.5	11.0	10.0	9.5	10.0	10.0
<b>NZ\$13.51 to NZ\$16</b>	28.5	29.0	29.5	30.0	31.0	30.0
<b>NZ\$16.01 to NZ\$20</b>	29.5	29.5	30.5	31.5	31.0	31.0
<b>NZ\$20.01 and above</b>	20.5	22.0	23.0	22.5	23.0	24.0
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0

**Table 4****% Off-Trade Volume Sales of Other Sparkling Wine by Price Segment 2005-2010**

	2005	2006	2007	2008	2009	2010
<b>Under NZ\$10.5</b>	19.0	16.0	14.5	14.0	12.2	11.0
<b>NZ\$10.51 to NZ\$12</b>	15.5	16.0	15.5	15.0	15.0	15.0
<b>NZ\$12.01 to NZ\$20</b>	24.5	24.5	25.0	26.0	28.5	29.0
<b>NZ\$20.01 to NZ\$25</b>	25.0	26.0	27.0	27.5	27.0	27.5
<b>NZ\$25.01 and above</b>	16.0	17.5	18.0	17.5	17.3	17.5
<b>NZ\$20.01 and above</b>	20.5	22.0	23.0	22.5	23.0	24.0
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources.

## Appendix B

### List of Invivo retailers:

#### United Kingdom

- Invivo is currently working on trying to get into more grocery and stronger independent chains (e.g. Majestics); 80% of Invivo's sales are generated through independents and on-trade vs. 20% through grocery (tesco.com).
- One main United Kingdom and Ireland distributor is Codorniu; however, they sell to smaller distributors or regional wholesales across the United Kingdom and Ireland.
- Tesco (largest grocery retailer) online exclusive only at the moment.
- Independent fine wine stores (Indies) can be smaller chains up to 5-20 stores or single stores. Strong in the United Kingdom and quite parochial in competition vs. grocery.
- Ontrade – restaurants and bars.
- Averys – mail order and online wine club, run the Telegraph Newspaper wine club with 70,000 members.
- Saga cruise ships

#### Australia

- Two distributors based in New South Wales and Victoria
- Only currently selling to independents and on-trade
- Major retailer: Kemenys which is Australia's largest wholesale wine store. Their nationwide database have promoted Invivo on their front page.
- Invivo are currently pitching to grocery chains.

#### New Zealand

- Two distributors: Mineral Wine nationwide (except Tauranga and Mount Manganui)
- Only currently selling to independents (such as Caros.co.nz, Glengarry, Fine Wine Delivery Co) (around 200 total outlets) and on-trade.
- Invivo are pitching to grocery chains this year.

## Appendix C

### Development of the New Zealand wine industry 2000 – 2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of wineries	358	380	398	421	453	516	530	543	585	643
Producing area* (hectares)	10,197	11,648	13,787	15,800	18,112	21,002	22,616	25,355	29,310	31,964
Average yield (tonnes per hectare)	7.8	6.1	8.6	4.8	9.1	6.9	8.2	8.1	9.7	8.9
Average grape price (\$ per tonne)	1,153	1,441	1,634	1,929	1,816	1,792	2,022	1,981	2,161	1,629
Tonnes crushed	80,100	71,000	118,700	76,400	165,500	142,000	185,000	205,000	285,000	285,000
Total production (millions of litres)	60.2	53.3	89.0	55.0	119.2	102.0	133.2	147.6	205.2	205.2
Domestic sales of NZ Wine (millions of litres NZ Wine)	41.3	36.2	32.6	35.3	35.5	45.0	50.0	51.0	46.5	59.7
Consumption per capita NZ wine (litres NZ wine)	10.8	9.3	8.2	8.8	8.8	11.2	12.1	12.2	11.1	13.9
Total sales of all wine (millions of litres)	66.2	66.6	68.3	74.5	79.7	81.7	86.0	91.8	87.4	92.3
Consumption per capita all wines (litres)	17.3	17.3	17.4	18.6	19.6	19.8	20.6	21.7	20.8	21.4
Export volume (millions of litres)	19.2	19.2	23.0	22.1	31.1	51.4	57.8	76.0	88.6	112.6
Export value (millions of NZ\$FOB)	168.6	198.1	246.4	281.9	302.6	434.9	512.4	698.3	797.8	991.7
Sustainable Winegrowing New Zealand membership – vineyards	N/A	N/A	N/A	N/A	403	431	432	457	683	1244
Sustainable Winegrowing New Zealand membership – wineries	N/A	N/A	N/A	N/A	30	51	53	59	77	135

Source: Statistical Annual Review Report 2009, New Zealand Winegrowers.

