



*Through the  
Grapewine*

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A close-up photograph of a person's hands using pruning shears to harvest a bunch of dark grapes from a vine. The person is wearing a blue plaid shirt. The background is a blurred vineyard. The text "Harvesting the Grapes" is overlaid in a white, cursive font.

*Harvesting the Grapes*

# Washington Wine Industry

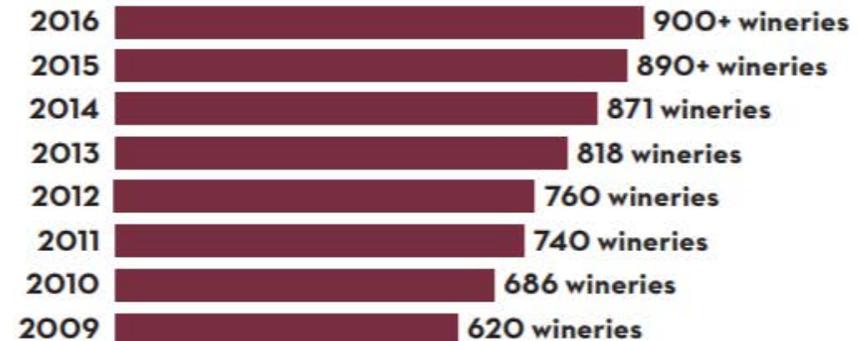
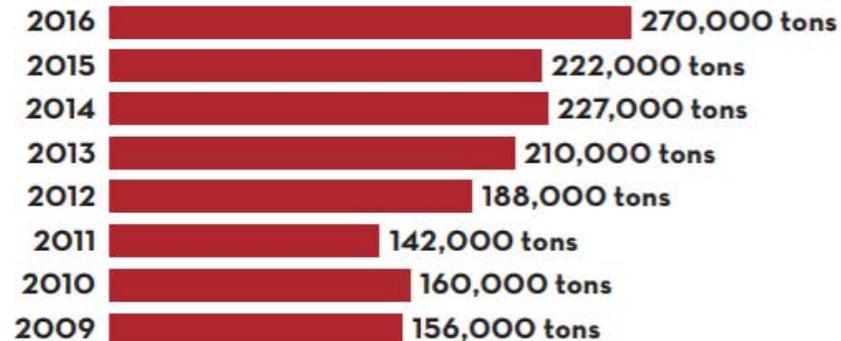
**2nd** Largest US Producer

900+ Wineries, 350+ Growers, 70 Varieties

**58%** Red

**42%** White

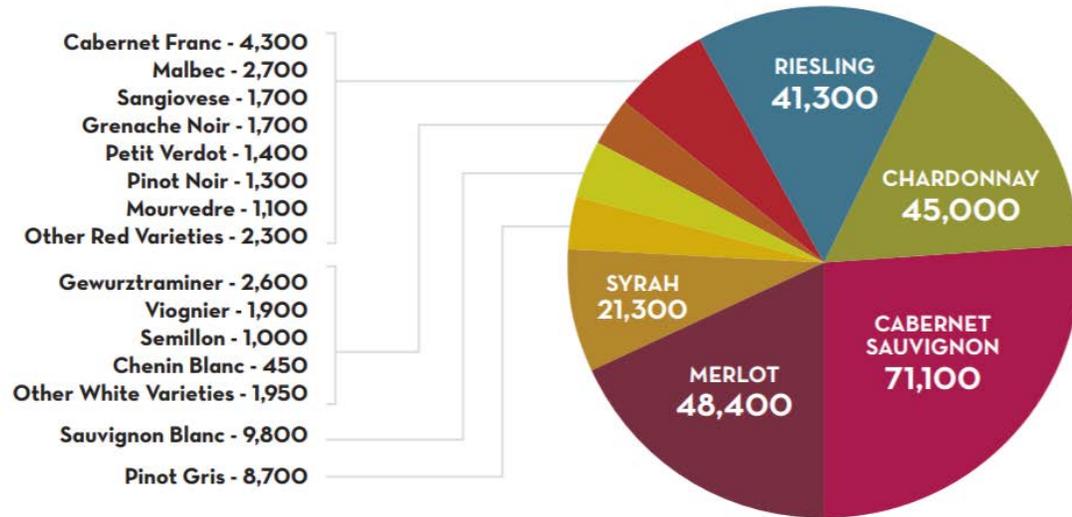
## INDUSTRY GROWTH



# Wine Variety

## Washington

### GRAPE VARIETIES



## China

### Sales of Still Red Wine by Grape/Varietal Type: % Total Volume 2016

Grape/Varietal Type	% total volume
Cabernet Franc	10.00
<b>Cabernet Sauvignon</b>	<b>34.30</b>
Cabernet Sauvignon/Shiraz	9.80
<b>Merlot</b>	<b>23.60</b>
Muscat Hamburg	2.80
Others	19.40
<b>Total</b>	<b>100.00</b>

