

Australia Faces 'Crisis of Complacency' in UK Market

PETER FULLER

Australia's remarkable 8% market share of the UK wine industry is under threat, but the challenge is not coming directly from competitors such as Chile, South Africa or Eastern Europe. In fact the biggest enemy of Australia's continued success in the UK may lie within.

According to key industry commentators and experienced wine marketers, Australia's wine industry is facing a 'crisis of complacency' which could destroy many of the gains of the early 1990s unless checked.

The often stated reality is that with 43 countries selling wine into the UK there is no need for anyone to buy a single bottle of Australian wine.

As wineries enter the critical 1996 vintage they should be aware that any easing of marketing pressure in the UK or a wholesale change in focus to Europe or the US could spell the end of the profitable UK wine boom.

This is the scenario described by Wine of Australia's Hazel Murphy, who after more than a decade marketing Australia's wine is starting to see some disturbing trends develop.

'The biggest mistake Australian wineries can make is to believe they have won the battle in the UK,' Hazel said at a recent regional promotion of Barossa wines in London.

'The market is definitely plateauing and in real terms there has been no market growth for 12 months.'

Hazel says this should come as no surprise: the poor 1995 vintage which followed several other smaller than average vintages has severely restricted the amount of product available.

'The supply shortage has been well managed so that there haven't been any noticeable complaints from consumers about product availability. Hopefully a decent 1996 vintage will help white wine supply and in the next two or three years we can recreate the pre-1993 red wine market.'

However, of greater concern to Hazel than supply is a growing number of reports from all industry sectors of a 'sort of arrogance' and complacency amongst Australian wine exporters.

Black holes

Australian wineries are now referred to as 'black holes' to which faxes are despatched and never answered, reflecting a general air of over confidence.

'There seems to be this view that we have won the UK market and now we should be looking to other markets such as US or Germany.'

'While I fully support the expansion to other markets it is very dangerous to divert money from one market to another. Australia must maintain its marketing presence in the UK and step up its promotional push rather than winding down. Why does Coca Cola spend £2.5 million a year on promotion in the UK? Why does the French wine and food industry spend about the same promoting their products? Because they know you can't stop promoting, no matter how well the product is accepted.'

There are moves afoot by the Australian Wine and Brandy Corporation to pour extra funds into the US with the opening of an office in New York from which a generic campaign can be managed. A new Wine of Australia office has also opened in Germany as a base for European expansion.

'These other markets will be important as production

expands over the next five years and I am excited about their potential. However, we can't grow those markets at the expense of the UK—such growth needs careful planning without withdrawing resources from existing markets,' Hazel says.

She quite rightly points out that no other world market for Australian wine is developed enough to compensate for a drop in UK consumption. 'We are currently selling 5.5 million cases in the UK. If we lost 10% of that market, say 500,000 cases, where would we place that product in world terms? A corresponding fall in domestic Australian consumption could see the industry in big trouble.'

German frontier

Germany is now undeniably the popular new frontier for Australian wine marketers. The lure of high per capita income and large imported wine consumption is tempting for many winemakers looking for future growth.

However, this infant market is minuscule by UK standards.

German based Wine of Australia promotion and marketing manager Michaela Nesper says that while Germany is the world's biggest wine export market (10 million hectolitres and growing annually) and consumption is an enormous 20 million hectolitres, about 80% of imported product is from nearby France, Spain or Italy.

'Only 20% comes from other sources such as California, Chile or Australia and of that Australia currently has just 1.5 million litres or around 120,000 cases.'

Despite this low entry point Michaela sees potential for rapid growth in Australian market share in the German market and with the noticeable move from sweet white wines to dry red wines, Australian companies such as Rosemount, Orlando and Penfolds are well placed.

However, there is a lot of groundwork to be done.

'In the UK there are a number of national wine retailers such as Oddbins, Sainsburys and Threshers. In Germany there is only one, Jaques, which stocks mainly Italian wine. Then there are hundreds of small independent retailers. It is an enormous challenge to reach out to these retailers due to the decentralisation of Germany and the widespread nature of these businesses.'

She says Wine of Australia has made successful inroads at trade fairs such as Interwein in Dusseldorf and Pro Wein in Frankfurt. Regional wine tastings have also been popular.

'However, this is a long term market, Australia must be in there for the long term not do a deal today because of a short-fall somewhere else and then be gone tomorrow.'

Hazel Murphy agrees that Germany is the next big challenge for Australian wine companies.

'We have only been in there for about 18 months so we can't expect to have much more than our current 0.02% of the market, but our projections are 8.1 million hectolitres. I'd be jumping for joy if we could achieve that by the Year 2000.'

'We have taken the same approach as the UK, starting with higher price points to appeal to the aware consumers and establish our quality image. We now need to build our base of the selling pyramid with products under 10 Deutschmarks or around £4 equivalent and this will depend on supply.'

'There is certainly genuine interest in Australian wine as a result of the high German tourist visitation to Australia. But there are lots of other countries to compete with. The Germans import lots of wine from countries Australia wouldn't consider to be wine producers such as Bosnia Herzegovina and Tunisia!

'But I reiterate that the biggest mistake is to believe that the battle has been won in the UK.'

Critical phase

Experienced Australian wine marketer Craig Smith strongly supports Hazel's view. Craig has been an Australian wine specialist since 1983 when he opened the Drunken Mouse bottleshop in Putney and stocked a good range of Australian labels. He sold the business to Oddbins in 1990 then moved to the basement of South Australia House creating the Australian Wine Centre before starting the very successful Australian Wine Club. Specialising in small wineries, particularly SA wineries such as St Hallett, Willows, Heritage, Tim Adams, Chapel Hill, Bowen Estate and Primo Estate, he deals with the serious consumer through his mail order lists.

