

DISCOVERING AUSTRALIA'S WINE ICONS

AUSTRALIA BOASTS SOME OF THE WORLD'S BEST WINEMAKERS, THE KEY FOR OFF-PREMISE RETAILERS IS HOW TO MARKET THOSE BRANDS TO CONSUMERS. CHRISTINE SALINS LOOKS AT WINE ICONS IN AUSTRALIA.



“In our world, there’s no doubt premiumisation is a macro trend and certainly one that our group has pursued for the last four years.”

- Chris O’Brien, GM Liquor Barons



Consumers buy brands but consume products, according to Sydney retailer John Quinn, owner of **Quintessential Food and Liquor Market** in Chatswood, who says “the brand hooks the consumer first and it’s only then that he or she chooses a product”.

Quinn explains this subtle difference to illustrate why it’s so important for companies to invest in brands.

“Australia has got some of the best winemakers in the world, the best regions, the best soils, the best terroir,” he said.

“We need to make sure we have the best marketers so that those brands are strong in Australia and worldwide. As brand custodians, we need to be as good as what our winemakers are doing.”

Quinn has worked for some of Australia’s most iconic brands, including **Penfolds**, extensively in wine marketing and now runs his own business.

While Australia’s icon brands are “neither here nor there” to him – his business is too small to attract an allocation of **Grange** – he acknowledges brands such as **Penfolds** and **Henschke** are “extremely important to the market overall”.

“Grange is an industry thing now. It’s not a trading issue anymore for the little guys. The prices are going up, not because of production costs but because of supply and demand. They [Penfolds] are playing the game, and good on them.”

UNDERSTANDING TRENDS

Quinn says the market is tough for small independent retailers. “Everything is price-driven.” Consumers have become very cautious over the past three or four years but, regardless of price, they will always trade up if they see value.

“The wine consumer has money to spend but they’re cautious to spend it. If someone came in here and wanted to buy a \$10 bottle and I said I could do two for \$18, if I couldn’t sell the properties of it they wouldn’t take it,” he said.

“But if I had a bottle for \$55 and I said they could have two for \$100 and I could give them three strong points about it, they’ll buy it. They need to know they are getting bang for their buck.”

Quinn said there are plenty of premium wines that represent great value buying. He is particularly enamoured of McLaren Vale after a recent visit and is convinced it is producing some of Australia’s finest wine.

“That region is just phenomenal. I did not have a bad wine. Australia’s best Shiraz is there.”

One of his favourite icons from that region is **Old Gentlemen**, a McLaren Vale Shiraz by **Adelaide Winemakers**, of which Nick Haselgrove is partner. It retails for \$80.

Quinn has come up with a number of strategies to help give some of the smaller premium brands a leg up. He is developing an online retail business, **Iconic Winemakers**, and will launch once he has 15 to 20 on board. Andrew Margan, Rollo

Crittenden, Brian Fletcher and Nick Haselgrove are already committed.

He defines an iconic winemaker as “someone who has worked for one of the big boys like **Penfolds** or **Orlando** and who has gone out on their own... they’ll have a smaller label and just be doing their own thing now”.

“The growth in online retail [across the board] went up 35 per cent last year; in wine [online], it went up 18 per cent. So there’s room for growth. I don’t see a lot of people focusing on premium wine, so I’m now in dialogue with 30 to 40 winemakers and a website is being built.”

Another marketing tool Quinn has developed is his **Pop Up Cellar Door** (www.popupcellardoor.com.au), which showcases a different premium winemaker each month and gives wineries an opportunity to connect directly with wine drinkers in Sydney’s affluent northern suburbs.

In July, the Pop Up Cellar Door will feature Hunter Valley producer, **Brokenwood**. Quinn is a great fan of Brokenwood’s iconic **Graveyard Shiraz**.

A whole room in his store is given over to a featured brand and anyone who comes to the store between Thursday and Sunday is invited for a tasting. Promotional deals, such as two for one, are offered and are proving popular.

“My sales in that room have gone up markedly,” he said.

