HARVARD | BUSINESS | SCHOOL

9-302-102
REV: MAY 3, 2002

MICHAEL A. ROBERTO

Robert Mondavi & The Wine Industry

All things in moderation – with a few glorious exceptions.

- Robert G. Mondavi[1]

On May 1, 2001, Robert Mondavi stepped down as Chairman of the Board of the company that he founded in 1966. He and his sons, Michael and Tim, had created one of the world's finest and most innovative winemakers over the past thirty-five years. The company enjoyed considerable financial success too. Mondavi's earnings per share had grown at a compound annual growth rate of 28% since FY1994 (**Exhibits 1-3**), and the firm's market value now stood at approximately $600 million.

Michael Mondavi, who had served as CEO for many years, succeeded his father as Chairman. Greg Evans, a Harvard MBA and twenty-year veteran of the company, became the first non-family member to assume the role of CEO. In February 2002, the two men looked back on the past two quarters, and they assessed the challenges facing the company. The economy had faltered over the past six months, and the firm's wine sales had softened. Australian imports posed a substantial and persistent threat, having grown roughly 30% per year since 1995. In addition, the global wine industry continued to consolidate. Many rival wineries had merged, and large diversified alcoholic beverage companies were making an aggressive push into the premium wine business. Meanwhile, Mondavi remained an independent company heavily dependent on the US market. With these concerns in mind, Mondavi and Evans considered how to strengthen the firm's competitive position.

The Global Wine Industry

Historians believe that the Mesopotamians first began to produce wine around the year 6,000 B.C. Wine played an important role in many ancient civilizations; Egyptians buried it in the tombs of the Pharaohs to make the afterlife more enjoyable, and the Greeks paid homage to Dionysus, the son of Zeus and the god of wine. During the Roman Empire, people of all classes began to produce and drink wine throughout Europe. As the centuries passed, Europeans introduced their winemaking techniques to other regions of the world including the Americas, Australia, and South Africa.[2]

At the beginning of the twenty-first century, estimates of the size of the global wine industry ranged from $130-$180 billion in retail sales. Vineyards produced and sold three categories of wine: table (less than 14% alcohol by volume), dessert or fortified (greater than 14% alcohol), and sparkling (champagne). Table wine accounted for an overwhelming share of the market. Industry participants divided the table wine market into five principal segments: jug or commodity (< $3 per bottle),

---

Professor Michael A. Roberto prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management. This case draws on HBS Case #9-799-125, "Robert Mondavi: Competitive Strategy" and HBS Case #9-799-124, "The California Wine Cluster", both prepared by Research Associate Gregory C. Bond under the supervision of Professor Michael E. Porter.

popular premium ($3-7 per bottle), super premium ($7-$14), ultra ($14-$25), and luxury (> $25). In the US, jug wine sales had declined approximately 3% per year during the past decade, while premium wine sales grew 8-10% per annum (**Exhibit 4**). By 2001, jug wine represented 38% of case sales in the US, but only 13% of total retail sales dollars.[3] A similar shift toward the consumption of higher quality, premium wines had occurred in many other non-European wine-producing nations as well as in the United Kingdom. Most nations in continental Europe continued to consume a great deal of inexpensive table wine. In fact, Western European consumers paid an average retail price of $4.80 per bottle in 2000, while North American buyers paid $$7.20 per bottle on average.[4]

World Production and Consumption

There were over one million wine producers worldwide, and no firm accounted for more than 1% of global retail sales in 2001. However, market concentration differed substantially by country. Four firms accounted for 75% of the Australian market, while the top 20 firms controlled 75% of the U.S. wine industry. In contrast, the European market remained highly fragmented (**Exhibit 5**). Nevertheless, Europe still dominated the wine industry. 75% of the world's production and consumption took place in Europe, with three countries alone (France, Italy, and Spain) accounting for one-half of the world's supply of wine (**Exhibit 6**). Industry observers often distinguished between these "Old World" producers in Europe, and the "New World" wineries in countries such as Australia, Chile, South Africa, and the US. The "New World" increased its share of the global market in the past two decades, while wine production declined dramatically in Europe.[5]

Global consumption had followed a somewhat similar pattern, with overall growth of 1-2% per year since 1994 (**Exhibit 7**). Demand increased for premium wines, while consumption of inexpensive, lower quality wine had fallen. Industry analysts expected the demand for premium wines to grow at 8-10% per annum for the foreseeable future. These changing consumption patterns had created a great deal of excess capacity in Europe, while New World wineries continued to increase vineyard acreage in response to strong demand for high quality wines.[6]

Wine-making in the New World differed from the Old World in many ways. Small family-owned vineyards produced most of the wine in Europe, while many larger publicly traded firms competed in New World markets. European governments often provided subsidies to these small vineyards. Moreover, many European families continued to make their own wine for household consumption, while Americans and Australians purchased nearly all of the wine that they drank. The New World producers invested much more heavily in technology and automation. These investments and innovations enabled them to enhance the consistency and the quality of their wines and to reduce operating costs considerably. For instance, New World producers relied increasingly on machines to harvest the grapes in their vineyards, while most European wineries continued to hand-pick their entire supply of grapes. The New World also had more extensive and well-developed markets for grapes, making it easier for wineries to find multiple avenues for sourcing their most critical inputs.[7]

In Europe, strict regulations controlled many aspects of winemaking including planting, irrigation, classification, and labeling. The French government imposed the most severe restrictions. Often, it took legal action to protect the nomenclature created centuries ago. For instance, wineries only could designate sparkling wine as "Champagne" if they produced it using three grape varieties grown in the region with the same name. Fewer controls constrained production in nations such as the US, Chile, and South Africa. The Australian industry had particularly loose controls. The producers could label wines based upon the sourcing of grapes from broad geographical regions.[8] They also could identify the wine by the year it was bottled, rather than when the grapes were harvested. This enabled them to combine grapes from different vintages to make a particular wine.[9]

The European wineries also engaged in very little consumer branding. Instead, the wines were known primarily by their appellation (region) – Bordeaux, Burgundy, Chianti, etc. The New World producers tended to classify wines according to the variety of grapes used to make the wine (Chardonnay, Zinfandel, etc.) Inexperienced consumers found it much easier to associate the flavor of the wine with a particular variety of grape rather than a geographic region. New World wineries invested heavily in activities designed to educate consumers about wine. They hoped to raise per capita consumption by enhancing the level of product knowledge among New World consumers, and by removing some of the "mystique" associated with winemaking. They also spent more money on advertising and promotion in order to build brand equity. After developing a well-known name, many firms extended the brand to an entire line of products, each serving a different market segment.

Industry Consolidation

Industry consolidation began to occur in the past decade, particularly among the New World producers. This consolidation took place through three different types of acquisitions. First, some premium wineries purchased or merged with direct rivals. For instance, Southcorp and Rosemount recently merged to become the leading Australian wine producer.[10] Second, jug wine producers began to acquire premium wineries in order to keep pace with changing consumer tastes. For example, Constellation Brands, a leading jug wine supplier, recently purchased small premium wineries such as Franciscan Estates and Turner Road.[11] Finally, other alcoholic beverage firms had begun to diversify into the premium wine business. Foster's Group of Australia, a large Australian brewer, purchased Beringer's Wine Estates of California for $1.47 billion in 2000.[12] Similarly, leading global distilled spirits firms such as Diageo and Allied Domecq acquired several premium wineries. For information on global consumption patterns for beer and distilled spirits, see **Exhibits 8a and 8b**.

The Winemaking Process

The four stages in the production and sale of wine were: (1) grape growing and/or procurement; (2) crushing, fermentation, and aging; (3) bottling and packaging; (4) distribution and marketing.

Grape Growing/Procurement Winemaking began with grape growing and harvesting. Grapes represented 50-70% of the cost of goods sold for a typical producer (**Exhibit 9)**. Wineries could choose to acquire land and grow their own grapes, or they could procure fruit in the market. Typically, wineries chose to grow a high percentage of grapes for their best wines in order to insure the quality of the final product. In addition, producers often tried to establish long term contracts with growers to insure grape quality. California grapes cost $500 per ton on average for popular premium wines and $3,000 per ton for Napa Valley wines (ultra and luxury premium). The level of outsourcing differed markedly by region. California wineries outsourced 70-85% of their grapes, while French winemakers grew nearly all of their own fruit.[13] However, American wineries had begun to acquire more land in the late 1990s, due to persistent shortages of premium grapes and concerns about crop diseases such as phylloxera.[14]

Winemaking was a capital-intensive business, due to the substantial investments in working capital and the cost of acquiring land (**Exhibit 10**). Property values differed substantially around the world. Along California's Central Coast, undeveloped land cost $8,000-$20,000 per acre. Quality property remained scarce in Napa Valley, causing producers of ultra premium wines to pay $100,000 per acre. Luxury wine producers paid as much as $150,000 per acre in California and $250,000 per acre in France. Property in other countries did not cost as much. For instance, Australian plots typically cost 30-60% less than similar acreage in the US and as much as 70% less than in France.[15]

Producers needed to prepare undeveloped plots for grape growing and harvesting. The typical firm invested $25,000-$40,000 per acre for vineyard development, which included trellis and irrigation system installation. Each winemaker also faced an important decision concerning the number of vines to plant per acre. The climate affected this choice, because rainfall levels determined the space required for a vine to access a sufficient supply of water. French producers typically spaced vines quite close together, because they could expect plentiful amounts of rain. Australian vineyards exhibited much lower vine density due to arid conditions. When determining vine density, producers also considered the tradeoff between the quality and quantity of grapes harvested from the land.[16]

A new plot of land did not produce revenue for several years. Vines typically took two years to bear their first fruit and five years to mature. However, vines lived for more than fifty years if maintained properly. Grape harvesting took place largely by hand in many European vineyards as well as in the highest quality New World vineyards. Most producers believed that careful manual picking produced finer wine, because it minimized damage to the grapes. Wineries in Latin America had a substantial labor cost advantage relative to those in the US and Australia. For instance, the vineyard workers in Chile earned $10-15 per day versus $60-90 for workers in California.