### Sales of Still White Wine by Grape/Varietal Type: % Total Volume 2016

Grape/Varietal Type	% total volume
<b>Chardonnay</b>	<b>69.20</b>
Dragon Eye	6.30
Riesling	1.10
Others	23.40
<b>Total</b>	<b>100.00</b>

# *International Wine Industry*



Biggest drop in **Chardonnay** Market



*Pressing the Grapes*

# Segment Analysis

	Weight	Low - End	Mid - Range	High – End / Luxury
Market Opportunity	.35	6	8	2
Risk Factor	.2	4	7	8
Long-Term Sustainability	.3	7	8	3
Infrastructure	.15	3	7	8
<b>Cumulative Score</b>		<b>5.45</b>	<b>7.65</b>	<b>4.4</b>

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# *Target Market Gina Xiao*

Female

Tech-Savvy

Values entertainment

Not extremely price sensitive

16 – 35 years old

Post “One-Child” policy



Bilingual

# *Geographic Breakdown*

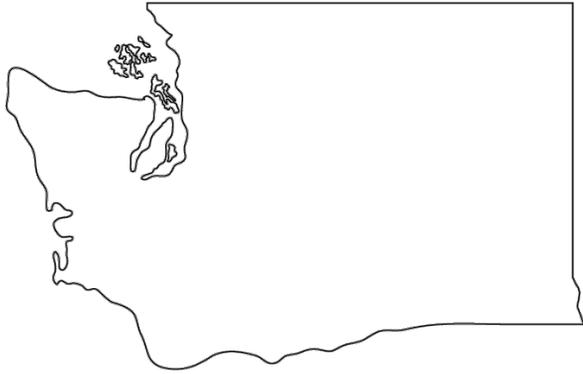


HARVESTING | **PRESSING** | FERMENTING | CLARIFYING | AGING | BOTTLING | TASTING



*Fermenting the Grapes*

# *Regulatory Considerations*



## **Washington**

Minimal paperwork  
Taxes  
Health code clearance

## **China**

Commodity inspection  
Chinese language labeling

*On-Trade vs.  
Off-Trade*



# *Clarifying the Wine*

# Advertising



Reach target market via **pop culture campaigns**

Integrated ads

Banner ads

Interactive ads





# *Advertising*

Reach target market via **pop culture campaigns**

Sponsorship of **Korean Soap Operas**

# Wine Clubs

Market as an **exclusive group**

**Educate consumers** on background of wine

Different **tiers of membership**

Easier on smaller Washington producers



A dimly lit wine cellar with rows of wooden barrels stacked on wooden racks. The barrels are arranged in neat rows, receding into the distance. The lighting is warm and focused on the barrels, creating a sense of depth and atmosphere. The text "Aging the Wine" is overlaid in a white, elegant script font in the center of the image.

*Aging the Wine*

# *Sales*

China sold

**2.2**

**Billion Liters**

of grape wine in 2016

Our target market  
constitutes sales of

**174**

**Million Bottles**

of wine next year

# *Expected Market Capture*

Expected Market Capture in **2018**

= .386% = **26 M** Bottles Sold

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Capture Market Share by **2021**

= 0.490% = **38.2 M** Bottles Sold

# *Net Present Value*

Generates an NPV of

**\$147.6**

**Million**

for Washington Wineries

A close-up, slightly blurred photograph of a wine bottling line. Several green glass bottles are positioned on a conveyor belt, each being filled by a white nozzle with a pink, ribbed handle. The bottles are arranged in a diagonal line from the bottom left towards the top right. The background is out of focus, showing more of the machinery and a blue handle. The overall lighting is soft and somewhat dim, creating a professional and focused atmosphere.

*Bottling the Wine*

# Implementation Timeline

## SELECT WINERIES & CHINESE PARTNERS

Preparing employees and IT infrastructure to integrate proposed systems



Nov 2017 – Jan 2018  
(3 Months)

Jan – May 2018  
(6 Months)

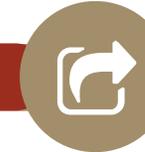


## SELECT DISTRIBUTORS & SHIP TO SELL

Implementation of building management programs to measure and optimize energy usage

## ENTER CHINESE MARKET & LAUNCH WINE CLUB

Launch wine sales with Amazon China



May 2018

July - Dec 2018



## EXPAND INTO OTHER ONLINE CHANNELS

JD.com, Alibaba, Pudao Wine, etc.

