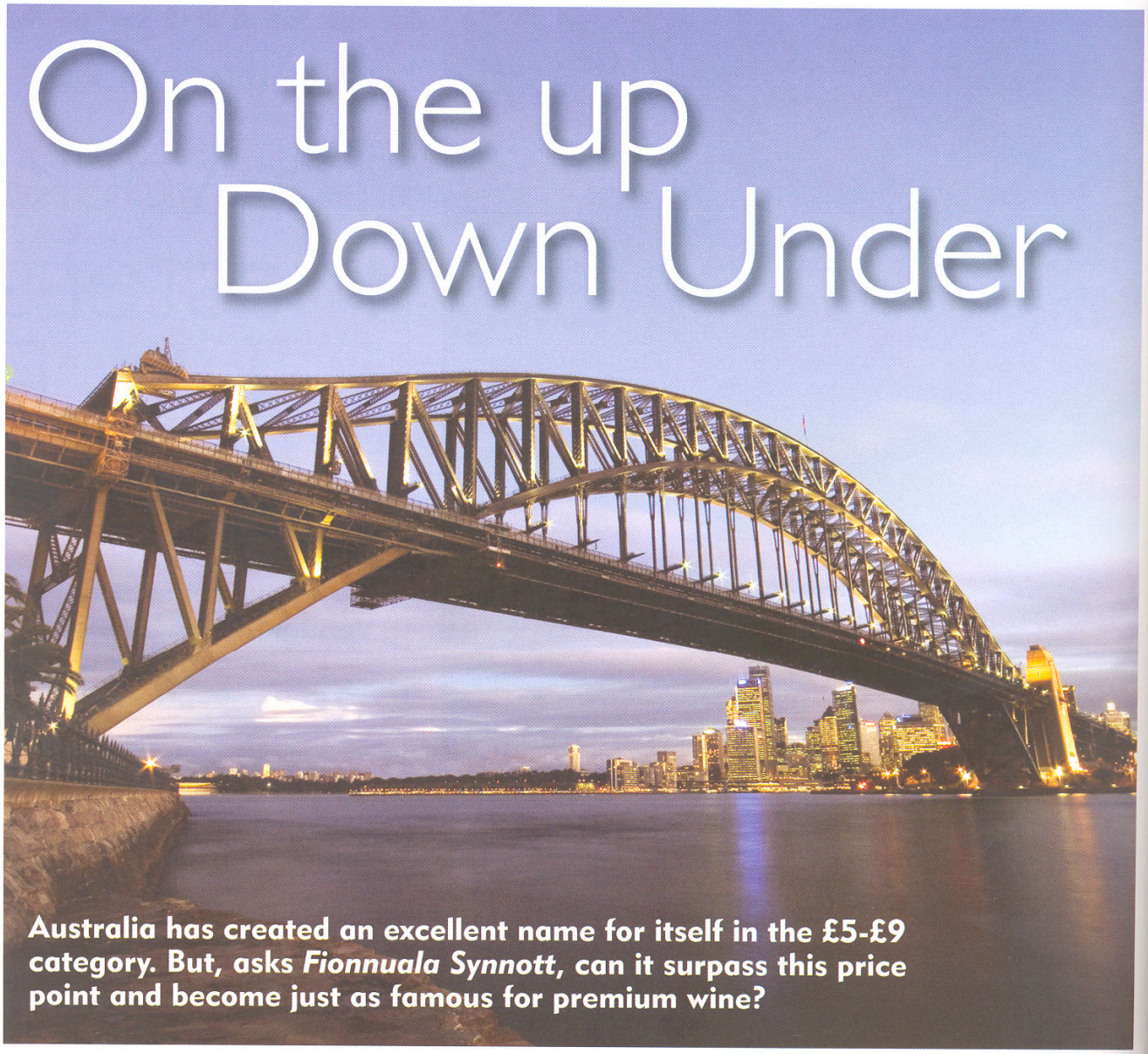
On the up Down Under



Australia has created an excellent name for itself in the £5-£9 category. But, asks *Fionnuala Synnott*, can it surpass this price point and become just as famous for premium wine?