The yield, or ton of grapes harvested per acre, represented one of the most important metrics in the wine industry. Most industry participants believed that the quality of wine diminished as the yield of a vineyard increased. The type of vine, degree of sunshine available per day, and the amount of irrigation affected yield levels. A typical Napa Valley premium wine producer could expect a yield of 4-6 tons per acre. California jug wine producers generated much higher yields. In any given year, the quality of a harvest and the yield for a particular type of grape might differ substantially across geographic regions of the world due to different weather conditions.[17]

Crushing, Fermentation, and Aging Producers transported grapes from the vineyard to the winery immediately after harvesting. The grapes were removed from the stem and crushed. For white wine, the "must" – juice, skins, and seeds – was pumped or moved by gravity flow directly to a press that separated the juice from the skins. Then, fermentation took place. For red wine, producers fermented the "must" prior to transferring it to the press. Winemakers pressed the "must" once for the highest quality wines, while they typically extracted juice a second or third time for lower quality wines.[18] The first press typically produced 500-600 liters of juice per ton of grapes. Additional presses could increase the total output to as high as 800 liters per ton.[19]

Producers fermented wine in temperature-controlled steel or oak tanks. Winemakers then clarified the wine, removing substances that could precipitate out of the wine in the future, and they transferred it to stainless steel tanks or oak barrels for aging. Winemakers typically aged red wines more than white wines. On average, producers aged popular premium red wines for 6-12 months and high-end wines for at least 18 months.[20] Winemakers such as Mondavi aged popular premium wine in American oak barrels, which held 225 liters and cost $250 each. Many producers aged higher quality wines in French oak barrels that cost $550-$600 each. Winemakers used the barrels just once when making high-end wines and for up to ten years when making popular wines. Many producers of popularly priced wines chose to use stainless steel tanks for aging because of the lower cost. These tanks typically held 25,000 liters of wine, cost $15,000 each, and lasted for more than twenty years.[21]

Bottling and Packaging When aging was complete, the producers bottled and labeled the wine. Most premium wine producers preferred natural cork to seal the bottles, while jug wine producers typically used metal or plastic screw tops. A small winery could pay as much as $2.00 per bottle for glass, labels, and other packaging materials, while larger producers paid as little as $0.30.[22] Producers paid careful attention to the details of packaging and labeling, because the shape and label of the bottle conveyed a great deal about the image and quality of the wine. In most countries, government agencies regulated the labeling of wines with respect to vintage, appellation, variety, etc.

Marketing and Distribution Most producers sold their wine to wholesalers who distributed the products to retail outlets. The typical wholesaler employed a sales force to sell many brands of wine and other alcoholic beverages to both "on-premise" and "off-premise" retail accounts. "Off-premise" retailers included supermarkets, wholesale price clubs, mass merchandisers, and liquor stores "On-premise" locations included restaurants, hotels, and pubs, and accounted for 55% of US dollar sales in 2000.[23] In Europe, a much higher percentage of wine was sold off-premise.[24]

After the repeal of Prohibition in the US, state government regulations effectively created a three-tiered system of distribution that separated producers, wholesalers, and retailers. By implementing this three-tiered system, states hoped to prevent organized crime from controlling the distribution and sale of alcohol. Therefore, wineries typically distributed their products through independent regional wholesalers in the US, though Gallo operated their own distributors in several states that allowed such practices. Twenty states also continued to ban the direct sale of alcohol to consumers, and many other states imposed severe restrictions on direct distribution. In most other countries, the laws regulating distribution were less restrictive than in the US. Most nations did not mandate a three-tiered distribution system, though in fact, this structure tended to exist in many international markets. Many countries also allowed the direct sale of alcohol to consumers.

Major changes had taken place recently in the wholesale and retail wine businesses. For instance, the number of alcoholic beverage wholesalers in the US had decreased by 75% since the early 1960s.[25] Five distributors now controlled a substantial share of the national market (**Exhibit 11)**. Considerable consolidation had taken place at the retail level too. Moreover, Americans increasingly purchased wine from supermarkets, wholesale clubs, and mass merchandisers. In fact, Costco recently became the largest wine retailer in the US.[26] Changes occurred in the off-premise channel too. Many large hotel and restaurant chains now purchased wine centrally rather than at the local establishment level. Matt Kramer, a *Wine Spectator* columnist, commented on the impact of these changes: "Today, the problem isn't making fine wine. There's plenty of talent available. The problem now is selling fine wine…distribution, you see, is the real problem...we're seeing wine diversity slowly being strangled."[27] Others disagreed with this assessment. Tim Bekins, a buyer for the Trader Joe's retail chain, explained: "I love to get a good wine from a small winery and send it to our best stores. This helps differentiate us from other retailers. I need the small wineries more than they need me."[28]

Distribution and retailing had changed in other countries as well. Large firms, particularly the leading brewers, dominated alcoholic beverage distribution in Europe. For instance, Scottish and Newcastle, the world's eighth largest brewer, distributed more wine than any other wholesaler in the UK, and ran a close second to Heineken in France. At the retail level, the European supermarket industry became more concentrated in the 1990s (**Exhibit 12**).[29] Supermarkets and discount chains represented a major distribution channel in Europe, often accounting for 70% or more of off-premise sales. Many large chains also offered their own highly popular private label wines.[30]

With respect to marketing, the jug wine producers engaged in a great deal of television and radio advertising to promote their brands. In contrast, the premium wineries did not spend much on consumer advertising; they tended to focus on channel promotion. Most large firms employed a direct sales force that worked with wholesalers and retailers. They also engaged in promotional campaigns at on-premise locations to educate consumers and to encourage them to try their company's wines. In addition, firms offered tours, wine tastings, and other educational activities at their vineyards. Most large premium wine companies spent only 2-3% of sales on advertising, while such expenditures accounted for 10-20% of sales for the typical brewer or spirits producer.[31] In the entire US wine market, print, radio, and TV advertising totaled $135 million in 2000; in contrast, Anheuser Busch alone spent over $400 million. Advertisements traditionally appeared in high-end wine magazines. However, several firms had begun to advertise nationally on radio and TV.

Robert Mondavi

Robert Mondavi began making wine in Napa Valley in 1943, when he convinced his parents to purchase the Charles Krug Winery for $75,000. After his father's death, Mondavi ran the winery along with his brother, Peter, but they often disagreed about how to operate the business. In 1966, Mondavi borrowed $100,000 from family members and angel investors and established his own winery on the To Kalon vineyard (meaning "highest beauty" in Greek) in Oakville, California.[32]

Robert Mondavi Winery became one of America's most innovative, high quality winemakers in the late 1960s and early 1970s. The company introduced many new techniques to the California wine industry, including cold fermentation, stainless steel tanks, and the use of small French oak barrels to age fine wine. In 1972, the *Los Angeles Times* named the winery's 1969 Cabernet Sauvignon as the best wine produced in California. To stimulate demand for his products, Robert Mondavi set out to educate American consumers and to enhance their appreciation of fine wine. Over the years, he became a leading promoter of the California wine industry. He encouraged visitors to tour the winery and to taste the new wines that he created. In addition, Mondavi began to host concerts, art exhibits, and other cultural events at the To Kalon vineyard. In 1976, the company established the Great Chefs program, the first winery culinary program in the US. Robert Mondavi explained his philosophy regarding fine wine, food, and the arts: "People who enjoy food, art, music, also enjoy fine wines, and they enjoy them more together...Wine is more than a drink. It's a culture."[33]

Robert Mondavi decided to enter the popular premium segment in the late 1970s. Therefore, he purchased a local cooperative and renamed it the Woodbridge Winery. During the 1980s, Woodbridge became the company's best-selling wine, and last year, the winery generated $265 million in revenue. Mondavi pioneered a number of new practices at Woodbridge including a gentle, direct-to-press operation for producing white wine. Woodbridge also became the first winery to vintage date popularly priced varietal wines.

In 1979, Mondavi became the first California vintner to partner with an elite French winemaker, and to produce an ultra premium wine in America. To accomplish this, the company formed a 50/50 joint venture with Baron Phillipe de Rothschild, the patriarch of Chateau Mouton-Rothschild of the Bordeaux region in France. They named the new venture Opus One. Timothy Mondavi, Robert's son, worked with Mouton-Rothschild winemaker Lucien Sionneau to produce the first vintage of Opus One in Oakville. By 1998, the partners sold their prestigious wine in more than 65 countries.

The company conducted an initial public offering in June 1993 in order to finance the winery's substantial investments in working capital, land acquisition, and vineyard replanting. During the next year, the company launched a new brand of wines from California's Central Coast region, and it introduced a line of California-grown Italian varietals called La Famiglia di Robert Mondavi. Throughout this period, the company continued to enhance its reputation as a leading innovator in the industry. Mondavi began working with NASA in 1993 to apply remote sensing and digital mapping technologies to enhance vineyard management. In addition, the company introduced a capsule-free, flange-top bottle that many others soon adopted.

Mondavi initiated a series of international joint ventures beginning in the mid-1990s. The company formed a 50/50 joint venture, named Luce della Vite (light of the vine), with the Frescobaldi family of Italy. The partners purchased land next to the Frescobaldi's estate and produced their first luxury wine in 1995. Mondavi established a 50/50 joint venture, named Caliterra, with the Chadwick family of Chile in 1996. Four years later, they launched a joint venture with Rosemount of Australia to produce to two new high-end wines, one from Australia and one from California. The company also began sourcing bulk wines from France in the late 1990s, with aging and bottling taking place in Woodbridge under the Vichon Mediterranean label. Mondavi then set out to acquire 120 acres of vineyard in southern France. They hoped to shift production of the Vichon wines to this property, but local citizens voiced fierce opposition to the firm's plans. One local winemaker said, "The Mondavis will end up destroying our traditional artisans who make wine, just like McDonald's is destroying French gastronomy."[34] The company abandoned its plans and sold Vichon in 2001.

Robert Mondavi made several major investments in California in the past three years. First, the company launched the To Kalon project - a $28 million renovation of its flagship winery in Oakville. Mondavi also opened the Golden Vine Winery at Disney's new California Adventure theme park. This attraction celebrated the history and heritage of the California wine industry, and provided an opportunity to educate consumers about premium California wines. Finally, the company acquired the Arrowood winery, which produced high quality wines in the Sonoma region of California.

Robert Mondavi, now 88 years old, still spent a great deal of time educating the American public about fine wine. He and his wife, Margrit, became major benefactors of Copia: The American Center for Wine, Food, and the Arts, which opened in 2001. While Michael Mondavi served as Chairman of the Board, his brother Tim continued to serve as the head winemaker and Vice Chairman. The family still held 50% of the company's shares and an overwhelming majority of the voting rights.

Winemaking

Tim Mondavi and his team aspired to create the finest wines in the world. To accomplish that goal, Tim and the other Mondavi winemakers often experimented with new techniques designed to enhance the quality of the company's products. Tim also sought to employ gentle, natural techniques throughout the entire grape growing and winemaking process, and he introduced many environmentally friendly farming and winemaking practices over the years. In the 1970s, Tim invented the term "growing wine" to describe his fervent belief that the grape growing and harvesting process could not be viewed as separate from the practice of making fine wine. He often described the final product as "liquid art."[35]

Mondavi owned and leased 9,700 acres of vineyards in Calfornia, and the joint ventures controlled an additional 1,600 acres in Chile, Italy, and California. These vineyards provided approximately 7% of the company's total grape supply in FY2001. Mondavi sourced a large percentage of its grapes internally for its highest quality wines. For instance, the Robert Mondavi Winery (RMW) label obtained 63% of its grapes from company vineyards. The firm had invested more than $50 million over the past ten years to replant vineyards after the phylloxera epidemic. Mondavi planned to increase its internal grape sourcing to approximately 25% by 2005. The company purchased the rest of its grape supply from 360 independent growers, 100 of whom operated vineyards in Napa Valley. The firm entered into long term contracts with growers for approximately 75% of its purchases. Mondavi worked closely with the growers to insure the quality of its grape supply, and to implement new farming techniques developed at the company's own vineyards.