# Appendix

Segment Analysis	Washington Wine Industry	Washington Wine Variety	International Wine Industry	Target Market	Geographic Breakdown	Internet Analysis
Regulatory Considerations	Advertising WeChat	Advertising Korean Soap Operas	Wine Clubs	Sales	Expected Market Capture	International Competitor Analysis
Net Present Value	Implementation Timeline	Wine Grape Quantity Utilized and Average Price	Wine Sales by Percent of Total Volume	Sensitivity Analysis – Growth Rate	Percentage of Off-Trade Sales	Sensitivity Analysis of Cost
Wine Recommendations	Online Distributors	Chinese Flavor Preference	Chinese Labelling Requirements	Required Documentation	Top Down Financial Analysis	SWOT of Washington Wine

Wine Grape Quantity Utilized and Average Price by Variety - Washington 2012-2016										
	Quantity Utilized					Average Price per Ton				
	2012	2013	2014	2015	2016	2012	2013	2014	2015	2016
	(tons)	(tons)	(tons)	(tons)	(tons)	(dollars)	(dollars)	(dollars)	(dollars)	(dollars)
<b>White Varieties</b>										
Chardonnay	36,900	40,500	43,800	42,000	45,000	904	916	922	926	940
White Riesling	36,700	40,200	50,500	44,100	41,300	783	796	799	760	829
Sauvignon Blanc	5,100	5,700	6,900	6,700	9,800	852	884	886	905	914
Pinot Gris	6,400	8,000	9,100	9,000	8,700	791	802	799	796	791
Gewurztraminer	3,500	3,300	3,600	2,600	2,600	736	757	737	754	740
Viognier	1,900	1,900	1,900	1,600	1,900	1,024	961	946	917	874
Semillon	1,000	1,000	1,000	900	1,000	951	1,003	967	1,082	1,054
Chenin Blanc	900	1,300	800	500	450	782	773	835	864	878
Other white varieties	1,100	1,300	1,700	1,800	1,950	1,116	1,069	1,050	992	955
<b>Total White Varieties</b>	<b>93,500</b>	<b>103,200</b>	<b>119,300</b>	<b>109,200</b>	<b>112,700</b>	<b>844</b>	<b>852</b>	<b>856</b>	<b>844</b>	<b>883</b>
<b>Red Varieties</b>										
Cabernet Sauvignon	35,900	42,600	42,200	47,400	71,100	1,337	1,440	1,448	1,527	1,442
Merlot	34,600	36,000	36,900	35,200	48,400	1,104	1,186	1,180	1,231	1,174
Syrah	11,800	15,300	15,400	16,000	21,300	1,134	1,292	1,279	1,314	1,155
Cabernet Franc	3,400	3,400	3,300	3,400	4,300	1,442	1,485	1,503	1,486	1,576
Malbec	1,800	2,000	2,200	2,400	2,700	1,474	1,570	1,554	1,578	1,587
Sangiovese	1,200	1,300	1,300	1,300	1,700	1,222	1,258	1,320	1,175	1,201
Grenache Noir	1,000	900	900	1,100	1,700	1,555	1,889	1,674	1,722	1,393
Petit Verdot	1,000	1,200	1,200	1,300	1,400	1,585	1,592	1,513	1,456	1,482
Pinot Noir	800	900	1,200	1,600	1,300	894	1,000	1,165	1,069	1,045
Mourvedre	800	800	900	800	1,100	1,409	1,673	1,511	1,649	1,394
Other red varieties	2,200	2,400	2,200	2,300	2,300	1,428	1,492	1,491	1,414	1,537
<b>Total Red Varieties</b>	<b>94,500</b>	<b>106,800</b>	<b>107,700</b>	<b>112,800</b>	<b>157,300</b>	<b>1,235</b>	<b>1,339</b>	<b>1,336</b>	<b>1,394</b>	<b>1,319</b>
<b>All Varieties</b>	<b>188,000</b>	<b>210,000</b>	<b>227,000</b>	<b>222,000</b>	<b>270,000</b>	<b>1,040</b>	<b>1,110</b>	<b>1,110</b>	<b>1,145</b>	<b>1,157</b>

# *Wine Sales by Percent of Total Volume*

Table 13 Sales of Still Red Wine by Grape/Varietal Type: % Total Volume 2011-2016

% total volume	2011.00	2012.00	2013.00	2014.00	2015.00	2016.00
Cabernet Franc	10.00	10.00	10.00	10.10	10.00	10.00
Cabernet Sauvignon	37.00	36.00	35.00	34.00	34.20	34.30
Cabernet Sauvignon/Shiraz	10.00	10.00	10.00	10.00	9.90	9.80
Merlot	17.00	20.00	23.00	23.50	23.60	23.60
Muscat Hamburg	4.00	3.00	3.00	2.90	2.80	2.80
Others	22.00	21.00	19.00	19.50	19.50	19.40
Total	100.00	100.00	100.00	100.00	100.00	100.00

