

The global wine brand: Good news or bad news?

Larry Lockshin

Foster's announcement that it will be converting one of the iconic Australian wine brands, Lindemans, into what may be the first global wine brand has caused consternation and uproar among grapegrowers in Australia.

There are already some brands that produce wines from multiple countries using the same label, but these are mainly retailer brands, like Tesco's, or negotiant brands, like Blossom Hill in the UK. Lindemans may be the first big brand with a long pedigree in a single country to be converted to a range encompassing wines from multiple countries. Will this become a growing trend? Does it create another body blow to struggling grapegrowers? Is there an upside to this?

The answer to the first question, I believe, is a resounding yes. There is no doubt that globalisation has come to the wine sector. We still are an incredibly fragmented industry in comparison to other alcoholic beverages and consumer products. Even today the four largest wine companies in the world produce less than 10% of the world's branded wines. This means there is a lot more room for consolidation in the wine sector, but due to the fragmented structure of small grapegrowers supplying thousands of wineries, it will be a long time before we even approach beer, let alone soft drinks.

Most wine companies want to grow their sales. There are two branding pathways to do this. One is to launch new brands; the other to grow existing brands. Launching new brands means creating awareness from scratch and is usually more costly than growing an existing brand. However, if the company uncovers a new segment or product style, they may feel it is difficult to market this under the image of a current brand. Also, new brands allow companies to gain more shelf space, pushing out competitors. Wine companies often start new brands when they source grapes from different



countries, but more about that below.

The standard way to increase sales is to grow existing brands. Our research at the Ehrenberg Bass Institute for Marketing Science shows conclusively that trying to get existing heavy (frequent) brand buyers to buy more does not work. The only way to grow the market share of an existing brand is to get light (infrequent) buyers to buy a little more often, or to entice non-brand buyers to buy once in a while.

The long 'tail' of light users is typically the vast majority of any brand's buyers and is the first place to look for increased sales. Most large wine brands have done this by adding different styles to their existing brand, for example going from a Shiraz, Cabernet and Chardonnay to adding a Riesling, Semillon Chardonnay, or even sparkling versions under the same brand name at similar price points. Adding brand extensions at markedly higher or lower price points does not necessarily attract light users of the same brand, but may attract non-users in that particular price category.

The decision to launch extensions of the Lindemans brand with wine from different countries is merely the next phase of this type of growth strategy. The idea is to

attract wine buyers who want to try a Chardonnay from South Africa or a Merlot from Chile. The big unanswered question is, 'will this cannibalise the existing Lindemans sales or take sales from competitors?' This is an empirical question, one that can only be answered in the marketplace. (Note: there are accurate market research techniques that can be used to predict this type of issue, but these are not currently used in the wine sector. The \$1.4 million grant that I have from the GWRDC is based on adapting this new technology—Choice Analysis—to the wine sector). Previous work we have done on beer would suggest that there will be some sales loss to existing Lindemans product lines as frequent users trial the new items.

The big question is whether the new country products will attract infrequent and light users to buy more Lindemans overall? This is what Foster's is betting on.

Is this trend a body blow to Australian grapegrowers? Not necessarily. The worldwide growth of Australian wine has spawned a number of Australian-based brands in our larger markets, developed and marketed by non-Australian companies. In essence these companies are doing the same thing in their own

countries that Foster's is doing with Lindemans. For the most part these wine companies have launched new brands in their own countries made entirely from Australian grapes. Big US companies Gallo and Kendall Jackson were the first to do this, but the practice is now quite widespread. The other major practitioner of this strategy is the large grocery chains, such as Tesco, Sainsbury and Asda, where they develop retailer brands under their own name, for example Tesco's Southeastern Australian Chardonnay.

We can argue that these retailer and large wine company brands are low-priced and therefore do not give a fair return to grapegrowers, but the global marketplace is not providing many alternatives. Our best strategy is to keep improving the quality of Australian grapes and wines, build an increasing reputation for fine wines, and maintain price points of existing brands in the face of discounting pressures.