Mondavi operated six wineries in California: Robert Mondavi Winery, Woodbridge, Byron, La Famiglia di Robert Mondavi, Arrowood, and Opus One (co-managed with Chateau Mouton Rothschild). Each of these wineries employed modern technology to insure the gentle handling of grapes and the highest quality fermentation and aging processes. At the newly renovated flagship winery, for instance, the company had installed a state-of-the-art gravity flow system that eliminated the need for pumps to transfer juice from the crushers to the fermentation tanks to the oak barrels. The facility also featured 56 French oak 5,000-gallon fermentation tanks that enhanced the aroma and flavor of the wine. Oak barrel aging remained the trademark of Mondavi's winemaking process; the new Oakville winery contained a climate-controlled subterranean cellar that held 1,300 oak barrels.

Products

Mondavi produced 16 different wine brands through company-owned wineries and joint ventures (**Exhibit 13**). Each brand had a reputation for quality in its market segment, though winemaking techniques varied depending on the product's price point.

Robert Mondavi Winery In FY2001, the company sold 356,000 cases of its flagship RMW brand, making it the firm's third highest selling label. Mondavi produced these wines at its newly renovated Oakville winery. The brand consisted of four classes of wine: Napa Valley, District, Reserve, and Spotlight. The Napa Valley wines were the brand's core product, and included a full line of high quality food friendly wines. The District wines represented particular appellations within the Napa Valley such as Oakville, Carneros, and Stags' Leap. Mondavi attached the Reserve label to the highest quality wines produced in the Napa Valley, and Spotlight wines were special, limited release products available only through the retail store at the winery.

Robert Mondavi Coastal Private Selection. In the early 1990s, competitors began to take advantage of the fact that Mondavi did not have a product at the lower end of the super premium segment, and retailers responded by demanding discounts on the RMW wines. To address these threats, the firm introduced its Robert Mondavi Coastal brand of wines in 1994 and priced the wines at $7-$10 per bottle. This enabled the company to maintain a higher price point for its RMW wines.[36] Mondavi did not operate a separate winery for the Coastal products; instead the winemaking and bottling processes took place at several other company wineries. Coastal's sales grew rapidly in the 1990s, and it became the firm's second highest selling brand. However, the company became disappointed recently with the fact that this brand had not emerged as a category leader. Moreover, Coastal faced increasingly intense competition from Australian imports as well as California rivals such as Beringer's, Kendall- Jackson, and Clos du Bois. Gallo also staged an aggressive entry into the premium wine business. Pricing became much more competitive in Coastal's market segment. The company responded by re-formulating its Coastal wines, and renaming the brand "Robert Mondavi Coastal Private Selection" in the fall of 2001. The company hoped to leverage the Mondavi name to enhance the image of these wines.[37]

Woodbridge The company entered the popular premium segment in 1979 with its new Woodbridge brand. However, the firm put the Mondavi name on the label to stress the connection to the family's quality image. Gradually, the company enhanced the profile of the Woodbridge brand, and de-emphasized the affiliation with the Mondavi family.[38] Though priced much lower than RMW wines, the company employed wine-making practices, such as oak barrel aging, that many rivals in this segment did not utilize. The Woodbridge product line accounted for 76% of the company's case volume and 57% of revenue in 2001. After years of rapid growth, Woodbridge faced increasing competition in the popular segment. Rivals, such as Gallo and Beringer's, offered aggressive pricing and promotion of new products. In addition, many jug wine producers and distilled spirits firms had acquired popular brands and had begun to increase marketing expenditures for these products.

Other California Brands Mondavi acquired or launched several other California brands over the years. The Byron winery, located in the Santa Barbara region, positioned its wines in the ultra premium and luxury segments of the market. In 1994, Mondavi introduced the La Famiglia di Robert Mondavi line of Italian varietal wines. The company currently priced these wines at $15-$40 per bottle, and marketed them to upscale Italian restaurants and take-home buyers. Crushing, fermentation, and aging of this brand occurred at a winery that the company purchased in Oakville, and bottling took place at RMW. Mondavi acquired the Arrowood winery in 2000, providing the company a presence in the Sonoma region. Arrowood produced fine wines, generally priced at $40 or more, using grapes harvested exclusively from specific appellations within Sonoma County.

International Joint Ventures Through its international partnerships, Mondavi wanted to begin producing fine wine in other regions of the world and to enhance its reputation as one of the world's finest winemakers. Michael Mondavi explained: "We sell two things – the quality of the image and the quality of the liquid. The higher the quality of the wine, the higher the image and the more the consumer is willing to pay for it."[39] Nothing provided more prestige for Mondavi than the Opus One partnership. Opus One produced one of the world's finest wines at a newly built $29 million winery in Napa Valley. The joint venture sold more than 30,000 cases per year on a rationed basis at a retail price of $140 per bottle.

The company operated four other joint ventures in 2002. The Frescobaldi partnership produced three high-end wines: Luce, Lucente, and Danzante. The partners produced this wine in Montalcino, Italy, and sold most of it in the US. Mondavi's Chilean joint venture produced two wines: the luxury brand Sena and the Caliterra brand targeted at the popular premium segment. Crushing and fermentation took place at a new winery located in Chile. The joint venture shipped the bulk wine to California for aging and bottling, and sold approximately 25% of the product in the US. Mondavi also recently acquired a 49% interest in Ornellaia, a luxury winemaker in Italy, and the company invested $8 million in a joint venture with Rosemount of Australia.

Distribution

Mondavi sold its wines through a network of more than 100 independent wine and spirits distributors in the US as well as through importers and brokers in other nations. The company's largest wholesaler, Southern Wine and Spirits, accounted for 29% of the firm's sales. The top 15 distributors generated approximately two-thirds of Mondavi's revenue. The typical large distributor handled more than 2,000 products including most rival brands.[40] These wholesalers sold Mondavi's products to both on-premise and off-premise retail locations. Costco, the nation's largest wine retailer, accounted for 10% of Mondavi's total case volume.[41]

Mondavi employed nearly 200 sales people (up from 60 individuals in FY1995) to market the company's brands to independent distributors and large retail accounts.[42] A single sales force supported all of the company's brands. They provided the wholesalers with a detailed calendar of marketing and promotional campaigns, and they educated distributors about the company's wines. Mondavi organized distributor councils to gather information and feedback from its wholesale network. Several large distributors expressed displeasure recently with Mondavi's sales organization. They argued that a single sales force could not market and support the company's entire product line effectively. For instance, they noted that salespeople needed to spend a great deal of time educating the channel about Mondavi's ultra premium and luxury wines. In contrast, the sales force focused much more on promotions, competitive pricing, demand forecasting, and shelf space management for popularly priced products. The wholesalers also argued that the brands sold through different channels, making it difficult for a single sales person to support an entire product line. Approximately 80% of the Woodbridge sales occurred through supermarkets and mass merchandisers, while most high-end wines were sold in restaurants and specialty liquor stores.[43]

Mondavi derived 8% of its revenue from exports (**Exhibit 14**). Woodbridge accounted for a majority of export sales, though RMW exported a higher percentage of its wine than any other Mondavi brand. The firm typically sold its wine to an importer, who distributed the products to wholesalers or shipped them directly to retailers. Nearly one-third of Mondavi's exports flowed to Canada, where it sold directly to the government-owned retail network in Ontario and British Columbia. The firm enjoyed success in Switzerland too, where it shipped directly to Movenpick, an operator of restaurants, hotels, and retail outlets. The UK represented an enormous opportunity, but that was a very competitive market in which Australian firms owned 7 of the top 11 brands.[44]

Marketing

Mondavi estimated that 12% of the consumers drank 88% of the wine purchased in the United States.[45] Traditionally, the company's marketing efforts attempted to identify the opinion leaders within this group, and to enhance their knowledge and appreciation of Mondavi's wines. The firm offered wine tastings, seminars, and other educational and cultural events to reach this core group of wine drinkers. Each year Mondavi conducted 350,000 tours at the Oakville winery. In addition, the company offered training sessions at fine restaurants and hotels to demonstrate how to best introduce consumers to their wines. The company also tried to reach serious wine drinkers through print advertising in influential magazines such as *The Wine Spectator*, *Bon Appetit*, and *Food and Wine*.

Over time, the company began to advertise more extensively to broaden its customer base. Mondavi launched its first major radio advertising campaign to promote the Woodbridge and Coastal brands in 1998 and its first national television advertising in the fall of 2000.[46] The firm's advertising expenditures, including point of sale materials, reached $20 million in 2001. Michael Mondavi reflected back on the limitations of the firm's marketing strategy of the early 1990s:

> All those black tie events. We were complacent, cocky, and started believing our own press. For decades, our industry sent the wrong message, that wine is for special occasions, while the breweries told people that beer is the beverage of every occasion. That's crazy. In the old country (Italy), wine was a blue collar beverage, not an elitist, white collar drink. Our goal is to grow the customer base by removing wine's mystery, while still maintaining the magic.[47]

Mondavi continued to search for ways to reach out to potential wine drinkers and to educate them about fine wine. For instance, the company invested $11 million in the Golden Vine Winery at Disney's new California Adventure Theme Park.[48] The attraction, which opened in February 2001, contained a mini-vineyard, exhibits that demonstrated the phases of the winemaking process, an open-air terrace for wine tasting and dining, an upscale restaurant, and a fine food and wine shop. Mondavi estimated that four million people would visit this winery each year.[49] However, the park did not draw the crowds that Disney had anticipated, and the demographic profile of the visitors did not meet Mondavi's expectations. Therefore, Mondavi gave Disney the assets of the Golden Vine Winery, and the firm took an $11 million write-off on the project in FY2002.

Organization

Traditionally, Mondavi had been organized functionally with senior vice presidents in charge of production, sales, marketing, finance, etc. In 2001, the company decided to reorganize its operations into three distinct business units: RMW (including Coastal), Woodbridge, and Joint Ventures & Small Wineries. The firm linked executive compensation to the amount by which each unit's returns exceeded the firm's cost of capital. The company implemented this new organization structure in order to encourage the development of a clear and distinct competitive positioning for each brand. The new structure gave the business units the opportunity and the autonomy to develop customized sales and marketing strategies for each of the company's product lines. In their most recent letter to shareholders, Michael Mondavi and Greg Evans explained why they chose to adopt this new structure, and in particular, why they established a separate business unit for the joint ventures and smaller California wineries:

> One [reason] is the importance of brand clarity – we want to insure that the Robert Mondavi brand maintains its distinct quality image in the marketplace and is not overextended into a generic, all-things-to-all-consumers identity.[50]

Competition

Mondavi faced three types of competitors: rival firms that were focused on making premium wines, large volume producers moving aggressively into the premium wine business, and global alcoholic beverage companies that were acquiring wineries to complement their beer and/or distilled spirits businesses. See **Exhibit 15** for a profile of selected competitors and **Exhibits 16-18** for market share data on the beer, wine, and distilled spirits industries.