Table 14 Sales of Still Rosé Wine by Grape/Varietal Type: % Total Volume 2011-2016

% total volume	2011.00	2012.00	2013.00	2014.00	2015.00	2016.00
Merlot	70.00	69.00	68.00	67.00	66.50	66.00
Others	30.00	31.00	32.00	33.00	33.50	34.00
Total	100.00	100.00	100.00	100.00	100.00	100.00

Table 15 Sales of Still White Wine by Grape/Varietal Type: % Total Volume 2011-2016

% total volume	2011.00	2012.00	2013.00	2014.00	2015.00	2016.00
Chardonnay	66.00	67.00	68.00	68.40	68.90	69.20
Dragon Eye	9.00	9.00	8.00	7.00	6.60	6.30
Riesling	1.00	1.00	1.00	1.10	1.10	1.10
Others	24.00	23.00	23.00	23.50	23.30	23.40
Total	100.00	100.00	100.00	100.00	100.00	100.00

# Wine Sales by Percent Off- Trade Volume

Table 9 Sales of Still Red Wine by Price Segment: % Off-trade Volume 2011-2016

% off-trade	2011.00	2012.00	2013.00	2014.00	2015.00	2016.00
CNY30 to CNY49.99	1.40	1.30	1.30	1.30	1.20	1.20
CNY50 to CNY59.99	5.20	5.00	5.00	5.00	4.80	4.70
CNY60 to CNY89.99	30.60	28.90	29.10	29.30	29.40	29.50
CNY90 and above	62.80	64.80	64.60	64.40	64.60	64.60
Total	100.00	100.00	100.00	100.00	100.00	100.00

Table 10 Sales of Still Rosé Wine by Price Segment: % Off-trade Volume 2011-2016

% off-trade	2011.00	2012.00	2013.00	2014.00	2015.00	2016.00
CNY50 to CNY59.99	2.60	2.50	2.40	2.30	2.10	2.00
CNY60 to CNY89.99	12.20	11.60	10.90	10.30	10.20	10.00
CNY90 and above	85.20	85.90	86.70	87.40	87.70	88.10
Total	100.00	100.00	100.00	100.00	100.00	100.00

Table 11 Sales of Still White Wine by Price Segment: % Off-trade Volume 2011-2016

% off-trade	2011.00	2012.00	2013.00	2014.00	2015.00	2016.00
CNY50 to CNY59.99	2.90	2.80	2.60	2.50	2.30	2.20
CNY60 to CNY89.99	13.50	12.70	12.00	11.30	11.30	11.40
CNY90 and above	83.60	84.50	85.40	86.20	86.30	86.40
Total	100.00	100.00	100.00	100.00	100.00	100.00

Table 12 Sales of Other Sparkling Wine by Price Segment: % Off-trade Volume 2011-2016

% off-trade	2011.00	2012.00	2013.00	2014.00	2015.00	2016.00
CNY30 to CNY49.99	6.80	5.80	4.90	4.70	4.60	4.50
CNY50 to CNY59.99	5.40	4.80	4.30	4.20	4.10	4.10
CNY60 to CNY89.99	42.40	41.30	40.90	40.60	40.70	40.80
CNY90 and above	45.30	48.10	50.00	50.60	50.60	50.70
Total	100.00	100.00	100.00	100.00	100.00	100.00

# Percentage of Off-Trade Sales

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Percentage of Off-Trade Sales that are Sold are Req'd Price Point for Each Grape-Wine Category

CNY90 and above (USD

13.63+)	2011	2012	2013	2014	2015	2016	Average
Still Red Wine	62.8%	64.8%	64.6%	64.4%	64.6%	64.6%	64.3%
Still Rose Wine	85.2%	85.9%	86.7%	87.4%	87.7%	88.1%	86.8%
Still White Wine	83.6%	84.5%	85.4%	86.2%	86.3%	86.4%	85.4%

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# Wine Recommendations

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## Red Wine - Total Volume (%)

Cabernet Sauvignon	34%
Merlot	24%

(Cab Sauv & Merlot  
make up 58% of total  
Red Wine Sales by  
Volume)

Total	58%
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## Rose Wine - Total Volume (%)

Merlot	66%	(Merlot Makes up 66% of total Rose Sales by Volume)
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## White Wine - Total Volume (%)

Chardonnay	69.20%
Dragon Eye	6.30%

(Chardonnay & Dragon  
Eye make up 75.5% of  
total White Wine Sales  
per Volume)