AUSTRALIA IS good at giving consumers what they want.

With an impressive track record selling wine to the Brits, Australia has become a benchmark for how to market wine successfully, thanks to its ability to adapt to changing market dynamics. That's why, now that the category is marketing its regions to supermarket shoppers, wine marketers everywhere are sitting up and taking notice.

Australia leads wine sales in the UK off-trade and has an established tradition of making icon wines. But, despite its success in the off-trade, it struggles to sell wines above £9, particularly between £9-£10. According to Michelle Beck, marketing manager UK & Europe, Australian Vintage, this is a price point that all wine categories struggle with. "£9-£10 is a problem price point across the board. Anything over £10 is a challenge for the entire industry." But Paul Meihuizen, regional buying director for PLB, thinks it can be explained by a lack of well-known brands in the £9-£10 segment. "Producers retailing at £9.99 are looking for shelf space but it's difficult to get as you have to compete against big brands. You either package it at the full price or promote it from £9.99 down to £7.99. Getting promotional space above £10 is difficult as the retailer will always go for brands that deliver margin and profit."

The challenge is to get past the trade to get listed. Nick Blair, wine director of sales and marketing for Pernod Ricard, says: "The

common message is that there is more competition post £10." According to Chris Unger, sales manager at Negociants, this is because there is a bottleneck at this price point. "Everyone is trying to get listed at £10 as the margins are good."

By contrast, the Australian category is growing significantly in the £7-£8 and £8-£9 segments. David Hodgson, general manager for UK and Europe at 3 Oceans Wine Company, has a possible explanation for this. He thinks the increase in duty, the strengthening of the Australian dollar and the weakening of the pound have pushed some Australian wines from £5-£6 up to £7-£8. "Subsequently, customers who remain brand loyal could possibly have upped their spend per bottle to stick with their wine brand of choice." Paradoxically, he thinks the credit crunch may be a contributing factor as more consumers do their entertaining at home. "The saving that is made from dining out in restaurants means consumers are able to spend a few pounds more on these 'weekend wines' which could be a contributing factor to the growth in the £7-£8 and £8-£9 categories."

Australia may also be a victim of its own success: "It over-delivers at the more commercial end of the market and, as a result, consumers can be reluctant to trade up," says Beck. But David Gill MW, director of Bottle Green, believes that "Big Brand Australia" is in fact to blame for this gap in the mid-market. "The undoubted mass-market success of the big names – fuelled by reckless spending of their multinational corporations in pursuit of volume – has stymied the development of the true middle ground. The megabrands have colonised all areas from £4 to £9. They have also attempted to take the £12+ levels in order to give them a better image, discounting these back to between £8 and £10 to drive listings and some sales." The result, he says, is that the middle ground – full already with this easy win for retailers – has prevented listings for "true" £9 and £10 wines. "Individual producers don't have the spend or the volume to compete."

Adam Marshall, commercial director at Bottle Green, attributes the erosion of the middle ground to the "curse of varietals". "When there is a big-brand Shiraz at £5.99 why should a consumer pay £9.99 for the 'same wine', ie another Shiraz?"

The situation has been exacerbated by UK importers' tendency to "dissect" the wine world. Blair, at Pernod Ricard, explains: "If they're going to buy a Pinot Noir, they tend to buy it from France, they buy Shiraz from Australia and Sauvignon Blanc from New Zealand." This makes it difficult for Australia to show consumers the breadth of its offer.