Focused Competitors

Kendall-Jackson Jess Jackson and his wife, Barbara Banke, founded Kendall-Jackson Estates in 1982. The firm became one of the first wineries to source grapes from California's Central and North Coast regions. Kendall-Jackson employed traditional winemaking techniques such as manual harvesting and oak barrel fermentation. The company burst onto the scene in 1983 with its ultra-premium Chardonnay, which won a best prize at the American Wine Competition. The firm now offered four product lines that competed in the luxury, ultra, and super premium segments. Each bore the Kendall-Jackson brand name. The best-selling wine, called Vinter's Reserve, was priced at $10-$16 per bottle and competed directly with Mondavi's Coastal brand. Recently, the company began producing K-J Collage wines, which blended two grape varietals with complementary flavors (e.g. Cabernet Sauvignon and Merlot). The firm priced these wines at $10 per bottle.

Kendall-Jackson sold 4.4 million cases of wine in 2001 - a 19% increase over 1999 volume - and generated roughly $400 million in revenue.[51] The firm owned 11,000 acres of vineyard and operated four wineries.[52] Kendall-Jackson had moved quite aggressively to develop grape sources in other countries. Rather than forming joint ventures, the firm purchased extensive amounts of land and built wineries in Chile, Argentina, Italy, and Australia. The firm sold the wine from these countries under brand names such as Villa Arceno (Italy) and Yangarra Park (Australia). Michael Mondavi explained the difference between the two firms' philosophies regarding international expansion:

> Our philosophy is to work with local partners. Jess's philosophy is to go into the country, buy the land and maybe talk to the neighbors. He has created a lot of waves. We have a similar passion for excelling and hunger for learning. But we're not smart enough to do what Jess is doing.[53]

The company hired Lew Platt, former Chairman and CEO of Hewlett-Packard, as its chief executive in February 2000. Platt evaluated a series of strategic alternatives for the business, including taking the company public or selling to a competitor. The firm received bids in 2001 from a host of suitors including BRL Hardy, Diageo, and Brown-Forman. Analysts estimated the asking price at $1.5-$2.0 billion.[54] Ultimately, the company decided to remain an independent, privately held firm, and Lew Platt stepped down as CEO in June 2001.[55]

Trinchero Estates John and Mario Trinchero purchased the Sutter Home winery in 1947. The Trinchero brothers sold bulk wine to customers in Napa Valley during the 1950s and 1960s. Bob Trinchero, Mario's son, set out to improve the quality of the firm's wines when he became chief winemaker. He transformed the company when he developed the firm's trademark White Zinfandel in 1972. Demand for this popularly priced wine grew rapidly, and it became the best-selling premium wine in America by 1987. The firm graduallly introduced other varietals including chardonnay and merlot. In 2002, Sutter Home ranked as one of the top 10 wine brands in the US, and Trinchero remained a privately held, family-run firm with sales of about $400 million.

Sutter Home had introduced many consumer-friendly innovations targeted at the popular premium segment. These included single serve bottles, premium non-cork stoppers, and clear, pressure-sensitive labels. The firm also launched innovative new products such as Soleo, a light chillable red wine, and Sutter Home Fre, a nonalcoholic wine designed to appeal to expectant mothers, designated drivers, and others who did not consume alcohol. In the late 1990s, the company broadened its product line by introducing a brand of ultra-premium wines called M. Trinchero Founder's Estates. In addition, the firm launched Trinity Oaks, produced using a blend of grapes from the Central Coast and Lodi regions. The company priced these wines at approximately $10 per bottle. Finally, the Trinchero family introduced the Montevina brand, consisting mainly of California-grown Italian varietals. The firm priced these wines at approximately $12 per bottle.

Southcorp Until recently, Southcorp competed in a range of diversified businesses including wine, packaging, appliances, and water heaters. In 2001, the company articulated its vision of "becoming the leading global branded premium wine company."[56] To accomplish this, the firm decided to focus exclusively on the premium wine business and divested all other operating units. Southcorp became the world's largest premium wine producer with the $728 million acquisition of Rosemount Estates in February 2001. The combined companies owned nearly 20,000 acres of vineyard, nearly all of which were located in Australia.[57] The firms sold 20 million cases of premium wine and generated approximately $750 million in revenue last year.[58] Three brands (Lindeman's, Rosemount, and Penfold's) accounted for 77% of the firm's revenue.[59] The company marketed these brands through a global sales force of approximately 300 people.[60] Southcorp owned a 35% market share and sold 7 of the top 10 brands in the Australia.[61] However, the company generated only 40% of its revenue domestically. Most of the firm's remaining sales came from North America and Europe. The firm produced the 2 of the top 5 imported brands in the US and 3 of the top 10 in the UK.[62] Southcorp accounted for 7% of all imports to the US and 10% of all imports in the UK.[63]

Tom Park, CEO of Southcorp prior to the deal, expected the deal to generate $12 million in annual cost synergies over the next three years. The savings came from four areas: the rationalization of back office operations, the consolidation of sales offices in the UK and US, transportation cost reductions, and the shift of some production from contract facilities to in-house wineries. Park did not expect to reduce the size of the sales force, though he hoped to re-organize it to enhance channel and geographic coverage. Park believed that the merger provided an opportunity for additional long-term reductions in procurement costs for bottles, packaging, and trash removal. He had not specified the amount of these potential savings. Park also announced his intention to streamline the product portfolio, removing unprofitable brands and reducing direct competition between the company's wines. The company planned to grow sales of its three core brands and to increase exports of its strongest regional brands such as Wynns Coonawarra Estate, Coldstream Hills, and Devil's Lair.[64] Southcorp also hoped to grow its ultra premium and luxury wine sales, and to continue to move aggressively into other international markets such as Japan and Hong Kong.[65]

Large Volume Producers

E&J Gallo Ernest and Julio Gallo founded their winery in 1933. To get started, Ernest borrowed $5,000 from his mother-in-law and Julio contributed his life savings of $900.23. The brothers learned to make wine by reading pamphlets from the library. Ernest focused on marketing while Julio concentrated on winemaking.[66] Gallo became the dominant jug wine producer in the US over time. By the start of the 21st century, Gallo had become the largest wine producer in the world and the leading US exporter. Gallo sold 3 of the top 4 brands in the US, produced 60 million cases, and generated more than $1.6 billion in revenue in FY2001.[67] Gallo remained a family-run, privately held firm pursuing its vision of "a bottle of Gallo wine on every table."[68]

Gallo owned over 16,000 acres of vineyard in California and purchased nearly 1 of every 3 grapes harvested in the state.[69] During the 1970s, Gallo pioneered the development of long-term contracts with independent growers, and began to work closely with suppliers to facilitate the transfer of best practices. The company invested heavily in research and development, and this work led to many innovations in grape growing and winemaking. Gallo even built a state-of-the-art plant genetics laboratory during the 1990s. The firm produced its jug wines at three enormous, cost effective, and technologically sophisticated "wine factories" in Modesto, California.[70] The smallest tanks at these production facilities held 100,000 gallons of wine.[71]

Gallo had adopted a strategy of substantial vertical integration. They owned a lime quarry, bottle cork operation, aluminum screw cap producer, and the ninth largest glass container manufacturer in the US. Gallo also operated a fleet of 200 trucks and a network of distribution centers throughout the country. The company owned distributors in twelve states, and in other regions, Gallo established exclusive relationships with independent wholesalers. Gallo also worked closely with large retailers. For instance, the firm teamed up recently with Wal*Mart to begin selling Alcott Ridge, a line of private label wines to be sold in Wal*Mart and Sam's Club stores at $6-7 per bottle.[72]

Many industry observers viewed Gallo as a sales and marketing powerhouse. The firm spent a great deal on advertising to build brand equity, and they employed a large sales force. In addition, the company performed very effective consumer research to detect changing tastes and preferences, and then used their findings to introduce new products. For instance, the firm detected increasing demand for carbonated beverages in the 1960s, and therefore, introduced the popular Andre brand of sparkling wine in 1971 and the highly successful Bartles and Jaymes wine coolers during the 1980s.

Gallo recognized the shift in consumer tastes toward more complex wines many years ago and began to acquire high quality vineyards throughout Sonoma County. The firm now owned more than 6,000 acres in the region.[73] The company also spent $70 million to construct a state-of-the-art premium winery containing one of the world's largest wine cellars. The firm launched the Gallo of Sonoma brand of premium wines in 1993. The product line included blended varietals priced at $10 per bottle, wines from specific appellations priced at $16-$20, and Estate wines priced at $35-$50. The Sonoma winery produced other premium brands too including Turning Leaf and Rancho Zabaco. Some observers questioned Gallo's ability to succeed in the premium segment. Seymour Leikind, an industry consultant, expressed his doubts: "After years and years of building your image as the low-end producer, can you convince the consumer that you make quality wines?" [74]

Gina Gallo, Julio's thirty-four year old granddaughter, became the winemaker and creative force behind Gallo of Sonoma. Under her leadership, Gallo of Sonoma wines began to win many prestigious awards at international competitions, raising eyebrows throughout the industry. The company featured her in its first national advertising campaign for the Sonoma wines in 1999. The ads portrayed an image of the wine as "hip, young, and fun."[75] With Gina Gallo as the public face of the brand, case sales skyrocketed from 225,000 in 1998 to 680,000 in 1999.[76] Consumers began to recognize Gallo of Sonoma as a great value among high quality wines, and Gallo announced expansion plans for its Sonoma winery. Still, industry analysts wondered about the firm's image problem, and in particular, they cited the lack of a "signature" wine at the high end of the market.[77]

Constellation Brands Constellation Brands, a publicly traded firm controlled by the Sands family, was a leading player in the jug wine segment with brands such as Inglenook, Almaden, and Paul Masson. The firm also was the second leading beer importer in the US and the fourth largest domestic distilled spirits producer. In recent years, the firm acquired a number of premium wine companies including Franciscan Estates, Ravenswood, and Turner Road. The firm established a joint venture with BRL Hardy, called Pacific Wine Partners, to market premium Australian wines in the US. In addition, Constellation acquired Matthew Clark, a leading UK alcoholic beverage wholesaler.