Total	75.50%
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## Washington

Chardonnay	3,097 hectares	7,654 acres
Cabernet Sauvignon	4,165 hectares	10,293 acres
Merlot (Red)	3,333 hectares	8,235 acres

1 Ton = 60 Cases = 720 Bottles

Chardonnay	45000	tons
Cabernet Sauvignon	71100	tons
Merlot	48400	tons

=

Chardonnay	2,700,000.00	Cases
Cabernet Sauvignon	4,266,000.00	Cases
Merlot	2,904,000.00	Cases

=

Chardonnay	1,944,000,000.00	Bottles
Cabernet Sauvignon	3,071,520,000.00	Bottles
Merlot	2,090,880,000.00	Bottles

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# Top Down Financial Analysis 1

1

Year	2016	2017	2018	2019	2020	2021	Average % of Total	CAGR
<b>China total</b>	<b>4,581,506,700.00</b>	<b>4,821,864,300.00</b>	<b>5,072,051,900.00</b>	<b>5,326,921,000.00</b>	<b>5,584,573,900.00</b>	<b>5,842,636,400.00</b>		
Still Light Grape Wine	2,218,200,000.00	2355500000	2496900000	2641200000	2786500000	2930800000	<b>49.41%</b>	0.04752464
- Still Red Wine	1636600000	1742100000	1851400000	1963000000	2075200000	2186400000	<b>36.68%</b>	0.04945667
- Still Ros, Wine	63700000	66600000	69400000	72300000	75100000	77900000	<b>1.36%</b>	0.03410905
- Still White Wine	517900000	546700000	576000000	605900000	636100000	666500000	<b>11.36%</b>	0.04293932
<b>Average Light Grape/China (% of Total)</b>	<b>48.4%</b>	<b>48.9%</b>	<b>49.2%</b>	<b>49.6%</b>	<b>49.9%</b>	<b>50.2%</b>		

Year	2016	2017	2018	2019	2020	2021
Off-Trade Litres (Total)	3,090,100,000.00	3,208,871,752.55	3,332,208,641.89	3,460,286,134.61	3,593,286,441.57	3,731,398,777.12
Still Light Grape Wine Liters	1,526,677,633.78	1,585,357,345.81	1,646,292,483.95	1,709,569,738.26	1,775,279,130.81	1,843,514,143.79
Still Red Wine Off-Trade Adjusted Volume	1,133,418,948.07	1,176,983,284.12	1,222,222,068.42	1,269,199,660.43	1,317,982,893.34	1,368,641,169.15
Still Off-Trade Red Wine Sold at Req'd Distro Price	64.300%	64.300%	64.300%	64.300%	64.300%	64.300%
<b>Off-Trade Red Wine Sold at or above Price Point</b>	<b>728,788,383.61</b>	<b>756,800,251.69</b>	<b>785,888,790.00</b>	<b>816,095,381.66</b>	<b>847,463,000.42</b>	<b>880,036,271.76</b>
Still Rose Wine Off-Trade Adjusted	42,052,873.75	43,669,227.11	45,347,706.97	47,090,701.26	48,900,689.64	50,780,247.14
Still Off-Trade Rose Wine Sold at Req'd Distro Price	86.833%	86.833%	86.833%	86.833%	86.833%	86.833%
<b>Off-Trade Rose Wine Sold at or above Price Point</b>	<b>36,515,912.04</b>	<b>37,919,445.54</b>	<b>39,376,925.56</b>	<b>40,890,425.59</b>	<b>42,462,098.84</b>	<b>44,094,181.26</b>
Still White Wine Off-Trade Adjusted	351,176,127.58	364,674,009.24	378,690,698.41	393,246,136.07	408,361,029.69	424,056,882.63
Still Off-Trade White Wine Sold at Req'd Distro Price	85.400%	85.400%	85.400%	85.400%	85.400%	85.400%
<b>Off-Trade White Wine Sold at or above Price Point</b>	<b>299,904,412.95</b>	<b>311,431,603.89</b>	<b>323,401,856.44</b>	<b>335,832,200.20</b>	<b>348,740,319.35</b>	<b>362,144,577.76</b>
<b>Total Off-Trade Wine Sold at or above Price Point</b>	<b>1,065,208,708.60</b>	<b>1,106,151,301.12</b>	<b>1,148,667,571.99</b>	<b>1,192,818,007.45</b>	<b>1,238,665,418.61</b>	<b>1,286,275,030.79</b>

2

1. Analysis of Light Grape Wine Sales in China

2. Total Off-Trade Light-Grape Wine Sold at or above required profitable price

Assumption: Still Light Grape Wine Liters Assumes same Average % of Off-Trade as is the total (49.41%)