## Appendix D

### Invivo in the media

[nzherald.co.nz](http://nzherald.co.nz)

#### Low-alcohol wine making strong gains

By Christopher Adams. 5:30 AM Monday Jan 16, 2012



Invivo Wines New Zealand Ltd founders Tim Lightbourne (left) and Rob Cameron. Photo / Dean Purcell

A local wine label is gaining strong sales growth from its low-alcohol sauvignon blanc, with output expected to hit the 60,000 bottle mark this year.

Auckland-based Invivo Wines launched Bella by Invivo in 2010, and the first vintage - made up of 6000 bottles - quickly sold out, says co-founder Tim Lightbourne.

He said the second, 24,000-bottle vintage of the low-alcohol sauvignon, released late last year, was snapped up by retailers in New Zealand and around the world.

And this year's vintage of Bella - which is 9 per cent alcohol, compared with the 12.5 to 13 per cent of most wines - was expected to reach 60,000 bottles, Lightbourne said.

He said consumers looking for lighter drink options for afternoon social events were helping drive demand.

Bella also has a lower carbohydrate content than regular wine and features a nutritional panel on the bottle.

Rob Cameron, the label's winemaker and other founder, said a lot of work went into producing the low-alcohol sauvignon.

A block of vines is set aside and specially pruned during summer for the leaves to provide the grapes shade from the sun, which kept their sugar content - and the alcohol content - lower.

The grapes were harvested at night, two to three weeks earlier than they would be for regular sauvignon, which also kept the sugar content down.

Cameron said the location where the grapes for Bella were grown - in the Dashwood area of Marlborough, between the Awatere and Wairau valleys - had a microclimate that suited the production of a full-flavoured, low-alcohol wine.

"Our [growing] site is quite unique in that at lower sugar levels we do get good, ripe flavours."

Bella was proving popular with drinkers in Australia, Britain, Japan and Bulgaria, Lightbourne said.

Invivo is promoting Bella in British restaurant and bar chain Drake & Morgan. "The promotion aims to target consumers making healthy lifestyle choices in their New Year's resolutions," Lightbourne said.

He said Bella was also sold across the UK by high-end retailer Harvey Nichols.

Invivo does not own vineyards, but works with growers in Marlborough and Central Otago to source its grapes.

Cameron produces the white wines on contract facilities in Blenheim, while the reds are made at Mangawhai, north of Auckland.

By Christopher Adams Copyright ©2012, APN Holdings NZ Limited

## Asian win for Kiwi wine up and comers

11:00 AM Monday Nov 7, 2011



Invivo Wines New Zealand founders Tim Lightbourne (left) and Rob Cameron. Photo / Dean Purcell

An up-and-coming Kiwi wine label is toasting its success after taking out two awards in a major Asian competition last week. Auckland-based Invivo Wines won the overall international sauvignon blanc trophy, as well as the best New Zealand sauvignon blanc trophy, at the Hong Kong International Wine & Spirit Competition.

Co-founder Tim Lightbourne said the awards meant a lot for the export-focused company, which was rapidly expanding its sales in China, Taiwan and Japan. "It adds credibility to what we're doing," he said. Lightbourne said the label was now selling 30 per cent of its wine in Asia, up from just 10 per cent a year ago. China, where the company was currently negotiating a deal with a major new customer, was a challenging market, he said.

"You've got the different provinces and it's quite fragmented in terms of retail chains and restaurants."

Lightbourne said the Chinese needed a fair bit of education about New Zealand sauvignon blanc, and the company was carrying out tasting events all over the sprawling Asian super-power and getting exposure in the local media.

Until recently wine drinkers in China would only buy a bottle that had a French label on it, he added.

"But that's changing, especially with the younger generation."

Lightbourne said Europe - where the company secured a distribution agreement with Spanish wine giant Grupo Codorniu in January - was a major market for Invivo, but he expected half of the label's sales would soon come from Asia.

Invivo Wines was established in 2007 by Lightbourne and wine-maker Rob Cameron.

Lightbourne said Invivo would produce 360,000 bottles of sauvignon blanc, pinot gris, rose and pinot noir this year.

The company does not own any vines, but instead purchases grapes from growers in Marlborough and Central Otago.

Cameron produces the white wines on contract facilities in Marlborough, while the reds are made at his parents' estate at Mangawhai, north of Auckland.

By Christopher Adams, Copyright ©2011, APN Holdings NZ Limited

## What is it that this small winery has, that sets it apart?

Friday, 28 October 2011, 11:12 am. Press Release: Invivo Wines New Zealand

Since launching in 2007, Invivo, with their Zambesi designed label can now be found in ten countries around the world.

What is it that this small winery has that sets it apart from others?

“Hands on marketing, hands on winemaking and a strong belief in the quality of our wine.” says Tim Lightbourne, Invivo Director. “We don’t just send a container of product to our export market. We send ourselves as well. We talk with the principals as well as the consumers at the grass roots end of the market chain. We held wine tastings at Harvey Nichols in the UK and BBQ’s in Tokyo. We are proud that the 55 staff at Sydney’s Helm Bar, Darling Harbour, (official Time Out Magazine Rugby Bar), wore Invivo T shirts as we sponsored Helm Bar to celebrate the rugby over the last 6 weeks.”

