

BEYOND THE BOTTLES

There's innovation occurring but it's mainly focused on making table wine in 750ml containers. Larry Lockshin says it's time to think differently.

WORDS LARRY LOCKSHIN

By now most of you would have read the report prepared for the Winemakers' Federation on the profitability and dynamics of the Australian wine industry. I doubt many of you were surprised with the findings – perhaps only surprised by how bad things are in some of the regions. The Winemakers' Federation will soon announce the activities it will pursue in response. These have already been highlighted in a separate report issued at the same time. I know the actions will be well thought out and will represent the best thinking of the organisations and leaders behind our industry.

I thought I would pursue a different path, one that is open to freelancers like me who do not have 'skin in the game'. It allows us to think a bit outside the square and to perhaps lobby for changes beyond those likely to be advocated officially. The wine world we are in has changed since the first big plantings preceding and accompanying *Strategy 2025*. There is no need to list all the changes, but from a marketing point of view, the most important one was Australia's (and the rest of the New World's) focus on labelling by grape variety. Yes, now we are focusing more on higher priced wines with regional designations, but most of our wines still have low prices and grape varieties underneath the brand name. That combination (low price and grape variety) means we now compete on price with any country that can adequately produce that variety. This means no matter how efficient we get, we are unlikely to produce grapes and wines that compete in price points under \$15 and certainly under \$10. Even at this price we are in competition with most of the key wine producing regions in the world. Our domestic market has been the reservoir of demand to maintain some sales, but now the stronger Australian dollar and the focus by other countries on Australia as a wine market will reduce any growth potential domestically.

So, what do we have as 'market-based assets' and how can

we use them? We do have some very well known brand names and these can be used to maintain and perhaps increase sales at profitable price points domestically and overseas. Well-known brands are at least able to command shelf space and consumer awareness as long as the communication budgets are maintained. It will be up to each brand owner as to which price points can be profitably managed. We have a few wine regions that hold some marketing value, but we shouldn't overestimate this. We must keep promoting and communicating our wine regions, because these are true assets that cannot be legally copied, but research in all our top markets continues to show very low awareness of Australian wine regions. Of course, we have 'Australia' as part of our market-based assets, but as I note above this is only useful for us at higher price points over the long term. Certainly, we must maintain and even increase the communication of Australia as a high-end wine producing country, but without strong regional awareness, promoting the country will have limited effects.

What else could we do? We could pull out lots of grapes and focus on only high-priced profitable wines; and/or increase the quality levels of low-priced grapes to make better quality wines that can be regionally labelled. Just because we think the Murray Darling, Riverland or Riverina are low quality areas doesn't mean that many buyers even know these names. Of course this takes investments that many growers don't have and wineries are unlikely to pay for. Our largest wineries need the volume flow-through of grapes to make their facilities efficient and this allows some cost savings on making higher priced wines. So, eliminating low priced wines would have negative ramifications. But, improving the quality of our big brands, reducing the amount sold at the lowest prices and developing 'reserve' ranges at more profitable price points with some sort of regional designation is a likely path to success. One of our biggest

producers is following this exact path: growing the number of higher-priced (but still around \$12 to \$18) reserve wines, while cutting back on production of the lower priced wines.