These strategies will improve the prices paid for grapes going into these other 'Australian' wines. The demand for these retailer and foreign-based wine producers' Australian products is directly related to the awareness and demand for branded Australian wine from wine producers in Australia. The growth of one implies the growth of the other. This is also driving Foster's move into wines from other countries.

Lindemans is likely to be an unusual case, if the market research reported by Foster's is true: that the brand does not have a strong Australian character. Most other Australian wines have been positioned and promoted as Australian for a long period. It will be easier for their multinational owners to launch new brands from other countries (as many already do) than to extend their Australian brands' range with foreign wines.

We can't stop globalisation, but we can use it to our advantage by continuing to build the Australian and regional Australian brands in all our markets, especially at higher price points. This will translate into demand for Australian grapes just 'in' our own and foreign owned wine brands around the world.

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ONE GRAPE, TWO COUNTRIES, THREE WINES

Darren Golding has released a Sauvignon Blanc made from a blend of grapes from his Lenswood vineyard in the Adelaide Hills and fruit imported from Marlborough, New Zealand.

The new release, The Leap, will be accompanied by The Local, an estate-grown Sauvignon Blanc from Golding's Lenswood property, and The Tourist, made from 100% Marlborough fruit. The wines will be available as a three-pack.

The wines are made by Darren's friend Justin McNamee, of Samuel's Gorge, who believes wine drinkers are demanding wines with greater complexity and intrigue. "It is this belief which has provided the impetus for this project and which underpins the Golding house style," Justin said.

"This project is really about regionality, capturing the unique characters of both regions and highlighting their specific points of difference.

"Blending Australian and overseas-sourced fruit is very rare, particularly with white wine. It has been awesome to be involved in such a unique exercise."

Darren sourced the Marlborough fruit through his brother-in-law Duncan MacFarlane, managing director of Indevin, NZ's largest independent contract winemaking company. Several parcels of fruit were hand picked from Lone Gum vineyard on Dog Point Road, Blenheim. The fruit was then crushed and fermented, under guidance from Darren, before being shipped to Adelaide in 1,000 litre pallet tanks.

"The primary reason for doing this was because we were genuinely excited about creating a great wine using fruit from two renowned Sauvignon Blanc regions. We wanted to push the boundaries to create the best product possible," Darren said.

"We have taken a no compromises approach in terms of the cost to produce and the packaging, and reaction to our experiment has been very encouraging. Is it risky? Perhaps, and to import juice during a domestic wine glut may seem counter-intuitive—hence the name, The Leap.

"What this does is open up the future possibility of blending some of the world's finest grapes to make some truly intriguing combinations. In the meantime, our three-pack product allows drinkers to conduct their own private tasting of three very different, top quality Sauvignon Blanc wines."

The Local and The Tourist retail for \$23 per bottle; The Leap \$27; and the three pack \$70. Production is limited to 300 dozen of each product.



The Golding family (Darren and his parents, Greg and Connie) established their first vineyard in the Adelaide Hills in 1995 and now operate three separate properties with about 45 hectares under management. The family supplies Pinot Noir, Chardonnay, Sauvignon Blanc and Cabernet Franc fruit to some of Australia's most recognised wine brands including Hardys, Yalumba and Petaluma.

In 2002, Darren and Lucy Golding established Golding Wines with the aim of producing premium products with hand selected fruit from the family property. Darren has produced a Pinot Noir, a Chardonnay and a Sauvignon Blanc to date and production has doubled over the past 12 months.

The wines are sold domestically in SA, NSW and Victoria while export markets have been opened in Canada, US, Malaysia and China.

In addition, Darren manages his commercial vine propagation business, which has doubled production every year for the past three years. He is chairman of the Adelaide Hills Vine Improvement Society and sits on the executive of the Adelaide Hills Wine Region.