Trading up

In the past, Australia has championed its brands and used its oversupply to undercut the competition, resulting in a worrying degree of commoditisation. But recently, the Australian category has become less competitive at this end due to lower-yielding vintages, a well-publicised drought and the strength of the Australian dollar. Always quick to respond to changes in the marketplace, Australia has realised that it has to change its strategy if it is to protect its market share. "Australia's global franchise is predominantly based on the popular (strongly branded) premium level," says Paul Henry, general manager for market development at the Australian Wine & Brandy Corporation. "The real challenge for Australia is to extend its footprint beyond popular premiums and into channels and markets where there is an accepted premium to be paid for quality, regionally distinct wines."

AUSTRALIA OVER-DELIVERS AT THE MORE COMMERCIAL END OF THE MARKET AND CONSUMERS CAN BE RELUCTANT TO TRADE UP

Thankfully, there is an opportunity at the premium end. Rising demand for fine wine, particularly from Bordeaux, has left serious wine drinkers looking for cheaper alternatives. "Consumers can't afford to drink wines costing £100-£200 every night of the week. Australia is a credible alternative and can plug the gap between commodity and ultra premium wine," says Brian Croser, founder and winemaker at Tapanappa.

Young Australian winemakers are also keen to increase their fine wine knowledge. "They are getting to know what contributes to the character and quality of a wine. They are starting to focus on rootstocks, closer spacing of vines and clonal selection – all processes used across fine wine regions," continues Croser.

For Australia, introducing customers to its different regions via the Regional Heroes strategy is a way of adding complexity to the category and persuading consumers to increase their wine spend. Beck explains: "In order to ask consumers to pay more you have to create a point of difference, either through regionality or varietal style."

Last year, Wine Australia carried out a training programme for independent retailers to help them persuade their customers to trade up.

"We trialled a pilot programme and partnered with 10 different businesses. We spent two months educating staff with professional wine educators, all across the country, and tailored it to fit their business objectives," says Kirsten Moore, regional manager at UK Wine Australia. "We found that the key driver for sales is to invest in ▸

BEYOND THE MULTIPLES

Finding premium Australian wine in the on-trade is difficult, at least in the UK. David Gill MW, at Bottle Green, comments: "These wines should have been developed in the on-trade over the past 20 years, but this has really not happened." Nick Blair at Pernod Ricard UK adds: "It's very hard, you have to work your way through the maze in order to get to market."

Constellation Europe's Claire Griffiths sees an opportunity to make real headway in the on-trade and the independent section of the market. "It is all about convincing the gatekeeper." Constellation therefore invests significantly in its wine development managers, who act as ambassadors for its brands. "Once you get the listings you have to give the customer some TLC in the shape of POS, tasting notes or just through the right communication and education."

The on-trade seems to be the ideal market segment in which to highlight Australia's premium wines, if past experience is anything to go by. "The majority of producers in the upper echelons have a limited supply of wine and are looking for the right distribution channel for the image of their wine. They have often foregone the off-trade and gone to the on-trade where people are prepared to trade up more easily," says Michelle Beck, of Australian Vintage.

Gill is also expecting some big changes to take place in the specialist sector: "It would not surprise me to see some specialist retailers dump some or all of the 'big boys' in favour of smaller family-owned producers such as Andrew Peace or wineries with true regionality such as Rutherglen Estates. Does anyone really have the guts to do that here?"

training your staff. It's all about arming staff with the tools and confidence to speak." This level of engagement has been very welcome as "the trade is crying out for education".

Tapanappa's Croser believes that regionality is the only path to take if Australia is to get consumers to pay more for its wines. "Regionality is the password to the fine wine market."

Meihuizen, at PLB, thinks it depends on how you approach it. "An area like Victoria has too many sub-regions to expect consumers to understand them. You're better off sticking to a couple." Nor is he convinced there is a big enough style difference from one region to another (when compared to Europe) to promote regionality.

Competition is stiff at this level of the market. It seems that when it comes to spending over £10 on wine, UK consumers tend to revert to European wine, which is seen as a safe bet.

