

Regional diversity and export markets

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There has been an ongoing debate in Australia concerning the basis for our export promotion. The Australian Wine and Bandy Corporation relaunched Brand Australia with the intention of focusing more on regionality than on our biggest brands.

At the last Wine Marketing Conference there was a debate as to whether we were better served by focusing on regionality or our biggest and most popular wines. The outcome seems to me to be a very middle of the road stance without any overt emphasis on either type from our main wine organisations.

I had a different view of this argument while in South Africa recently. Wines of South Africa has taken a definite and strong stance on regionality in its export promotion. This followed a consultant's report stating that South Africa did not and probably would not have the economies of scale to compete in the big brands/FMCG wine category, so its only alternative was to move upmarket to price points between \$6 and £12 in the UK.

South Africa has a different structure to Australia. The largest producers are still cooperatives, many of whom sell to wholesaler/negotiants, who either onsell the wine as bulk or develop their own brands. Its largest brand, Kumala, which is a joint venture of this type of producer and Western wines (now owned by Constellation through Vincor), seems to be languishing and losing ground. The co-ops have the same problem as co-ops everywhere—the grower-owners are reluctant to invest in quality production and thus end up with low standard grapes and wines in many cases. There are some forward thinking co-ops which have developed their own good quality brands, but are in the minority. South Africa has a domestic market for the low quality wines, which can't be sold as branded product. The majority goes into a very low-end product marketed mainly in the shantytowns in large unlabelled wine bags (without the box). These are called 'popasack' and are likely to be outlawed soon, which will dump more low quality wine on the market.

South Africa is an amazing country. In the 10 years I have been visiting, the amount of development, the growth of the black middle class and the improvement in overall wine quality has been tremendous. Tony Spawton and I have taught a wine marketing executive class for the past six years through Stellenbosch University. Each year we see a few more black students, but this year the class was half young black entrepreneurial winery owners, workers and employees of the various wine organisations. Their knowledge and enthusiasm was remarkable. The white participants were similar—young, enthusiastic and hard working. In fact we really shouldn't talk about white and black, because the class was unified in its overall background and opinions. We discussed whether it is right, in a marketing sense, to target black drinkers or rather to focus on non-wine drinkers. The conclusion was that non-drinkers are non-drinkers, but depending where they lived, different strategies might be used. However, the class believed developing a brand to target black drinkers was as likely to succeed as the various brands recently targeted at women (and failed). Some of the black participants got into the wine business through various empowerment programs, but none of them wanted to market a wine as a black empowerment company or brand; they want to succeed based on their wine's quality and branding. Like Australia, there are a lot of new small wineries all striving to market their wines in a flat domestic market and a competitive global one.

This brings us back to the regional diversity issue. South Africa has taken as its tagline, 'variety is in our nature', and focused on the incredible biodiversity of the western cape, where there are more plant species than in all of the northern hemisphere. The concept is that the huge number of species exists because of the numerous sites with different soils, exposures and microclimates. The resulting diversity is a sign that grapes grown on different sites will exhibit different characteristics—the terroir concept. Also, there is a link to maintaining biodiversity by preserving native habitat through sustainable viticulture, and a

further link to the diversity of the human cultures producing the wines.

The winelands of the western cape are beautiful, but the message of biodiversity is very complex to get across to wine drinkers. In fact, the people I spoke to said that wine writers, who have been brought out to see the wine areas and exposed to this new campaign, have difficulty with the concept. The link between flowers and wine styles is pretty tenuous. The beautiful and well-made brochures exhibit flowers, mountains and fields of grapes, but no particular message stands out. Usually regionality focuses on the adaptability of specific varieties to specific regions, whether in Bordeaux, Burgundy, Napa or Barossa. The South African campaign does not do this and thus loses its wine focus. The winemakers and marketers I spoke to were unenthusiastic about this concept. They liked the idea of focusing on higher priced estate wines, and conducting tastings of the same varieties from different regions to show the diversity inherent in their vineyards, but this is almost the opposite of running regional tastings of say Barossa Shiraz. Writers seem interested in the different styles, but consumers seem confused.

Traditionally, wines have been marketed as varieties adapted to specific regions. Some of the New World countries pioneered the use of varieties, but originally linked them to a region. Later the varieties became linked to a proprietary brand name and the high volume widely marketed brand was born. This is the feedstock of most wine purchasing and drinking around the world. The region/grape variety still exists, but plays a more minor role, relegated to the more involved drinkers at higher price points. Most marketing at higher price points focuses on the region/variety nexus, while South Africa has taken a different approach, showing the same grape varieties across different regions. It is a bold strategy, but one that has yet to be tested. I congratulate the South Africans for going out into the world and focusing almost entirely on higher priced wines. We in Australia still seem to be in two minds about which strategy will suit us in the future.