'I think the Australian industry is at a critical phase,' he said. 'Supply and demand have finally clashed following the 1995 vintage. If there is a good 1996 vintage then we need to be prepared for growth again but the companies must support that with stronger promotional input.

'Complacency is a real danger at the moment: I have the feeling that many in the Australian industry think the job has been done in the UK, but this is far from the truth.

'If Australia loses even a small percentage of the market at the same time that all of those new grapes are coming on

line it would take an enormous effort to sell that wine elsewhere.

'I believe now is the time for the really big push in the UK. Forget the US and Germany: if you screw up the most important market then you will lose in a major way.'

Craig believes the trend to regional promotion is a positive one. Small wineries are poised to do very well, especially in the on-trade (restaurants) where their uniqueness and selectivity can return a premium price of £7 to £10, sometimes much better than their big winery counterparts.

'The secret for Australia is to keep its feet on the ground. Maintain the tried and tested rules of the game: quality, value and consistency and introduce regional diversity to show that there is life beyond Shiraz, Cabernet Sauvignon and Chardonnay and Australian wine will have a secure future.'



Five hundred people attended the final event of the Barossa's UK promotion, the 'Taste of Barossa'. Celebrating the success of the promotion are (from left): Craig Smith, Australian Wine Club; Bob McLean, St HallettWines; Caroline Younghusband, Penfolds Wine Club and Tony Keys, Wine Australia.

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Regional promotion

The promotion of Australian wine based on regional identity and character is the latest weapon in Wine of Australia's marketing arsenal. Following on from the initial approach of generic Australian wine promotion, the new regional concept hopes to enhance consumer loyalty and re-affirm that many Australian wines are now well over the mythical £4 limit.

The most recent and certainly the largest regional promotion ever held in London was that undertaken by the Barossa in January. The promotion marketed the name 'Barossa Australia' as a region which takes in the Barossa Valley and Eden Valley, and within those regions a number of sub-regions such as Kalimna, Lights Pass, Stonewell and so on.

Unlike previous Australian regional promotions in the UK, the Barossa was committed to presenting a 'total regional image' based on the area's history, culture and cuisine as well as wine.

Consequently four key events were organised between 17 and 21 January, in the lead-up to the annual Australia Day trade tastings at Lords, which would showcase the Barossa.

The first event was an invitation-only tasting of wines from the 1995 Barossa Wine Show for key wine press and representatives from restaurants and the retail and wholesale industry. More than 50 wines, sourced from 100% Barossa fruit, were presented to the 90 writers and trade people who attended the event in the Downer Room of Australia House and a

regional lunch was served based on air-freighted yabbies and Angas Park dried fruits.

The second key event was a showcase of Barossa culture, named the Barossa Experience, which launched the 1996 Barossa Music Festival and an exhibition by local artist Rod Schubert. This event was aimed directly at London's arts community and the travel industry and proved to be very successful, with 300 guests enjoying regional food, music and wine.

The third event was a Meet the Winemaker Dinner for 210 guests held in the historic surrounds of London's Merchant Taylor Hall. Key trade, press and dedicated wine consumers paid £45 a head to taste a total of 28 wines, from Eden Valley Rieslings to Barossa Shiraz and aged fortifieds accompanied by a classical menu with a Barossa influence.

Finally there was a consumer tasting of more than 100 Barossa wines from 33 Barossa wineries at the Royal Horticultural Halls in London. Five hundred guests attended this very successful day which provided winemakers with an excellent chance for feedback from serious wine drinkers and also a chance to market new products not normally exported in large quantities.

The five day event was followed by the Australia Day tastings along with dozens of other individual winery promotions in restaurants and off-license stores. In total an estimated 3000 key trade, press and consumers were reached directly by the promotion with enormous potential flow-on.

St Hallett's Bob McLean, who originally conceived the idea with fellow winemaker Charlie Melton in January 1995, was delighted with the success of the event.

'Promoting by appellation is telling the same story in a dif-

ferent way—it has given us a fresh opportunity to promote Barossa wine in the UK,' he said.

He pointed out that the promotion had reinforced the higher than average price point of Barossa wines in the UK and reinforced consumer loyalty.

'Genuine Barossa appellation wine sells for an average of £7 to £8, and can sell as high as £14 to £20 for products such as Old Block and Henschke's Hill of Grace.

'That means Barossa wines are a good £1 to £2 higher than the Australian average. They help keep the average Australian wine price up and reflect the strong regional quality that exists in Australian wine.'

He admits that few other regions could have put together such a comprehensive and successful promotion.

'There is no other region in Australia where the population is so committed to the wine industry—from the tankmakers to transport firms to label makers and printers, along with the 1000 plus growers and their families.'

He said the Barossa now had a true identity in the UK based on the wines' soft tannins and generous fruit flavours.

'It has been driven by small independent wineries where corporate politics don't dictate. As a result the Barossa is almost more prestigious in the UK than it is in Australia, with a significant cult following.

'In the future big and small wine companies will work together and major international promotions such as this are just the start,' he said.

The Barossa promotion was supported by The SA Agent General in London, Geoff Walls, The SA Economic Development Authority, Malaysia Airlines and the Barossa Winemakers Association. □

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