# Top Down Financial Analysis 2

Off-Trade Volume (Liters)	CAGR (2011-16)		0.038436216		Online Sales CAGR (2014-16)		0.27	
Year	2016	2017	2018	2019	2020	2021		
Off-Trade Litres (Total)	3,090,100,000.00	3,208,871,752.55	3,332,208,641.89	3,460,286,134.61	3,593,286,441.57	3,731,398,777.12		
Online Sales (Off-Trade-CAGR-based Growth)	597,800,000.00	620,777,170.21	644,637,495.91	669,414,922.26	695,144,699.13	721,863,431.27		
Online Sales CAGR growth	597,800,000.00	756,998,953.38	958,593,869.89	1,213,875,135.87	1,537,139,858.46	1,946,492,579.55		
<b>Online Sales Growth Model (Average)</b>	<b>597,800,000.00</b>	<b>688,888,061.80</b>	<b>801,615,682.90</b>	<b>941,645,029.06</b>	<b>1,116,142,278.79</b>	<b>1,334,178,005.41</b>		
<b>Light Grape Liters of Online Sales</b>	<b>289,433,159.62</b>	<b>336,524,574.02</b>	<b>394,624,155.69</b>	<b>466,887,504.20</b>	<b>556,914,549.89</b>	<b>669,254,191.18</b>		
Still Red Wine % of Total Sales (Model Assumption)	35.722%	36.129%	36.502%	36.851%	37.160%	37.421%		
Still Off-Trade Red Wine Sold at Req'd Distro Price	64.300%	64.300%	64.300%	64.300%	64.300%	64.300%		
<b>Red Wine Sold Online at or above req'd price</b>	<b>137,309,664.01</b>	<b>160,036,014.88</b>	<b>188,145,462.40</b>	<b>223,121,917.99</b>	<b>266,686,141.95</b>	<b>321,029,918.38</b>		
Still Rose Wine % of Total Sales (Model Assumption)	1.390%	1.381%	1.368%	1.357%	1.345%	1.333%		
Still Off-Trade Rose Wine Sold at Req'd Distro Price	86.833%	86.833%	86.833%	86.833%	86.833%	86.833%		
<b>Rose Wine Sold Online at or above req'd price</b>	<b>7,217,278.93</b>	<b>8,262,174.76</b>	<b>9,524,198.97</b>	<b>11,097,770.32</b>	<b>13,033,346.06</b>	<b>15,446,455.85</b>		
Still White Wine % of Total Sales (Model Assumption)	11.304%	11.338%	11.356%	11.374%	11.390%	11.408%		
Still Off-Trade White Wine Sold at Req'd Distro Price	85.400%	85.400%	85.400%	85.400%	85.400%	85.400%		
<b>White Wine Sold Online at or above req'd price</b>	<b>57,710,038.81</b>	<b>66,702,270.80</b>	<b>77,743,281.94</b>	<b>91,468,126.81</b>	<b>108,570,736.33</b>	<b>129,975,932.28</b>		

