

Driving the strategic growth of Australian wines in the US market

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More than 200 Australian wines from some 35 regions were recently showcased to trade and media in the United States and Canada through Wine Australia's 'Australia Up Close' Roadshow. The nine-city tour kicked off on 30 May in Los Angeles before heading to Dallas, Chicago, New York and Boston then onto Montreal, Toronto, Ottawa, and Vancouver.

The recent release of Issue 66 of the Wine Australia Market Bulletin gave us the opportunity to take stock of a project in the US market Wine Australia recently funded us to conduct. To summarise the main facts from the report, the value of Australia wines in the US market over A\$10 has increased by 58% since 2012. The off-trade channel accounts for 80% of total wine sales by volume, but 90% of those sales are in the US\$4-\$8 range. Thirteen percent of the wines sold in the US\$4-\$8 range are Australian. However, the situation is dire when looking at the US\$15-\$25 price tier in retail, as Australia represents only 0.7% of this segment, despite a 24% growth compared with March 2016 (Wine Australia, 2017).

Increasing the sales of Australian premium wines in the US retail market is the overall objective of the 'Vennli project', the nickname for the official Wine Australia funded project titled 'Driving the strategic growth of Australian wines in the US export market'. In order to reach this objective, the project will develop strategies to break down the barriers that currently exist among the trade and opinion leaders about Australian wines. We are currently identifying the misalignment between the US wine trade and Australian wine brands. We will ultimately develop a system to train Australian wine brand managers to overcome these barriers to growth. The project commenced in October 2016. We have completed the first

stage and currently launching the second stage.

Stage 1 consisted of a discovery phase in which we first asked key Australian wine exporters what they thought the barriers to exporting more wine in the US were. Additionally, we launched an interview-type questionnaire in April 2017 among US trade operators. Forty-one percent of the participants were importers and distributors, followed by 18% of wine importers, 16% distributors, and 16% retailers. Thirty-one percent of respondents were the owner-managers of the company they worked for, and 50% of them currently sell Australian wines.

Derived from stage 1, participants were provided with a list of identified trade

barriers for Australian wines in the US market in the form of statements (e.g., 'finding the right distributor' or 'lack of education about Australian wines'), which they had to rate with a score ranging from 1 = not a barrier at all to 5 = major barrier. The results show that the top three barriers are a lack of knowledge of the various Australian wines regions (3.95/5), the fact that Australian wines are perceived as low-priced by consumers (3.91/5), and that wines from other countries are easier to sell (3.59/5). Other important barriers seem to be the fact that wines from other countries are perceived to be trendier (3.45/5), a result in line with the perception of Australian wines among wine media, which also scores quite similarly (3.32/5). Interestingly, the factors that were classified as minor barriers are the style of Australian wines not being suitable for a retail price of US\$12 and above (2.23/5), the similarity of Australian wines to wine produced in other countries (2.14/5), and the lack of sufficient Australian wine brands in the US market to create a sub-category (1.73/5).

These initial results already illuminate interventions for Australian wines in the US retail market. More investment in educating the US market is needed about our many diverse wine regions. An increase of our shelf presence is also needed to improve our physical availability (Sharp 2010) - as nobody can buy something they can't see. The good news, though, is that the style of our wines doesn't seem to be a critical issue, nor do US trade operators believe our styles are confused with those of our competitors. This means that the problem is less about the product itself, but more about communicating clearly what we stand for, and what we want the US market to recognise us for.

In the next stage of the project, we will include the most significant trade factors in Vennli (www.vennli.com), a cloud-based software platform for strategic growth intelligence. The framework behind this software is based on Urbany and Davis (2010).

We will ask key US retail trade operators how important each of the factors they are presented with is, how familiar they are with the wines coming from key wine producing countries, including Australia, and how much they consider those trade factors to be associated with each key wine producing competing country. In addition, the software takes into account current and future stock levels the trade operators have of each of the various producing countries.

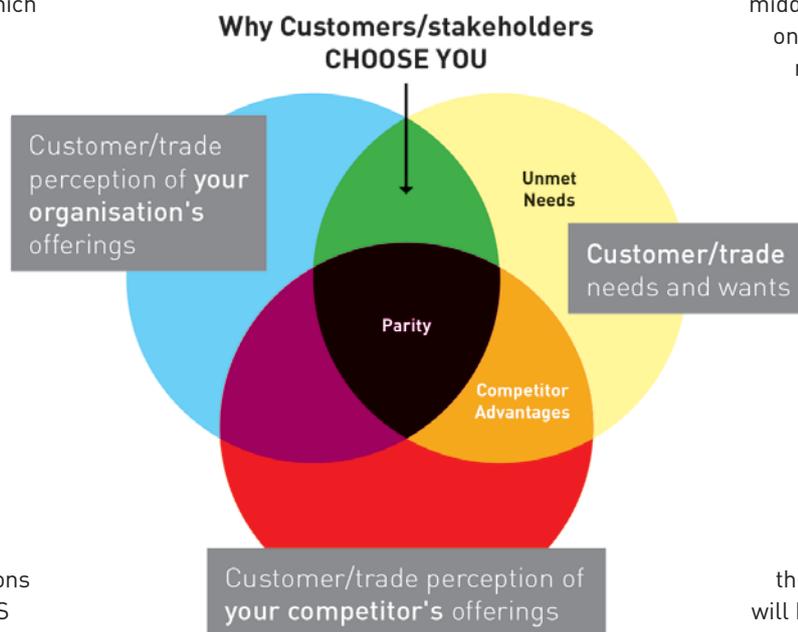


Figure 1. Example of graphical visualisation of Vennli results.

Source: www.vennli.com

The results will be presented as per the graph shown in Figure 1 to provide an easy yet effective way to understand them. For each pair of wine producing countries, we will be able to clearly show which factors our key trade operators associate with one country (blue section), the other country (red section), or both (purple section). The purple-highlighted factors are not considered all that important by the trade. This means that we don't need to be overly concerned about these factors, thus freeing up resources for more pressing issues. We will also be able to show

which factors our key trade operators consider important and exclusively associated with one country (green section), or the other country (orange section), thus allowing us to understand which factors one country should keep on building to defend and strengthen its position, and which factors can be used to neutralise the power of the competing country. Third, the graph will suggest which factors are considered important by our key trade operators, but are not associated with either country (yellow section), thus providing suggestions for one country's growth avenues before the competing country adopts them.

Lastly, the black section in the middle suggests which factors one country should at least maintain performance on, as they might also represent opportunities for differentiation by improving these.

Once this stage is complete, we will consult with Wine Australia and a panel of Australian wine brand owners to develop actionable growth strategies for Australian premium wines in the US retail market. In the final stage of the project, these strategies will be tested with the US trade, opinion leaders, and consumers, and with our Australian stakeholders using a simulation to see how their buying/selling strategies would change should the strategies be implemented. Finally, an Excel™-based decision support system (DSS) will be developed to 'train' Australian brand owners to better meet the demands of US trade buyers and opinion leaders.

We will keep the industry informed about the outcomes of the research through the *Wine & Viticulture Journal*.

REFERENCES

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