“We are also proud of our sponsorship partners.” Says Lightbourne. “Invivo sponsors various artists from music, fashion, to a group of world champion Kiwi graffiti artists (TMD crew). And we set up an Invivo winebar in Venice, Italy for the opening of NZ’s presence at the Venice Biennale, supporting Creative New Zealand in Venice in both 2009 and 2011.”

“Invivo is also the wine of choice supplier to the BBC’s Graham Norton Show having being invited to the show by Graham. On the other side of the Atlantic, America’s Next Top Model judge, Nigel Barker, being its biggest advocate stateside.” Says Lightbourne.

After the SOLD OUT success of their first low alcohol, low calorie, Bella Marlborough Sauvignon Blanc vintage last year, Invivo has produced three times more volume Bella known as the ‘skinny Sav’, (approx 62 calories per 100ml glass), for this year. Stock of this season’s vintage has been going into stores this month. Bella has been an immediate success story both here and in Australia, Japan, Bulgaria and UK. After completely selling out of stock on a ‘Bella tasting’ day in May last year, premium UK retailer Harvey Nichols ordered the balance of stock available.

Last month, Invivo competed against the biggest wineries from Marlborough, one of the world’s most respected wine regions. Invivo not only won the Champion Sauvignon Blanc at the inaugural 2011 Marlborough Wine Show but also took out Champion Wine of the Show from over 400 other competing wines. Over the past 12 months, Invivo has also won 4 gold medals including gold at the 2010 Decanter World Wine Awards. Visitors to New Zealand arriving on Air New Zealand flights or relaxing in Koru Lounges, will have the chance to savour Invivo Sauvignon Blanc, chosen for the second year in a row, after competing against hundreds of wines in a blind tasting by the Air New Zealand expert tasting team. Invivo was also the 2011 winner of the Export New Zealand Emerging Exporter of the Year, along with numerous other national and international awards that Invivo has gathered along its short four year lifespan.

The Invivo 2011 new release wines for the upcoming summer - 2011 Invivo Marlborough Sauvignon Blanc; 2011 Bella by Invivo, 9% alcohol, Marlborough Sauvignon Blanc (with fewer calories!) and 2011 Invivo Sophie's Rosé.

Invivo Sophie's Rosé- named after Sophie Findlay from NZ fashion icon, Zambesi (Invivo's label designer), is a unique blend of 80% Pinot Noir, 15% Merlot and 5% Sauvignon Blanc. Winemaker Rob Cameron describes the wine as "A beautiful rose petal colour and aromas of crushed strawberries with a hint of tropical fruit and citrus. The palate is vibrant and full in the mouth with pronounced berry and citrus with sweetness only to balance acidity"

Invivo's 2011 Marlborough Sauvignon Blanc is their fourth vintage of Sauvignon Blanc. Cameron describes the 2011 vintage as "Tropical aromas, fresh sliced bell peppers and floral lime zest rise from the glass initially. This is well backed up by a vibrant, cutting fresh palate with deceptive power and concentration. Evidence of the lees contact adds a textural dimension to the focused palate and bouncing tropical fruit"

All wines are available nationwide. Tasting notes available on request.

**Recommended retail:**

2011 Invivo Sauvignon Blanc \$19.90

2011 Bella by Invivo 9% alcohol, few calories \$21.90

2011 Sophie's Rosé \$21.90

**About Invivo**

Invivo Wines is a premium New Zealand wine label producing world class wines from both the Marlborough and Central Otago regions. Invivo was founded in 2007 by two New Zealanders, Tim Lightbourne and Rob Cameron (Invivo's winemaker). The Invivo vision is to produce the best of New Zealand wine and bring this to the world in an innovative and contemporary approach.

Invivo released their first wines in 2008 and currently produces Sauvignon Blanc, Pinot Noir, Pinot Gris and Rose. In September 2010, Invivo also released a lower alcohol and lower calorie Sauvignon.