3

3. Online Sales analysis of Light-Grape Wine Sold at or above required price of 90 Yuan (\$13.58)

# Top Down Financial Analysis 3

Year	2016	2017	2018	2019	2020	2021
Liter : Bottle Conversion	1.333333333	1.333333333	1.333333333	1.333333333	1.333333333	1.333333333
Red Wine Bottles Sold in Req'd Price Range online	183,079,552.00	213,381,353.00	250,860,616.00	297,495,890.00	355,581,522.00	428,039,891.00
Rose Wine Bottles Sold in Req'd Price Range online	9,623,038.00	11,016,233.00	12,698,931.00	14,797,027.00	17,377,794.00	20,595,274.00
White Wine Bottles Sold in Req'd Price Range online	76,946,718.00	88,936,361.00	103,657,709.00	121,957,502.00	144,760,981.00	173,301,243.00
Recommended Red Wine Products: Cab. Sauv. & Merlot (% of red prod.)		58%	58%	58%	58%	58%
Recommended Rose Wine Products: Merlot		66%	66%	66%	66%	66%
Recommended White Wine Products: Chardonnay & Dragon Eye (% white prod.)		75.50%	75.50%	75.50%	75.50%	75.50%
<b>Red Wine Bottles Sold in Category, online, and in price point</b>		<b>123,547,803.39</b>	<b>145,248,296.66</b>	<b>172,250,120.31</b>	<b>205,881,701.24</b>	<b>247,835,096.89</b>
<b>Rose Wine Bottles Sold in Category, online, and in price point</b>		<b>7,270,713.78</b>	<b>8,381,294.46</b>	<b>9,766,037.82</b>	<b>11,469,344.04</b>	<b>13,592,880.84</b>
<b>White Wine Bottles Sold in Category, online, and in price point</b>		<b>67,146,952.56</b>	<b>78,261,570.30</b>	<b>92,077,914.01</b>	<b>109,294,540.66</b>	<b>130,842,438.47</b>
Age range reduction (target younger population online)		75%	75%	75%	75%	75%
Total Potential Sales in Category		148,474,102	173,918,371	205,570,554	244,984,189	294,202,812
Total China Bottle Sales Equivalency (if all Litres converted to bottles)		6,429,152,400	6,762,735,866	7,102,561,333	7,446,098,533	7,790,181,866
Target Market % Sales (by Volume) of Total Wine-Buying Population		2.31%	2.57%	2.89%	3.29%	3.78%
Average Sales Price (in USD)	\$	10.63	\$ 10.63	\$ 10.63	\$ 10.63	\$ 10.63
Cost to Market	\$	8.86	\$ 8.86	\$ 8.86	\$ 8.86	\$ 8.86
Expected Net-Profit	\$	1.77	\$ 1.77	\$ 1.77	\$ 1.77	\$ 1.77
Profit per bottle with Wine Club Unit Costs	\$	1.52	\$ 1.52	\$ 1.52	\$ 1.52	\$ 1.52
<b>Expected Market Capture of Sales (in bottles)</b>		<b>1,484,741.02</b>	<b>26,087,755.65</b>	<b>31,566,184.34</b>	<b>34,722,802.77</b>	<b>38,195,083.05</b>
<b>Wine Market Capture</b>		<b>0.023%</b>	<b>0.386%</b>	<b>0.444%</b>	<b>0.466%</b>	<b>0.490%</b>
<b>Revenue</b>	\$	<b>15,785,766.52</b>	<b>\$ 277,365,018.07</b>	<b>\$ 335,611,671.87</b>	<b>\$ 369,172,839.05</b>	<b>\$ 406,090,122.96</b>
<b>Net Profit</b>	\$	<b>2,262,626.54</b>	<b>\$ 39,755,652.59</b>	<b>\$ 48,104,339.63</b>	<b>\$ 52,914,773.60</b>	<b>\$ 58,206,250.96</b>
<b>Marketing</b>	\$	2,000,000.00	\$ 3,000,000.00	\$ 3,000,000.00	\$ 2,000,000.00	\$ 2,000,000.00
<b>Net Profit After Mar</b>	\$	262,626.54	\$ 36,755,652.59	\$ 45,104,339.63	\$ 50,914,773.60	\$ 56,206,250.96
<b>Discount Rate</b>		<b>10%</b>				
<b>NPV</b>	\$	<b>147,595,818.58</b>		<b>CAGR</b>	<b>10%</b>	

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- Analysis of Chinese preference to Washington production creating new Target Sales
- Expected market capture, sales, revenue, and profit for Washington-based distributors
- NPV Calculation after factoring in shared product costs. Discount Rate = 10%

# *Sensitivity Analysis – Growth Rate*

		2017	2018	2019	2020	2021	NPV
<b>Worst</b>	<b>0%</b>	1,484,741.02	26,087,755.65	26,087,755.65	26,087,755.65	26,087,755.65	\$ 118,207,427.89
<b>Low</b>	<b>5%</b>	1,484,741.02	26,087,755.65	28,761,750.60	30,199,838.13	31,709,830.04	\$ 132,135,041.88
<b>Middle</b>	<b>10%</b>	1,484,741.02	26,087,755.65	31,566,184.34	34,722,802.77	38,195,083.05	\$ 147,595,818.58
<b>High</b>	<b>15%</b>	1,484,741.02	26,087,755.65	34,501,056.85	39,676,215.37	45,627,647.68	\$ 164,699,730.26
<b>Best</b>	<b>20%</b>	1,484,741.02	26,087,755.65	37,566,368.14	45,079,641.76	54,095,570.12	\$ 183,560,822.24

# Cost Sensitivity Analysis

				2017		2018		2019		2020		2021	NPV
Worst	\$	0.68	\$	1,009,623.89	\$	17,739,673.84	\$	21,465,005.35	\$	23,611,505.88	\$	25,972,656.47	\$ 60,280,353.56
Low	\$	1.01	\$	1,499,588.43	\$	26,348,633.21	\$	31,881,846.18	\$	35,070,030.80	\$	38,577,033.88	\$ 94,423,522.88
Middle	\$	1.52	\$	2,262,626.54	\$	39,755,652.59	\$	48,104,339.63	\$	52,914,773.60	\$	58,206,250.96	\$ 147,595,818.58
High	\$	2.28	\$	3,385,209.53	\$	59,480,082.88	\$	71,970,900.29	\$	79,167,990.32	\$	87,084,789.35	\$ 225,822,992.71
Best	\$	3.42	\$	5,077,814.29	\$	89,220,124.32	\$	107,956,350.43	\$	118,751,985.47	\$	130,627,184.02	\$ 343,772,123.10

