

The good news

Larry Lockshin

All we hear about the Australian wine sector seems to be bad news. Overproduction, oversupply, falling prices ... I think we are missing some of the positive things in Australian wine. In a broad sense, we should remember that sales of Australian wines continue to climb in export markets. Not only are we selling more wine to our two major markets, the UK and US, but we are growing substantially in places like Canada and Scandinavia.

Australia is making inroads into traditional markets like Germany and Japan, and new and growing markets like Russia. The lower average price per litre has certainly been noted, but we should remember this is being dragged down by more bulk wine exports and newer brands at lower price points.

One large piece of good news is that existing major Australian brands continue to grow and do well at their regular price points. Jacob's Creek, Wolf Blass, Penfolds, Lindemans and Hardy's are all sticking with their strong branding and maintaining growth. This is good marketing—develop a brand platform, invest in shelf space and consistently promote.

Brands that have stayed the course, have continued what may seem to be the same marketing tactics, are continuing to succeed. Marketing is no different from viticulture. You must invest upfront and continue to cultivate over a period of time to reap the rewards. The US press is filled with how much domestic market share the Californian wine producers have lost and are continuing to lose to their Australian competitors. Of course most of the large California wineries are contributing to this by importing Australian wines under their own brand names. Australia is close to displacing Italy as the largest imported wine category in what will soon be the world's largest wine market.

I have also noticed continued consistency by many of the smaller producers in our domestic market. Much marketing is not that conceptually difficult, but developing a real story and telling it, growing it, adding to it and sticking to it is one of the key means of marketing success. I am gratified to see many of our small wineries, which like our bigger ones have developed strong brands, keeping up their marketing.

As some wineries experience difficulties, there is a range of good news stories for small wineries still selling under allocation. These wineries, e.g. the Henschkes, Hollicks, Charlie Meltons, Cullens and Craigeles, have developed a reputation over time and spend their marketing time telling their story, meeting their agents and accounts and, in many cases, allocating their wines. Every one of these wineries, and of course many others, are successful partly due to their focus on regionality, which is necessary to build a reputation and be able to sell at higher price points.

I just read a short paper by a Professor Chris Easingwood, who visited us at UniSA last year. He spent his sabbatical interviewing and surveying wineries around Australia to try to understand what were the progenitors of regionality. His list after 400 plus interviews is:

- *Specialise in a wine style;*
- *Discussed by opinion formers;*
- *Produce quality wines and do so consistently;*
- *Have a wine heritage;*
- *Produce distinctive wines; and*
- *Produce a wine that is made possible by the region's particular terroir.*

I will leave the details of these facets to an article Chris will publish soon. However, it is clear that his findings are the same for individual wineries as for wine regions. Too many wineries plant or buy grapes in a particular region and think this is enough to charge high prices. It is not! Buyers at high price points use reputation, consistency and quality as long-term indicators before parting with their cash.

We shouldn't lose sight of the fact that everywhere I travel I am continually asked how Australia got to be so successful as a category. Even when I tell them (or they already know) about the oversupply and dropping grape prices, it has little bearing on their envy. Growers, winemakers and associations in countries like Argentina, South Africa, even the US and Chile, ask me how did/does Australia do it.

We have built a global reputation in less than 15 years. Yes, we have a huge task to keep growing now that we are in many cases the target, rather than the small competitor. We have the same task ahead of us in Asia that we had in Europe and North America 15 years ago. We are an almost unknown producer in most of the potentially largest wine markets 25 years from now.

Is this good news? I believe it is. I don't mean we should stop and celebrate, but we should understand our success and keep building and improving it. We know how to grow grapes and make wines for both popular premium and higher price points. We know how to establish a category selling to the highest volume outlets, and we are quickly learning how to gain space on wine lists and in specialty stores. We know how to use consistency to build brands at any price point.

These accomplishments should not overshadow some of the poor planting and purchasing decisions by some growers and wineries. Can anyone think of a country you would rather be growing grapes or making wine in, besides Australia?

PROFESSOR LARRY LOCKSHIN is director of the Wine Marketing Group, Ehrenberg Bass Institute for Marketing Science.

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