Constellation generated $2.4 billion in revenue in FY2001. Jug and popular premium wine sales accounted for 29% of sales, while super and ultra premium wine revenues totaled $93 million. Beer imports, distilled spirits, and the Matthew Clark subsidiary accounted for the remainder of the firm's sales. Constellation chose to employ four separate sales forces for its different product lines. One sales force focused on the beer and spirits business, while another marketed the company's jug and popular premium wines. A third sales force focused on the imports distributed through Pacific Wine Partners, and another dedicated team marketed the company's super and ultra premium wines. Some analysts speculated that the company had tried to acquire Trinchero Estates recently in order to further penetrate the premium segment, but had chosen not to because of the high asking price and the considerable debt load resulting from Constellation's prior acquisitions.[78]

Beer and Distilled Spirits Producers

Foster's Group Foster's Group had produced beer in Australia for over one hundred years. The company's brands became popular throughout Australia and in many foreign markets during the past few decades. In 2001, Foster's Lager ranked as the second highest selling imported beer in the UK and the sixth best selling import in the US. Like all large brewers, Foster's utilized a standardized and highly automated process to produce its beers. The company marketed its beers using humorous and entertaining ads such as its "Foster's - It's Australian for Beer" campaign. The company entered the wine industry during the mid-1990s with the acquisition of Mildara Blass, one of Australia's leading premium wineries. In October 2000, the firm became a major global player by acquiring Beringer's, a winery with annual sales of $460 million and earnings of $71 million. For Foster's as a whole, beer and wine accounted for 38% and 35% of revenue respectively in FY2001. The firm also operated a chain of pubs in Australia and a small distilled spirits business.

Foster's aspired to become "a global wine company with a leading presence in every premium wine market worldwide."[79] Management viewed wine as the company's primary growth engine going forward, though they recognized and valued the hefty cash flows generated by the beer business. The Beringer's acquisition had been expensive, yet it provided Foster's with one of the top 10 wine brands in the US. Beringer's also owned the leading market share in the US in the super premium segment. The deal transformed Foster's into one of the five largest wine producers in the world. Industry analysts expected few cost synergies to emerge from the acquisition. However, they expected the firm to leverage Beringer's position in the US to increase exports of Mildara Blass wines. Conversely, they anticipated that Foster's would take advantage of its international beer and wine assets to grow Beringer's exports.[80]

Diageo Guinness and GrandMet merged in November 1997 to form Diageo. The new company, headquartered in London, became the world's largest distilled spirits producer and the fifth largest wine producer in the world. The firm also owned Guinness Brewing, Pillsbury Foods, and the Burger King restaurant chain. Diageo announced in July 2000 that it intended to focus exclusively on the beverage alcohol business, and the firm agreed to sell Pillsbury to General Mills. In early 2002, Diageo was trying to decide whether to take Burger King public or support a management buyout.[81]

Diageo generated nearly $20 billion in revenue in FY2001. The company's extensive portfolio of spirits brands included Smirnoff, Johnnie Walker, J&B, and Gordon's. 38% and 32% of the firm's sales of distilled spirits took place in Europe and the US respectively. The remaining sales were split evenly between Latin America and Asia/Australia. Distilled spirits and wine accounted for approximately three quarters of the firm's alcoholic beverage sales; Guinness and several smaller beer brands generated the remaining revenues. Like most distilled spirits firms, Diageo employed well-proven, large-scale production techniques characterized by low labor intensity. The firm marketed its leading spirits brands by appealing to customer emotions and creating an exciting, often youthful, image.

Diageo's track record in the wine business was not stellar. Most of the firm's low-priced premium wines, such as Glen Ellen, lost market share in recent years. The one bright spot was Beaulieu Vineyard, a leading premium winery in Napa Valley. This brand's sales had doubled over the past five years. In December 2001, Diageo and Pernod Ricard, a French beverage firm, acquired the wine and spirits assets of Seagram's. Diageo obtained the Sterling and Monterey brands of California premium table wine as part of the transaction. The company planned to use the cash flow from asset disposals and its distilled spirits business to finance additional wine acquisitions in the near future.[82] The firm's vision was to become "the leading global premium drinks business."[83]

Brown-Forman Brown-Forman, the leading US distilled spirits producer, generated $2.1 billion of revenue in FY2001. Owsley Brown II served as the CEO, and his family owned 70% of the voting shares in the publicly traded firm. The company operated four businesses: spirits, wine, Lenox (china), and Hartmann (luggage). Wine and spirits accounted for 72% of sales and 89% of EBIT in FY2001. The company's leading brand, Jack Daniels, generated roughly one-half of the firm's profits. Jack Daniels was the fifth largest spirits brand in the world, and its export sales had risen 700% in the past twelve years. The company had grown the brand by marketing it to young consumers as an American icon with a proud heritage. By 2001, exports of Jack Daniels accounted for 42% of the brand's revenue. The company also owned the Canadian Mist, Southern Comfort, and Early Times brands of distilled spirits. These product lines had lost market share in the 1990s. [84]

Brown-Forman entered the wine business in 1965 when it began distributing Korbel champagne. Three years later, the firm became the American importer of Bolla wines from Italy, and the company added other Italian imports to its product line over the years. Brown-Forman created a Wine Division in 1991 to organize its push into the premium wine business, and the firm purchased Jekel Vineyards, a super premium California winery. In the next year, the firm acquired Fetzer Vineyards, the sixth largest premium winery in California. The company purchased four additional wineries in 1999 including Sonoma-Cutrer, a super premium producer of Chardonnay. Brown-Forman generated considerable free cash flow and maintained virtually no debt, yet it remained cautious about future acquisitions due to the rising prices being paid for premium wineries.[85]

Allied Domecq Allied Domecq was the world's second largest distilled spirits producer and the fourth largest winemaker in the world. The company also operated over 10,000 franchise outlets of Dunkin Donuts, Baskin Robbins, and Togo's. The firm's total revenue exceeded $4 billion in FY2001, and 87% of the firm's sales came from spirits and wine.[86] In 2001, CEO Philip Bowman described his vision for "developing a world class premium wine business."[87] He wanted to make Allied Domecq a dominant producer of branded premium wines sold in New World markets. Coming into that year, the firm already had a strong stable of brands including Clos du Bois, Atlas Peak, and Callaway. Bowman articulated four criteria for making winery acquisitions. Target firms needed to sell premium, distinctive, branded wines; compete effectively in the US, Australia/New Zealand, Latin America, or South Africa; possess a strong position in their domestic markets; and present opportunities for synergies and international expansion.

With those criteria in mind, Bowman purchased a series of premium wineries in 2001. The acquisitions included Montana, New Zealand's leading winemaker, as well as California's Buena Vista winery. In addition, the company acquired two Argentine wineries and Spain's leading premium winemaker, Bodegas and Bebidas. Allied Domecq chose not to purchase the Seagram's wine and spirits business due to the high asking price. Bowman created a separate wine division to manage this growing stable of brands. He announced his intention to realize synergies from prior deals, make further acquisitions, and accelerate new product introductions in 2002. Analysts estimated that Allied Domecq had considerable excess operating cash flow available for future deals, and the firm could generate additional funds through the disposal of its retail food businesses.[88]

Moving Forward

While competitors spent considerable amounts of money pursuing aggressive acquisition strategies, Mondavi chose to focus on the organic growth of its premier brands. In their most recent letter to shareholders, Michael Mondavi and Greg Evans described their plans for the future:

> We want to stress that as we drive this next phase of our growth, we expect to do so primarily through organic growth, rather than acquisitions. Wine properties have grown increasingly expensive in recent years, and as a result, we are not relying on acquisitions to stimulate our growth. Nor should we. The brands in our portfolio are all high-quality wines with strong market positions and excellent management.[89]

Exhibit 1 Financial Performance of Robert Mondavi Corporation (dollars in thousands)

	Net Revenue	COGS	Gross Profit	SG & A	Other Inc. /(Exp)	EBITDA	Depr. & Amort	EBIT	Net Interest	Income Taxes	Net Income	EPS	Closing Stock
FY94	167,027	92,691	74,336	48,243	(305)	25,788	7,955	17,833	(6,698)	4,398	6,737	$0.53	$7.875
FY95	199,469	106,452	93,017	55,306	215	37,926	8,854	29,072	(8,675)	8,118	12,279	$0.96	$17.500
FY96	240,830	122,929	117,901	60,444	1,543	59,000	10,263	48,737	(8,814)	15,808	24,115	$1.59	$31.500
FY97	300,774	149,760	151,014	67,297	1,880	85,597	12,534	73,063	(10,562)	24,376	38,125	$2.43	$47.250
FY98	317,308	173,815	143,493	68,527	441	75,407	13,665	61,742	(12,298)	19,282	30,162	$1.90	$28.375
FY99	356,456	200,901	155,555	73,671	3,631	85,515	15,258	70,257	(14,217)	21,566	34,474	$2.17	$36.375
Q1	$77,750	$42,476	$35,274	15,430	2,841	22,685	4,437	$18,248	($3,187)	$5,798	$9,263	$0.58	$37.563
Q2	116,239	66,029	50,210	23,270	2,494	29,434	4,689	24,745	(3,484)	8,185	13,076	0.82	$34.750
Q3	94,945	53,391	41,554	19,390	1,115	23,279	4,847	18,432	(4,577)	5,334	8,521	0.53	$34.875
Q4	118,332	64,597	53,735	27,624	(569)	25,542	4,928	20,614	(4,793)	6,075	9,746	0.61	$30.688
FY00	407,266	226,493	180,773	85,714	5,881	100,940	18,901	82,039	(16,041)	25,392	40,606	$2.54	
Q1	$94,640	$51,757	$42,883	21,379	6,161	27,665	4,990	$22,675	($4,251)	$7,093	$11,331	$0.70	$40.875
Q2	140,479	78,589	61,890	28,801	1,689	34,778	5,037	29,741	(4,987)	9,530	15,224	0.93	$54.125
Q3	112,081	59,771	52,310	25,349	1,317	28,278	5,817	22,461	(6,187)	6,265	10,009	0.61	$44.813
Q4	133,769	69,705	64,064	35,106	1,939	30,897	6,017	24,880	(5,986)	7,272	11,622	0.71	$40.540
FY01	480,969	259,822	221,147	110,635	11,106	121,618	21,861	99,757	(21,411)	30,160	48,186	$2.95	
Q1 FY02	$80,903	$42,816	$38,087	23,138	8,933	23,882	5,603	$18,279	($5,148)	$4,924	$8,207	$0.50	$35.600
Q2 FY02	131,111	71,974	59,137	29,337	(272)	29,528	5,536	23,992	(5,415)	6,966	11,611	0.71	$38.000

Notes

1. Revenues and operating expenses have been restated back to FY1998 to conform to FASB EITF 00-14 & 00-25. Years prior to FY98 have not been restated.
2. All financial results exclude one-time gains and losses.
3. Mondavi's fiscal year ends on June 30th.