## Appendix E

### 1. Production 2011

SKU	9L Cases	Region
Sauvignon blanc 2011	22000	Marlborough
Bella 2011 - Low Alc Sauvignon Blanc	1400	Marlborough
Rose 2011	1000	Marlborough
Pinot gris 2011	1400	Marlborough
Pinot noir 2011	1500	Central Otago
The 5 Whites 2011	330	Multi-Regional
<b>Total</b>	<b>27630</b>	<b>331,560 total bottles</b>

### 2. Gross margin 2011

SKU	Case Numbers	Gross Margin/SKU
Sauvignon blanc 2011	22000	45%
Bella 2011 - Low Alc Sauvignon Blanc	1400	44%
Rose 2011	1000	48%
Pinot gris 2011	1400	47%
Pinot noir 2011	1500	34%
The 5 Whites 2011	330	45%
<b>Total (weighted average)</b>		<b>45%</b>

### 3. Market Split

	Top 4 markets by SKU			
	1	2	3	4
<b>Sauvignon Blanc 2011</b>	UK (34.1%)	NSW AUS (28.5%)	Netherlands (10.3%)	NZ (6.7%)
<b>Bella 2011 - Low AI</b>	UK (60.9%)	NZ (14.8%)	Bulgaria (12.5%)	Japan (7.7%)
<b>Pinot Gris 2011</b>	UK (49.8%)	NZ (17.1%)	NSW AUS (13.9%)	Japan (9.0%)
<b>Rose 2011</b>	UK (52.5%)	NZ (15.4%)	NSW AUS (12.6%)	Japan (8.1%)
<b>Pinot noir 2010</b>	UK (64.6%)	NSW AUS (18.1%)	Vic AUS (6.8%)	Netherlands (6.5%)

### 4. Turnover FY ending 31 March 2012

**\$2.5 to \$3 million**

<b>2011</b>	\$900k
<b>2010</b>	\$500k

## Appendix F - Invivo Financials

### Deloitte Vintage 2010 (A Deloitte study)

This study was put together by Deloitte New Zealand in conjunction to New Zealand Winegrowers. It covers New Zealand vineyards. The survey was conducted between October and November 2010 and is based upon financial statements that cover the 2010 vintage. Survey questionnaires were sent to more than 580 members of New Zealand Winegrowers. Comments made in the study are based on the responses of 35 survey participants, which account for approximately 18% of the New Zealand wine industry by litres of case wine produced and 30% by export sales revenue generated for the 2010 year.

### Key Financial Ratios

Key Financial Ratios	Winery size (2010 revenue)				
	\$0-1m	\$1-5m	\$5-10m	\$10-20m	\$20m+
<b>Cases sold</b>	<b>3,676</b>	<b>14,550</b>	<b>66,750</b>	<b>123,519</b>	<b>778,606</b>
<b>Revenues and expenses per case</b>					
Revenue per case	\$121.41	\$120.62	\$102.83	\$86.59	\$121.94
Gross margin per case	\$38.36	\$54.13	\$44.46	\$28.64	\$60.74
Profit/(loss) per case	\$(49.66)	\$(11.35)	\$8.17	\$(1.16)	\$9.62
Selling expenses per case	\$36.50	\$17.55	\$13.19	\$10.03	\$31.00
Overhead per case	\$37.80	\$12.05	\$11.78	\$4.29	\$5.85
Packaging cost per case	\$35.93	\$18.90	\$14.74	\$13.61	\$15.13
<b>Solvency ratios</b>					
Current Ratio	247.1%	273.5%	316.7%	407.1%	323.0%
Debtors / Sales	26.8%	24.5%	22.6%	22.8%	18.9%
Debt to equity ratio	106.9%	83.4%	57.8%	104.9%	94.3%
Interest cover ratio	(111.1%)	(24.4%)	194.1%	11.0%	463.0%
Debt to total tangible assets	55.9%	51.6%	40.7%	63.5%	56.6%
<b>Efficiency ratios</b>					
Inventory turnover	41.6%	101.7%	92.7%	125.5%	133.0%
Fixed Asset turnover	49.9%	72.0%	47.6%	72.0%	102.6%
Asset turnover	23.5%	39.6%	32.0%	44.3%	62.1%
<b>Profitability ratios</b>					
EBIT margin (average)	(16.1%)	(1.6%)	16.9%	0.7%	17.8%
EBIT to assets (average)	(3.8%)	(0.6%)	5.4%	0.3%	11.1%
EBT to equity (average)	(16.9%)	(5.3%)	3.7%	(1.4%)	10.9%
EBT to net case sales (average)	(40.9%)	(9.4%)	7.9%	(1.3%)	7.9%

## Appendix G

### Invivo's 'Another Stunner' campaign



### Eight Point label



## Appendix H

### Pricing of other market players

Find below a section of 10 New Zealand Sauvignon Blanc wines and their respective NZD RRP's.

Cleanskin Cabernet Sauvignon	6.99
Backyard Sauvignon Blanc	9.90
Makaraka Estate Sauvignon Blanc	11.99
Gunn Estate Sauvignon Blanc	13.99
Sacred Hill Reserve Sauvignon Blanc	14.99
Jacob's Creek Sauvignon Blanc	15.66
Lawsons Dry Hills Sauvignon Blanc	16.99
Spy Valley Sauvignon Blanc	19.71
Brancott Estate Sauvignon Blanc Reserve	26.13
Cloudy Bay Sauvignon Blanc	29.90