"This is where the European classical regional 'branding' comes through. If they want to trade up, consumers follow the branded road and play safe to the reassurance of what they've been told for years – that the classic regions of the Rhône, Châteauneuf-du-Pape, Burgundy, Bordeaux, Rioja, Amarone, Barolo etc are the real wines", says Pernod Ricard's Blair. Nick Butler, wine director at Bottle Green, agrees: "At £9-£10 there are a lot of traditional, recognised products (Chablis, Châteauneuf-du-Pape, Barolo etc) which consumers can understand the value of more easily."

Fine wine credentials

The classic Australian icon wine is, of course, Penfold's Grange. But Meihuizen is not convinced there are many more. Meanwhile, Andrew Watson, of Woodlands Wines, says the large number of

AUSTRALIAN COMMODITY WINE IS MADE TO A RECIPE. THERE IS QUALITY CONSISTENCY BUT IT ALL TASTES THE SAME

recent mergers and acquisitions has made it harder for consumers in overseas markets to see the smaller, more individual wines. "In addition, the larger producers hold most of the market share and have more money to invest in exports. I believe that there is little chance of seeing a large range of individual Australian wines on shelves overseas which is a terrible thing for Australian wine."

Australia has a thriving boutique winery culture but evidence of it is rarely seen outside the country. "In Australia, 2,500 small producers sell to the domestic market but, over here, the most noise is made by the big players," says Croser. There is therefore a danger that the majority of UK wine consumers will only know Australia for its commodity wine.

As it is, Australia treads a fine line between consistency and homogeneity. Unger comments: "Australian commodity wine is made to a recipe. There is quality consistency but it all tastes the same. When you pay £10 or more for a wine you want a snapshot of the vintage."

According to Weber, this homogeneity is partly the fault of the AWC selection committee. "Of course, we don't want unsound, unstable wine leaving our shores but the committee often rejects wines that I would have in my cellar. Australian winemaking has been all about removing faults but often this has resulted in the removal of character. Oak and alcohol are not considered faults but Brettanomyces is. You can measure the volatile acidity and mercaptans but you can't measure character. We need to relax and look for the charm and grubbiness in the wine. "

In the UK, people spending over £10 often revert to Europe. This is unlikely to change overnight.

Until now, Australia has built its

reputation on powerful, fruit (and often oak) driven styles, but the way to appeal to premium buyers is through elegance. "Australian premium winemakers need to refine their vineyard and winemaking techniques to target the subtle elegance of the great European wines, while retaining the attractive fruit character for which we are renowned", says Cranswick Wines Australia MD, Graham Cranswick-Smith.

This may require more emphasis on cool climate varieties such as Pinot Noir, Sauvignon Blanc and Riesling.

With maturing vines, diverse regions and creative winemaking, Australia certainly has the components to make iconic and unique wines. But there is more work to be done to establish regional diversity and get consumers to understand the value chain in wine.

WHILE AUSTRALIA HAS BUILT ITS REPUTATION ON POWERFUL, FRUIT-DRIVEN STYLES, THE WAY FORWARD FOR EUROPEAN PREMIUM BUYERS IS ELEGANCE

"While it is relatively widely understood that a Châteauneuf-du-Pape is going to cost (and generally deliver) more quality than a simple Côtes du Rhône, I don't feel that is the case with the regions of Australia. As an industry we have to work hard to establish a value/price ladder that is understood by consumers," says Simon Thorpe, MW, VP, premium wines estates, Constellation Europe.

The reputation of Australian wine has to change if it expects consumers to trade up. "As a country, we have some enormous challenges. I suspect we still have a lot to prove at this price point" says Steve Weber, winemaker at De Bortoli. "We can make charming, alluring wines with character but we are not making enough".

In this tough market, Moore believes bringing the personality back to the category is key, by "pounding the pavements". "Regionality has become a bit of a buzzword, but our focus is on building awareness and investing in education."

Now that Australia can no longer compete on price alone it must engage consumers by explaining just how complex the category is. "If not, we will be condemned to creating consumers that migrate to other categories as their own wine involvement evolves," concludes the AWBC's Henry. **db**