Source: Robert Mondavi Corporation

Exhibit 2 Robert Mondavi Sales Volume by Product Line (cases and dollars in thousands)

				Fiscal 2001					Fiscal 2002		
	FY 1998	**FY 1999**	**FY 2000**	**Q1**	**Q2**	**Q3**	**Q4**	**Year**	**Q1**	**Q2**	**YTD**
CASE VOLUME											
Robert Mondavi Winery	359	394	362	70	112	76	98	356	47	79	126
RM Coastal*	805	1,024	1,201	277	432	292	418	1,419	207	433	640
Woodbridge	5,087	5,716	6,489	1,492	2,217	1,714	2,021	7,444	1,280	2,114	3,394
Other California Brands	66	73	92	19	28	22	33	102	18	29	47
Imports	449	440	540	108	166	171	164	609	116	168	284
Total	**6,766**	**7,647**	**8,684**	**1,966**	**2,955**	**2,275**	**2,734**	**9,929**	**1,669**	**2,823**	**4,492**
NET REVENUE											
Robert Mondavi Winery	$47,470	$55,163	$60,536	$11,711	$19,232	$17,298	$22,684	$70,925	$9,427	$13,135	$22,562
RM Coastal*	$52,909	$65,720	$76,695	$17,800	$27,495	$18,951	$25,579	$89,825	$13,180	$27,061	$40,240
Woodbridge	$184,167	$200,946	$225,967	$54,881	$78,681	$61,647	$70,106	$265,315	$46,905	$74,732	$121,637
Other California Brands	$7,399	$8,451	$12,428	$3,333	$5,297	$4,518	$5,771	$18,918	$3,245	$4,505	$7,750
Imports	$22,343	$22,170	$26,553	$5,343	$7,595	$8,660	$8,014	$29,611	$6,030	$7,919	$13,949
Subtotal	$314,288	$352,450	$402,179	$93,067	$138,300	$111,074	$132,154	$474,595	$78,787	$127,351	$206,138
Other revenue	$3,020	$4,006	$5,087	$1,573	$2,179	$1,007	$1,615	$6,374	$2,116	$3,760	$5,876
Total	**$317,308**	**$356,456**	**$407,266**	**$94,640**	**$140,479**	**$112,081**	**$133,769**	**$480,969**	**$80,903**	**$131,111**	**$212,014**
AVG. NET PRICE											
Robert Mondavi Winery	$132.23	$140.01	$167.23	$167.30	$171.71	$227.61	$231.47	$199.23	$199.31	$166.26	$178.64
RM Coastal*	$65.73	$64.18	$63.86	$64.26	$63.65	$64.90	$61.19	$63.30	$63.61	$62.50	$62.86
Woodbridge	$36.20	$35.16	$34.82	$36.78	$35.49	$35.98	$34.69	$35.64	$36.64	$35.35	$35.84
Other California Brands	$112.10	$115.93	$135.02	$175.42	$189.16	$205.38	$177.56	$186.39	$179.77	$153.39	$163.43
Imports	$49.79	$50.34	$49.17	$49.47	$45.75	$50.64	$48.87	$48.62	$52.10	$47.14	$49.16
Company Average	**$46.90**	**$46.61**	**$46.90**	**$48.14**	**$47.54**	**$49.28**	**$48.94**	**$48.44**	**$48.49**	**$46.44**	**$47.20**

* The Coastal brand has been re-formulated and re-launched as the Robert Mondavi Coastal Private Selection brand in FY2002.

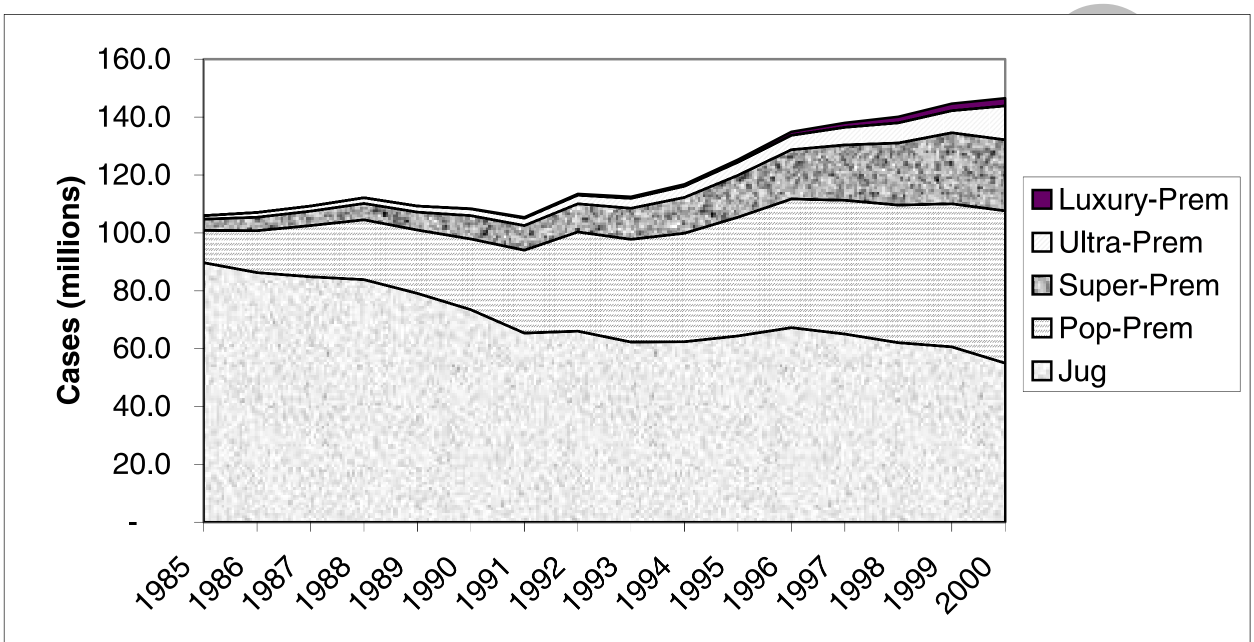
Source: Robert Mondavi Corporation

Exhibit 3 Key Financial Statistics & Ratios (dollars in thousands)

	1998	1999	2000	2001
Sales	$317,308	$356,456	$407,266	$480,969
Net Income	$30,162	$34,474	$40,606	$48,186
Current Assets	$336,348	$353,851	$383,482	$480,900
Total Assets	$575,827	$629,265	$734,943	$864,358
Current Liabilities	$60,371	$56,086	$75,410	$93,570
Total Liabilities	$304,225	$324,859	$386,775	$461,889
Shareholder Equity	$271,602	$304,406	$348,168	$402,469
Total Debt	$233,578	$252,657	$309,870	$366,247
Capital Expenditures	$49,525	$50,827	$78,005	$50,465
Depreciation & Amortization	$13,665	$15,258	$18,901	$21,861
Dupont Formula				
Net Income/Sales	9.5%	9.7%	10.0%	10.0%
Sales/Assets	0.55	0.57	0.55	0.56
Return on Assets	5.2%	5.5%	5.5%	5.6%
Assets/Equity	2.12	2.07	2.11	2.15
Return on Equity	11.1%	11.3%	11.7%	12.0%
Return on Capital Employed (ROCE)				
EBIT	$61,742	$70,257	$82,039	$99,757
Net Capital Employed	$515,456	$573,179	$659,533	$770,788
ROCE	12.0%	12.3%	12.4%	12.9%
Leverage				
Debt/Total Capital Ratio	46%	45%	47%	48%
EBIT Coverage	5.0	4.9	5.1	4.7
Current Ratio	5.6	6.3	5.1	5.1
Other Ratios				
Inventory Turns	0.68	0.77	0.76	0.72
Fixed Asset Turnover	1.47	1.43	1.31	1.42

Source: Casewriter calculations based upon data from Robert Mondavi Corporation

Exhibit 4 California Table Wine Shipments by Market Segment



Source: Gomberg-Fredrikson, Robert Mondavi

Exhibit 5 Market Concentration in Selected Countries - 1998

Nation	# of Primary Producers	Hectoliters (HL) per Producer (000s)	Mkt. Share of Top 10 Wine Brands
US	4,500	4,200	37.6%
Australia	3,000	2,500	24.3%
South Africa	4,654	1,750	24.7%
Germany	68,500	160	8.0%
Italy	275,000	200	6.0%
France	232,900	220	4.3%

Source: Adapted from Morgan Stanley Dean Witter Research

Exhibit 6 Wine Production 1999 (000s of Hectoliters)

		Production	Imports	Exports
1	France	62,900	5,580	15,700
2	Italy	58,400	749	18,600
3	Spain	36,800	1,600	10,600
4	US	26,000	4,210	2,850
5	Argentina	15,900	96	900
6	Germany	12,120	12,442	2,100
7	Australia	7,900	243	2,200
8	South Africa	5,900	154	1,300
9	Romania	5,000	-	-
10	Chile	4,300	178	2,300

Source: Morgan Stanley Dean Witter Research, Centre for International Economic Studies

Exhibit 7 Wine Consumption – Selected Nations

	1999 Per Capita	Total Consumption (000s of HLs)		
	(Liters per Year)	1994	1999	2005E
Italy	59.5	33,000	35,100	35,300
France	58.2	34,900	34,300	34,000
Spain	35.5	12,900	16,000	16,500
Germany	22.9	18,560	18,420	18,500
Belgium	26.2	2,200	3,000	3,200
UK	19.3	7,400	9,300	12,700
Australia	19.8	3,300	3,700	4,000
Argentina	36.0	14,200	12,800	13,800
Chile	18.5	2,500	2,100	2,000
US	10.5	17,400	20,800	22,300
Canada	8.6	2,200	2,700	3,000
Japan	2.8	1,390	2,910	3,500
China	0.3	3,460	5,300	6,000
South Africa	9.5	3,700	3,900	4,300
Rest of World		17,130	18,090	19,000
Total World		174,240	188,420	198,100

Source: Vinexpo, Morgan Stanley Dean Witter Research

Exhibit 8a Beer Consumption Per Capita (Liters)

	1990	1998
Czech Republic	179.5	161.2
Germany	143.1	127.2
United Kingdom	113.2	100.8
Australia	114.0	91.9
Netherlands	89.9	84.2
United States	89.9	82.5
Total World	21.3	21.5

Source: Adapted from Banc of America Securities Research

Exhibit 8b Consumption of Spirits (millions of cases)

	1990	1995	1999
European Union	209	197	193
Rest of Europe	302	271	251
North America	166	149	156
Latin America	286	220	214
Asia	981	1,206	1,282
Africa	19	17	18
Oceania	8	7	8
Total	1,971	2,067	2,122

Source: Adapted from Salomon Smith Barney Research

Exhibit 9 Economics of Super Premium Wine (Beringer's Wine Estates)

	$ Per Bottle	
Grapes, barrels, etc.	$	1.45
Winemaking, labor, etc.	$	1.47
Marketing, Distribution, and Administration	$	1.68
Subtotal	$	4.60
Winery Price	**$**	**6.00**
EBIT	$	1.40
Interest	$	0.48
Taxes	$	0.45
Winery Net Profit	**$**	**0.47**
Wholesaler Markup	$	1.08
Retailer Markup	$	4.92
Final Retail Price	**$**	**12.00**

Source: Morgan Stanley Dean Witter Research; *Wine Spectator* 1999

Exhibit 10 Key Statistics for a 100-acre Napa Valley Ultra Premium Vineyard

Capital Investment - Vineyard	
Price per Acre of Land (Napa Valley)	$100,000
Vineyard Development Costs per Acre	$25,000-$40,000
Vines Per Acre	2,000-2,700
Cost per Vine	$5
Yield	
Tons of Grapes per Acre	4-6
Liters of Juice per Ton of Grapes	600-640
Crushing Equipment	
Capital Cost per Ton	$500
French Oak Barrels	
Barrel Capacity (Liters per Barrel)	225
Costs per Oak Barrel	$550-$600
Other Capital Costs	
Bottling & Packaging Equipment (low speed line)	$600,000-$700,000
Tanks, Pumps, Warehouses, etc.	$1,000,000