CONSUMERS TRADE UP

Quinn sees a healthy future for sales at the upper end of the market, so long as producers and retailers provide the right support.

“As long as the custodians of these brands that are at the top invest in marketing the brand they should be fine.”

Matthew McEvoy, marketing manager at **Chambers Cellars**, says consumers have been trading up for the last four years or so.

“People’s buying habits have totally changed as they’re less interested in quantity and more interested in quality,” he said.

“The \$15 to \$25 category has been in growth for the past five years. A lot of people are quite happy to pay \$20 for a bottle when going out to dinner,” McEvoy said.

“Over \$30 it’s a different market. Some key iconic brands are doing well but the brands that have been continually inching up their prices over the last few years are feeling the pinch.”

One iconic label that McEvoy says is “surging ahead” for Chambers is the **Wynns Black Label Coonawarra Cabernet**. He attributes its resurgence to very keen pricing – it can often be found on special for \$29.99.

McEvoy said wines in the \$25 to \$30 category are doing well, especially from regions such as Margaret River, Mornington Peninsula, Barossa Valley and Tasmania. Shiraz and Pinot Noir are particularly strong.

“People are willing to trade up for a Pinot. They’re discovering wines from Central Otago,

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Mornington Peninsula and Burgundy. A leader for the Australian stuff is Tasmania but only in Pinot and Chardonnay. Tassie is holding its own very well. Their profile is very high and quite often the wines are in short supply so they sell out every year."

Quinn said the success of the **Tolpuddle 2013 Pinot Noir** from Tasmania's Coal River Valley was proof that people would pay high prices for quality Pinot. Named **Australian red wine of the year at the International Wine Challenge** in London, Tolpuddle sells for \$70 a bottle and has all but sold out.

Quinn said Champagne is still a key driver in the premiumisation of the market. "Australian sparkling in the \$25 to \$30 category is doing well but there are no sales in Australian sparkling above \$30 because people in that category are willing to trade up to Champagne."

Champagne is also trending up for **Thirsty Camel**, a co-operative of 450 independents turning over a combined \$1.5 billion in retail transactions annually.

"It's a status thing, and it also comes down a lot to price. It's a lot more accessible than it was," said director of marketing, Leah Grinter.

Although beer still accounts for a large proportion of sales in the network's drive through bottleshops, it is experiencing its

biggest growth in the \$16 to \$25 and \$25 to \$35 categories.

"We're the place people stop when they are on the way to somewhere, so they're buying a nice bottle of wine. It's a status thing," Grinter said.

"There's still a market for drink at home but it's not what we're seeing [where the growth is]."

The Hump Club digital loyalty program enables the network to glean insights on how to get new products into consumers' baskets. One of its successful techniques is to "surprise and delight" repeat shoppers by offering them free test products. Many shoppers then jump on social media to share their experience.

Promotions such as two for one and \$5 off the shelf price also work well. "They trend people up and increase what goes into the basket."

PREMIUMISATION

Grinter said consumers have been trading up for at least the last few years. It isn't necessarily that people are more affluent now but it's "possibly a status thing". It could also be that people are becoming more acquainted with expensive wines.

Chris O'Brien, GM at **Liquor Barons**, echoes that education plays a key role.

"I think education forms part of that [trading up] as the consumer becomes more educated and seeks the next experience in their wine journey. Sometimes we forget the Australian industry is relatively youthful," he said.

The retail banner group represents almost 60 stores in Western Australia, with combined retail sales totalling \$160 million annually.

"In our world, there's no doubt premiumisation is a macro trend and certainly one that our group has pursued for the last four years," O'Brien said.

More than 25 per cent of Liquor Barons' business is at \$25 retail or more. Around 33 per cent of its business is the \$16 to \$25 category. "So something like 60 per cent of our sales in wine is above \$15," he said.

"The national average [price of a bottle of wine sold] sits at about \$10.50 to \$10.70. It [the figures above] takes our average to about \$14.90."

Premiumisation has taken on a different shade in WA from what it has on the eastern seaboard. While imports are growing rapidly in the eastern states, in WA it's all about Australian wine, and particularly WA wine. "The image of WA wines has been sold very well to WA consumers."