# *Online Distributors*



**JD.** 京东  
**.COM**



P U D A O  
W I N E S



**Alibaba.com**

亚马逊  
**amazon.cn**

# Chinese Flavors

## Top 20 flavour references for Chinese consumers

Ranking based on % that say they usually find the following flavours in their favourite wine

Base: All Chinese upper middle class drinkers of imported wine

1	Rose	玫瑰
2	Raisin	葡萄干
3	Vanilla	香草
4	Red apple	红苹果
5	Strawberry	草莓
6	Honey	蜂蜜
7	Peach	桃子
8	Oak	橡木
9	Lemon	柠檬[黄]
10	Mint	薄荷
11	Mango	芒果
12	Lychee	荔枝
13	Lavender	薰衣草
14	Lime	青柠檬/泰国柠檬
15	Chocolate	巧克力
16	Jasmine tea leaves	茉莉花茶叶
17	Guavas	番石榴
18	Coconut	椰子
19	Pear	梨
20	Orange peel	橙皮

Source: Wine Intelligence, Vinitrac<sup>®</sup> China, November 2012, n=1,000, Chinese aged 18 - 50 upper middle class drinkers of imported wine in Beijing, Shanghai, Guangzhou, Chengdu, Shenyang, Wuhan

# Chinese Labelling Requirements

## **Name/brand of product**

**Ingredients list** (Sweeteners, preservatives and added color – legal in the case of fortified wine only – must be declared) Exempt for products made of one ingredient.

**Net volume (ml):** This should be marked as 'net content xxx ml (ml)' for bottle sizes under a liter, or 'net content x Liters (l)' for bottle sizes over a liter. For packages up to (and including 200ml) the minimum print height is 3mm. From 200ml up to and including 1 liter, the minimum print height is 4mm. For packages greater than 1 liter the minimum print height is 6mm.

**Alcohol content (%):** The alcohol statement should be in the 'Alcoholic strength xx.x% vol' format.

**Production date (yy/mm/dd):** The date of bottling is required on Chinese labels.

**Producer/Distributor/Importer (Name and address):** The name and address of the Chinese agent, importer or distributor must be shown on the label. The name and address of the producer is not mandatory, however if included does not need to be translated into Chinese characters

**Country of origin:** A country of origin statement is mandatory. Importers will usually request a Certificate of Origin to confirm this claim.

**Minimum durability date:** Wines with an alcohol content of 10% or less are required to include a minimum durability date.

**Product Type:** (i.e. Grape Wine, 'red', 'white', 'sparkling', 'semi-sparkling', 'fortified', 'sweetened fortified', etc.)

**Sugar content (g/L)**

**Mandatory Warning Statements:** The following and other warnings must be on the bottle in Chinese: "Excessive drinking is harmful to health" or "Pregnant women and children shall not drink". For beer in glass bottles also add "Do not hit; it might cause explosion of the bottle".

# *Required Documentation*

- Commercial invoice
- Customs Value Declaration
- Freight Insurance/documents
- Packing List
- Insurance Certificate
- Certificate of Origin (for distilled spirits and malt beverages only)
- Certificate of Health/Sanitation (for distilled spirits and malt beverages only)
- Certificate of Authenticity/Free Sale (for distilled spirits and malt beverages only)

# *International Analysis*

## Australia

- Focused in low and ultra premium wine segments
- Has only half the market share of France
- Less than half of total US output

## French wines have seen their market share steadily decline

- Focused primarily on ultra premium wines
- Consumers shifting slightly towards more affordable
- Selling in high end restaurants and bars
- Difficult growing season

# *Internet Retailing vs. Store-Based Retailing for Off-Trade Sales*

## **% of Off-Trade Sales**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Store-Based Retailing	98%	97%	94%	89%	85%	81%
Internet Retailing	2%	3%	7%	11%	15%	19%

## **Thousands of Litres**

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>CAGR</b>
Store-Based Retailing	2,422.40	2,590.00	2,626.90	2,483.20	2,494.20	2,492.30	0.48%
Internet Retailing	41.9	82.9	182.6	294.4	441.6	597.8	55.74%

# SWOT

## Strengths

- Number of wineries
- Variety of wine
- Strength of industry conditions

## Weaknesses

- Not as strong of a reputation as competitors (i.e. California, Europe, Australia)

## Opportunities

- Competitors are having a bad year (natural disasters, bad growing conditions, etc.)
- Expansion outside of the US
- Online distribution
- Untapped millennial market in China

## Threats

- Chinese government regulation
- Cost of transportation and exporting
- Australian market wine innovations