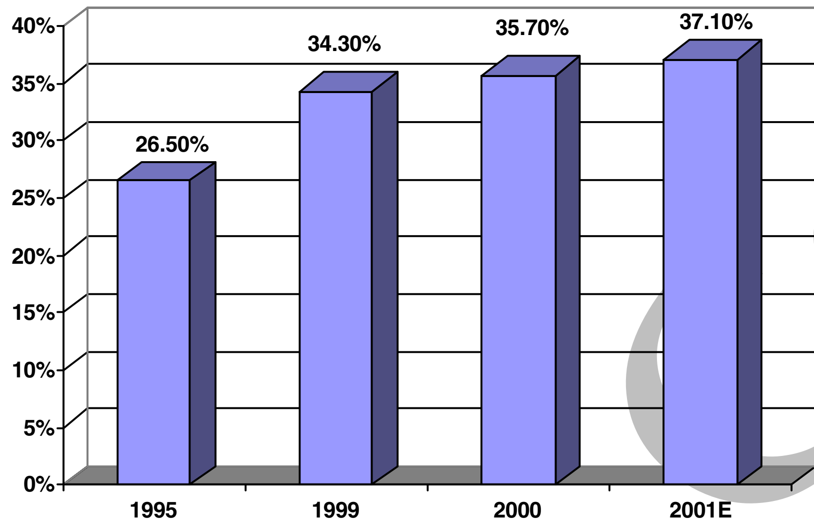
Note : Key statistics – 12 bottles per case, 750 ml per bottle.
Sources: Robert Mondavi, Morgan Stanley Dean Witter Research

Exhibit 11 1999 Market Share - US Wine & Spirits Wholesalers

Distributor	Market Share
Southern Wines & Spirits	11.7%
Charmer/Sunbelt	6.6%
National Distributing Co.	5.7%
Young's Market	4.5%
Glazer's Wholesale	4.5%
Total Top 5	**33.0%**
Total Top 10	**45.0%**

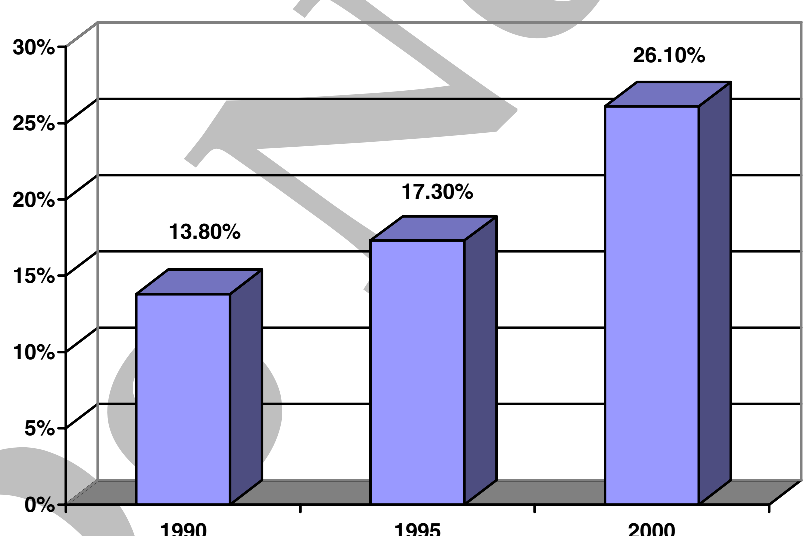
Source: Robert Mondavi

Exhibit 12a US Market Share of Top 5 Food Retailers, 1995-2001



Source: Adapted from Bear Stearns Research

Exhibit 12b European Market Share of Top 5 Food Retailers, 1990-2000



Source: Adapted from Fideuram Wargny Research

Exhibit 13 Robert Mondavi Brand Portfolio

Brand	Origin	Pricing	Organizational Form
Masseto	Italy	>$200	49% interest in Tenuta dell'Ornellaia
Ornellaia	Italy	>$100	49% interest in Tenuta dell'Ornellaia
Opus One	Napa Valley (CA)	>$100	Joint Venture - Chateau Mouton Rothschild
Luce	Tuscany (Italy)	approx. $60	Joint Venture – Frescobaldi's of Italy
Sena	Chile	>$50	Joint Venture – Chadwick's of Chile
Arrowood	Sonoma Valley	>$40	Acquired by Robert Mondavi in 2000
Io	Santa Maria Valley (CA)	$40-$50	Internally developed brand/business
Robert Mondavi Winery	Napa Valley (CA)	$20-$150	Internally developed brand/business
Lucente	Tuscany (Italy)	$20-$30	Joint Venture – Frescobaldi's of Italy
Byron	Santa Maria Valley (CA)	$15-$40	Acquired by Robert Mondavi in 1990
La Famiglia	Napa Valley (CA)	$15-$40	Internally developed brand/business
Arboleta	Chile	$15-$20	Joint Venture – Chadwick's of Chile
RM Private Selection	North & Central Coast (CA)	$8-$15	Internally developed brand/business
Danzante	Italy	approx. $10	Joint Venture – Frescobaldi's of Italy
Woodbridge	California	$5-$8	Acquired winery; developed brand internally
Vina Caliterra	Chile	$5-$7	Joint Venture – Chadwick's of Chile

Source: Robert Mondavi

Exhibit 14 Robert Mondavi Sales by Geographic Region

	$ Sales	Cases
California	18.0%	19.8%
All other states	72.5%	71.6%
TOTAL DOMESTIC	**90.5%**	**91.4%**
Europe	3.2%	2.4%
Canada	2.6%	2.2%
Japan	1.5%	1.4%
Latin America	0.7%	0.7%
Asia Pacific	0.4%	0.6%
TOTAL EXPORTS	**8.4%**	**7.3%**
Air, Cruise, Duty-Free	1.1%	1.2%
TOTAL	**100.0%**	**100.0%**

Source: Robert Mondavi

Exhibit 15 Profiles of Selected Competitors

	Allied Domecq	BRL Hardy	Brown Forman	Constellation	Diageo	Foster's	Gallo	Mondavi	Southcorp	Wine Group
FY 2001 Sales (mm)	$ 4,429	$ 364	$ 2,180	$ 2,397	$ 19,725	$ 2,684	$ 1,600	$ 481	$ 1,453	$ 500
% of Sales by Geographic Region	50% Americas 43% Europe 7% Other	Mostly Australia Some Europe New JV in US	83% USA 17% Other	70% US 30% Other	45% Americas 38% Europe 17% Other	22% Americas 9% Europe 69% Other - (Mostly Australia)	n/a	91% USA 9% Other	29% Americas 27% Europe 44% Australia and Other	n/a
Wine as % of Sales	13.0%	100.0%	20.0%	33.0%	5.5%	35.0%	100.0%	100.0%	42.4%	>70%
Net Income/Sales	12.4%	10.1%	10.7%	4.1%	9.6%	10.8%	6.0%	10.0%	5.9%	n/a
ROA	9.2%	6.7%	12.0%	3.9%	7.0%	5.4%	n/a	5.6%	4.9%	n/a
ROE	27.8%	14.0%	19.6%	15.8%	21.1%	13.3%	n/a	12.0%	10.4%	n/a
Major Businesses	Spirits Wine Dunkin' Donuts Baskin Robbins	Wine	Spirits Wine Lenox Hartmann	Wine Beer Spirits	Spirits Beer Wine	Beer Wine Spirits Pubs	Wine	Wine	Wine Packaging Water Heaters	Wine Spirits
Major Wine Brands	Clos du Bios Atlas Peak Callaway William Hill	Hardy's Houghton's Omni Banrock Station	Fetzer Bolla Bonterra Sonoma-Cutrer Korbel	Almaden Inglenook Paul Masson Talus Turner Road	Glen Ellen Blossom Hill Sterling Monterey	Beringer's Black Opal G. Norman Estate Meridian Wolf Blass	Gallo Turning Leaf Carlo Rossi Livingstone Gossamer Bay	RM Winery Coastal Woodbridge Arrowood Byron	Rosemount Penfolds Lindemans Wynns	Franzia Corbet Canyon Mogen David
Beer & Spirit Brands	Ballatine Beefeater Kahlua Canadian Club Courvoisier	None	Jack Daniel's Southern Comfort Finlandia Canadian Mist	Corona St. Pauli Girl Black Velvet	Guinness Smirnoff Jose Cuervo Johnnie Walker J&B Bailey's	Foster's Lager Carlton Beer Black Douglas Cougar Karloff Coyote	None	None	None	Lejon Tribuno

Notes:

1. Sales for foreign competitors have been converted to U.S. dollars based upon average currency exchange rate in 2001.
2. Diageo data does not account for Seagram acquisition which had not closed as of the end of FY2001.
3. BRL Hardy data for FY2000.
4. Southcorp has divested its water heaters and packaging businesses in FY2002, choosing to focus exclusively on wines.

Sources: Robert Mondavi Corporation; Annual Reports of each publicly held firm; Forbes List of Top Privately Held Firms in United States; Morgan Stanley Dean Witter Research

Exhibit 16 Market Share of Leading Brands in USA

	Brand	Parent Firm	1990	1998
1	Franzia	The Wine Group	3.7%	8.8%
2	Carlo Rossi	Gallo	7.3%	4.9%
3	Gallo Livingston Cellars	Gallo	7.0%	4.5%
4	E&J Gallo Vineyards	Gallo	4.3%	3.6%
5	Almaden	Constellation	2.8%	3.5%
6	Sutter Home	Trinchero Estates	2.2%	3.2%
7	Inglenook	Constellation	3.8%	2.8%
8	Woodbridge	Robert Mondavi	1.2%	2.2%
9	Beringer	Foster's	1.2%	2.1%
10	Vendange	Constellation	0.1%	2.0%
11	Peter Vella	Gallo	0.0%	1.6%
12	Glen Ellen	Diageo	1.7%	1.6%
13	Turning Leaf	Gallo	0.0%	1.4%
14	Kendall Jackson	Kendall Jackson	0.3%	1.4%
15	Corbett Canyon	The Wine Group	0.1%	1.4%
	Total Top 15		**35.7%**	**45.0%**