Although imported wines aren't getting much of a look in the notoriously parochial WA



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- John Quinn, Quintessential Food and Liquor Market

market, this is slowly changing, albeit at a snail’s pace compared with the eastern states.

“The West Australian consumer has been a little slow in discovering imports from Europe and it’s a shame because there’s a lot of wonderful wine to be discovered.”

O’Brien said a key to getting people to trade up is to have well trained, knowledgeable staff.

“Certainly in our space we’ve found consumers have been very willing to premiumise and to purchase great value wine at \$15 or more. There’s no doubt third party recommendation or a recommendation from a perceived expert is a very powerful tool in the decision making process.”

In recognition of that, all Liquor Barons staff, including casual employees, participate in group funded training through the Wine and Spirit Education Trust.

“We identified premiumisation five years ago and have significantly altered how we present our group in the marketplace.”

Premiumisation has come at the expense of the cask wine category and the under \$10 category. As an example, O’Brien said, Jacobs Creek Reserve wines significantly outsell the Jacobs Creek core range in Liquor Barons stores. “To a point, it has cannibalised the sub \$10 tier.”

A number of well-known brands have created additional tiers in their ranges to capitalise on the market’s premiumisation.

“Vasse Felix, Forester Estate and Devil’s Lair, for example, have all just in the last 12 months created a tier in the \$20 to \$25 category that’s done really well for them on the back of equity in their brands.”

A premium brand in the Treasury Wine Estates portfolio, Devil’s Lair earlier this year released a top tier Margaret River Cabernet Sauvignon. The inaugural 2011 9th Chamber retails for around \$120. Just 250 cases have been made.

Winemaker Ben Miller said at the launch that it was intended as “a show pony for the Devil’s Lair brand”.

“It’s great for us in terms of seeing what we can push as far as quality and seeing what we can achieve,” he said.

Devil’s Lair PR and communications manager, Justine Porter-Rebien, said the release of 9th Chamber wasn’t necessarily the best evidence of a premiumisation strategy at play because Devil’s Lair has always been a premium brand. “It’s quite a natural evolution of the brand,” she said.

INNOVATING THE SEGMENT

From a broader TWE perspective, however, it was part of an overall strategy towards more premium wines. TWE is particularly focused on innovation in brands in the \$15 to \$30 category, or what it describes as the “masstige” segment [“masstige” = prestige for the masses].

TWE’s forecast is there will be value growth



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driven by masstige and luxury price segments, while volume will remain flat.

“Fifty per cent of sales in Australia are under \$10 so innovation in that masstige segment is helping people move up to that next level where quality, diversity and interest come to life,” Porter-Rebien said.

“We’ve always had those premium luxury wines – the Wynns, Penfolds, the upper tiers of Wolf Blass and brands like Devil’s Lair. We’re definitely not taking the pedal off the metal on those ranges but we’re focusing on that really critical middle segment.”

O’Brien said the 9th Chamber Cabernet and 9th Chamber Chardonnay [also \$100 plus] are performing strongly in the market.

“We have a group of stores that specialise in the \$50 plus space, and as a hero to the range, they [9th Chamber] are enjoying fantastic success. There’s absolutely a market for those wines but it’s a specialist field.”

Although it’s obviously easier to sell a more expensive wine in a higher socio-economic area, location isn’t everything, according to O’Brien.

“Location certainly plays a part but it shouldn’t be your total guiding light. We have destination wine stores where sales are driven by having an excellent range, excellent staff, great knowledge and great service.”

Most Liquor Barons stores are organised by variety, with \$6 bottles sitting next to \$600 bottles.

Icons such as Penfolds Grange and Henschke Hill of Grace are on allocation, but O’Brien said, “with very few exceptions we tend to get all we need”.

Aside from those two icons, bought for investment as much as anything, O’Brien said there is an emerging market of wonderful premium wines representing excellent value and quality.

“As an industry, we’re working hard to premiumise our sales because it’s more profitable for both the supplier and the retailer.” **NLN**