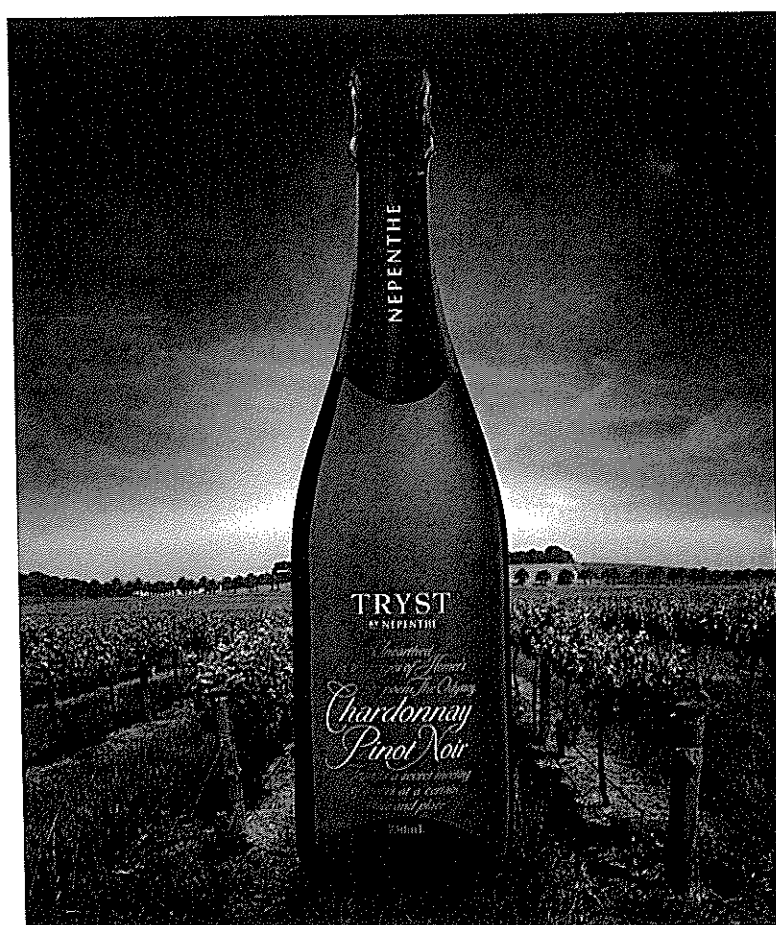
We should also make more expensive wines. What I really mean is some of our best wines are under-priced and could sell for more. As a consumer I don't like this, but we continue to undersell our better wines for prices below comparative quality from other countries. And when a producer does release a high priced wine, say over \$200, many in the industry seem to fall back on the tall poppy syndrome rather than applaud the effort to raise our luxury wine profile.

We should also consider innovation. There is lots of innovation occurring in our research and in practice, but it is mainly focused on making table wine in 750ml containers. A few companies and people have begun to think outside this square, but not many. If our branded commercial wines under \$10 are not profitable in most markets, then perhaps the grapes should go into some other products, which are profitable and branded. Many have said you can often buy wine for less than a similar amount of fancy bottled water. So, why not develop products using those grapes, brand them and sell at profitable prices? A simple example is some of the sparkling Muscats selling for \$18 to \$20. I am not an inventor, but there are certainly opportunities to make good tasting

beverages with our grapes. One of the issues in places like China is that wine has a limited set of occasions where it can be consumed and we certainly cannot compete with the large local wineries. Why not develop different beverages, which do not have the same restrictions and are not called 'wine'? These products should be branded, even labelled regionally or at least nationally, and can even be organic or some other clean and green designation and sold for a premium price. I am not recommending another version of wine coolers, but something upmarket and new – and not in a 750ml bottle.

I certainly believe Australia will continue to make excellent wines and should continue to do so. Better marketing by smaller producers of top quality wines will be necessary over the medium term to maintain and improve our global position, but it is clear that the days of low-priced grapes and the low-priced wines they go into are no longer a long term proposition. Real marketing: developing new products that fulfil consumer desires (maybe even some they don't even know they have) is one recipe for saving our growers and providing them with a living wage. ■

PROFESSOR Larry Lockshin is with the Ehrenberg Bass Institute for Marketing Science, University of South Australia.



The team at Cutler Brands were an absolute pleasure to deal with. They were determined to find the best print solution to add a point of difference to our labels in the cluttered wine environment. They were obliging in printing numerous trials to ensure total satisfaction prior to sign off and also aided bottling line trial runs.

From what was initially thought to be a costly and difficult label solution, Cutler made screen printing a reality on a \$16 bottle of wine. Cant wait to launch it onto the shelves.

Wouldn't hesitate to work with them again.

- Kate Kriven, Senior Brand Category Manager - "Nepenthe Wines"

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