Source: Adapted from Morgan Stanley Dean Witter Research

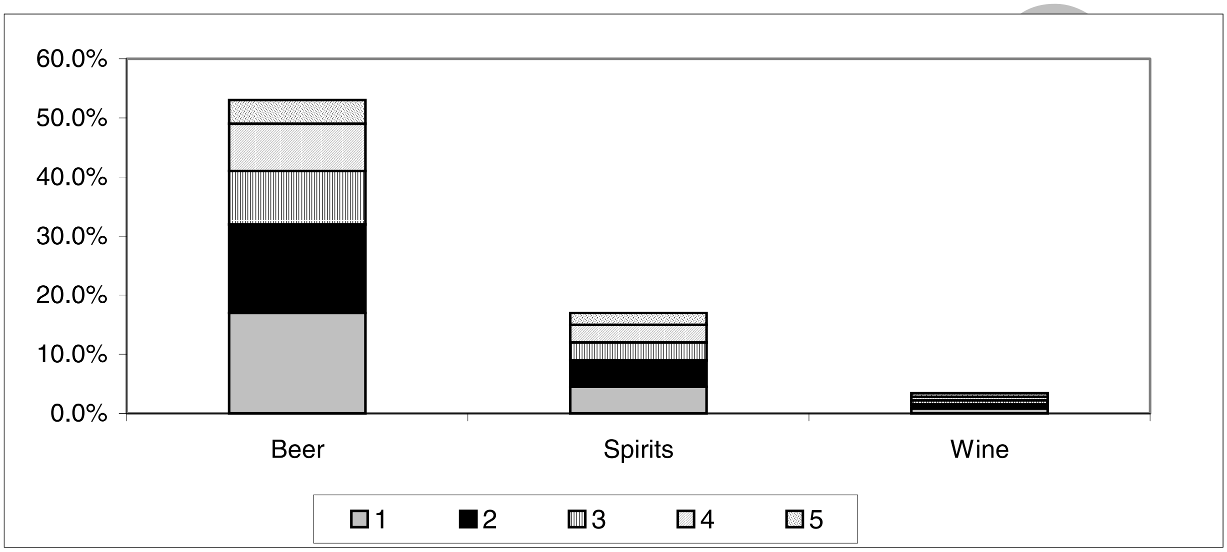
Exhibit 17 Leading Global Wine Firms Ranked by Estimated 2000 Market Share

	Firm	Country
1	Gallo	USA
2	LVMH	France
3	Constellation	USA
4	Allied Domecq	UK
5	Diageo	UK
6	Castel Freres	France
7	Foster's	Australia
8	Southcorp	Australia
9	Henkell & Sohnlein	Germany
10	Reh Gruppe	Germany
11	The Wine Group	USA
12	Wein International	Germany
13	Robert Mondavi	USA
14	Val d'Orbieu	France
15	Grands Chais de France	France
16	Brown Forman	USA
17	BRL Hardy	Australia
18	Freixenet	Spain
19	Sektkel Wachenheim	Germany
20	Pernod Ricard	France

Note: LVMH is the world's largest producer of champagne.

Source: Adapted from Morgan Stanley Dean Witter Research

Exhibit 18a World Market Share of Top Five Firms: Beer, Spirits, and Wine - 2000



Source: Morgan Stanley Dean Witter Research; Impact Databank

Exhibit 18b Top Five Firms Ranked by Global Market Share - 2000

	Beer	Spirits	Wine
1	Anheuser Busch	Diageo	Gallo
2	Interbrew	Allied Domecq	LVMH
3	Heineken	Pernod Ricard	Constellation
4	Companhias de Bebidas	Bacardi	Allied Domecq
5	South African Breweries	Fortune Brands	Diageo

Note: 2000 market share data does not reflect recent acquisitions such as Foster's – Beringer's Wine Estates and Southcorp – Rosemount.

Source: Robert Mondavi; Presse; Morgan Stanley Dean Witter Research.

End Notes

[1] Camille Cusumano, "On the Road: Napa's Conner Copia," VIA Online, November, 2001, p. 2.

[2] www.history-of-wine.com

[3] Gomberg, Frederickson, and Associates.

[4] "Global Wine Report", Lehman Brothers Global Equity Research, August 6, 2001.

[5] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.

[6] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.

[7] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.

[8] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.

[9] "Global Wine Report", Lehman Brothers Global Equity Research, August 6, 2001.

[10] Tom Park, Presentation to Investors, Southcorp, May 2000.

[11] "Constellation Brands," UBS Warburg Global Equity Research, December 31, 2001.

[12] "Foster's Brewing Group," Merrill Lynch Global Securities Research, September 4, 2000.

[13] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.

[14] "Global Wine Report", Lehman Brothers Global Equity Research, August 6, 2001.

[15] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.

[16] "Global Wine Report", Lehman Brothers Global Equity Research, August 6, 2001.

[17] "Global Wine Report", Lehman Brothers Global Equity Research, August 6, 2001.

[18] "Global Wine Report", Lehman Brothers Global Equity Research, August 6, 2001.

[19] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.

[20] "Global Wine Report", Lehman Brothers Global Equity Research, August 6, 2001.

[21] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.

[22] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.

[23] "Veni, Vidi, Vici….Vino," Deutsche Bank Alex Brown Equity Research, November 7, 2001.

[24] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.

[25] Matt Kramer, "Wine's Changing Landscape," Wine Spectator. October 2001.

[26] Christopher Springmann, "Grape Expectations," California CEO, June 2001.

[27] Matt Kramer, "Wine's Changing Landscape," Wine Spectator. October 2001.

[28] Judy Kimsey, "Reaching Consumers in a Consolidated Market: Small Production Wineries Fight for Distributor Attention," Winebusiness.com, December, 1998.

[29] "Food Retailing," BNP Paribas Equity Research, November, 2001.

[30] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.

[31] "Global Wine Report", Lehman Brothers Global Equity Research, August 6, 2001.

[32] Christopher Springmann, "Grape Expectations," California CEO, June 2001.

[33] Camille Cusumano, "On the Road: Napa's Conner Copia," VIA Online, November, 2001, p. 1.

[34] William Echikson, "How Mondavi's French Venture Went Sour," *Business Week*, September 3, 2001.

[35] Ray Goldberg and Tom Urban, "Robert Mondavi Corporation," HBS Case # 9-596-031, October 17, 1995.

[36] Ray Goldberg and Tom Urban, "Robert Mondavi Corporation," HBS Case # 9-596-031, October 17, 1995.

[37] "Mondavi," UBS Warburg Global Equity Research, January 10, 2002.

[38] Ray Goldberg and Tom Urban, "Robert Mondavi Corporation," HBS Case # 9-596-031, October 17, 1995.

[39] Kim Marcus, "The Rising Son," *Wine Spectator*, October 31, 1997.

[40] Ray Goldberg and Tom Urban, "Robert Mondavi Corporation," HBS Case # 9-596-031, October 17, 1995.

[41] Christopher Springmann, "Grape Expectations," California CEO, June 2001.

[42] Ray Goldberg and Tom Urban, "Robert Mondavi Corporation," HBS Case # 9-596-031, October 17, 1995.

[43] "Mondavi," UBS Warburg Global Equity Research, January 10, 2002.
[44] "Australian Wine 101," Salomon Smith Barney Equity Research, January, 2002.
[45] Thane Peterson, "For the Mondavis, It's a Long Way from Muscatel," *Business Week*, March 6, 2001.
[46] "Robert Mondavi," Credit Suisse First Boston Equity Research, January 24, 2001.
[47] Christopher Springmann, "Grape Expectations," California CEO, June 2001.
[48] Christopher Springmann, "Grape Expectations," California CEO, June 2001.
[49] "Robert Mondavi Winery," Credit Suisse First Boston Equity Research, December 5, 2000.
[50] Robert Mondavi 2001 Annual Report, Letter to Shareholders. p. 4.
[51] "Wine and Business Report," *St. Helena Star*, January 31, 2002.
[52] Jessica Materna, "Winery puts down new roots," *San Francisco Business Times*. July 21, 2000.
[53] Kim Marcus, "The Rising Son," *Wine Spectator*, October 31, 1997.
[54] Tim Fish, "BRL Hardy Makes Bid for Kendall-Jackson," *Wine Spectator*, June 30, 2001.
[55] Kendall-Jackson Corporate Press Release, June 5, 2001.
[56] Tom Park, Presentation to Investors, Southcorp, May 2000.
[57] "Surfing the Wine Wave," Morgan Stanley Dean Witter Equity Research, April 20, 2001.
[58] Frederik Balfour, "The Wine Wizard of Oz," *Business Week*, September 7, 2001.
[59] "Surfing the Wine Wave," Morgan Stanley Dean Witter Equity Research, April 20, 2001.
[60] "Surfing the Wine Wave," Morgan Stanley Dean Witter Equity Research, April 20, 2001.
[61] "Surfing the Wine Wave," Morgan Stanley Dean Witter Equity Research, April 20, 2001.
[62] Southcorp 2001 Annual Report.
[63] "Surfing the Wine Wave," Morgan Stanley Dean Witter Equity Research, April 20, 2001.
[64] Tom Park, Presentation to Investors, Southcorp, May 2000.
[65]."Surfing the Wine Wave," Morgan Stanley Dean Witter Equity Research, April 20, 2001.
[66] Bethany McLean, "Growing Up Gallo," *Fortune*, August 14, 2000.
[67] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.
[68] http://portal.ejgallo.com/extranethome.asp
[69] Bethany McLean, "Growing Up Gallo," *Fortune*, August 14, 2000.
[70] Jeff Morgan, "Gallo of Sonoma," *Wine Spectator*, June 30, 1999.
[71] Jeff Morgan, "Gallo of Sonoma," *Wine Spectator*, June 30, 1999.
[72] Dennis Manuel, "Wal*Mart and Gallo," *Supermarket Guru*, December 3, 2001.
[73] Tim Moran, "Winery Plans Expansion of Sonoma County Production Facilities," *Modesto Bee*, April 2, 2001.
[74] Bethany McLean, "Growing Up Gallo," *Fortune*, August 14, 2000, p. 213.
[75] Bethany McLean, "Growing Up Gallo," *Fortune*, August 14, 2000, p. 213.
[76] Bethany McLean, "Growing Up Gallo," *Fortune*, August 14, 2000, p. 213.
[77] Bethany McLean, "Growing Up Gallo," *Fortune*, August 14, 2000, p. 220.
[78] "Mondavi," UBS Warburg Global Equity Research, January 10, 2002.
[79] Foster's Group 2001 Annual Report, p. 20.
[80] "Beringer: Paying for Growth," Morgan Stanley Dean Witter Equity Research, November 6, 2000.
[81] Shirley Leung, "Diageo Reports Rise in First-Half Profit," *Wall Street Journal*, February 21, 2002.
[82] "Can Wine Lift the Spirits," Morgan Stanley Dean Witter Equity Research, April 23, 2001.
[83] Diageo 2001 Annual Report.
[84] "Brown-Forman: Bourbon – Streets Ahead," Deutsche Bank Alex Brown Equity Research, September 20, 2001.
[85] Deutsche Bank, Brown-Forman: Bourbon – Streets Ahead," Deutsche Bank Alex Brown Equity Research, September 20, 2001.

[86] "Allied Domecq," Lehman Brothers Equity Research, November 1, 2001.

[87] Philip Bowman, Presentation to Investors, Allied Domecq, August 31, 2001.

[88] "Allied Domecq," Lehman Brothers Equity Research, November 1, 2001.

[89] Robert Mondavi 2001 Annual Report, p. 7.