Change and maturity in the Australian wine industry

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Friday, 28th March 2008
...and how did that first sip taste again?
My caveats

Opinion is the lifeblood of conversation

Inspired by Richard Huntington

Predicting is difficult especially if it concerns the future.

Anthony Burgmans, Chairman Unilever 2007
General order of presentation

- a bit about diversity
- a bit about the business and factorials
- a bit about finding the consumer
- a bit about the changing environment
Modelling & simulation; some WA & UWA branding & a great early learning experience for the wine value chain

Stella / iThink

MIDAS
About diversity
A quick note on markets – 100+ countries

About 1990

Now

Future

Domestic

Export

~300m

<100m

~450m

~790m

Australia

Europe

North America

Asia
Scale influences grape and wine questions

(Graphics derived from Prof D Pannell)
The grapes we grow

Australian grapes - bearing area by variety (ha);
total about 165,000 ha

Top 5 about 70% of production

Shiraz
Cabernet Sauvignon
Chardonnay
Merlot
Semillon
A quick note on WA

### The grapes

<table>
<thead>
<tr>
<th>Year</th>
<th>Bearing Area (ha)</th>
<th>Yield (t)</th>
<th>Avg yield (t/ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>12,200</td>
<td>68,252</td>
<td>5.9</td>
</tr>
<tr>
<td>2006</td>
<td>11,375</td>
<td>60,840</td>
<td>5.7</td>
</tr>
<tr>
<td>2005</td>
<td>11,747</td>
<td>79,948</td>
<td>7.2</td>
</tr>
<tr>
<td>2004</td>
<td>11,068</td>
<td>87,523</td>
<td>8.3</td>
</tr>
<tr>
<td>2003</td>
<td>10,730</td>
<td>62,683</td>
<td>6.3</td>
</tr>
</tbody>
</table>

### The wine

<table>
<thead>
<tr>
<th>Litres (million)</th>
<th>as 9l cases (m)</th>
<th>Millions of consumers if avg = 20l/hd</th>
</tr>
</thead>
<tbody>
<tr>
<td>46</td>
<td>5.2</td>
<td>2.3</td>
</tr>
<tr>
<td>41</td>
<td>4.6</td>
<td>2.1</td>
</tr>
<tr>
<td>54</td>
<td>6.0</td>
<td>2.7</td>
</tr>
<tr>
<td>60</td>
<td>6.6</td>
<td>3.0</td>
</tr>
<tr>
<td>43</td>
<td>4.7</td>
<td>2.1</td>
</tr>
</tbody>
</table>
Chardonnay – about 25% of fruit

After Brand Tao - Slideshare
Age of vines plus experience – an 8 year journey to best performance?

About 106,000 ha planted from 1994 to 2005

Cumulative new plantings (ha)


Known area
Actual area
Business & factorials
The wine business – how we would like to see it

I’ve got a great idea.

Let’s grow grapes

Align wine making

Decide on brands / styles

Launch & market

Viable business
The wine business – how it can be!

10+ year adventure path

I’ve got a great idea.

I’m NOT making money

$ Let’s grow grapes Align wine making Decide on brands / styles Launch & market
The wine business for company X – a high order factorial

Producing wine (about 10% of 2008 crush)

- 156,000 tonnes
- 35 varieties
- 33 areas
- 520 growers
- 3123 harvest units
- for 104 unique wines

Finding consumers

- 109 m litres wine
- 12 m cases
- 4.4 m consumers*

* At 25 l/ person/yr
Changing analytical needs along the chain

Political, social & economic

Winemaking

Distribution

Consumer

Marketing - ID

Retail

Scientific & technical
Finding the consumer
Connecting with consumers... some market lessons

Sacrebleu!

Take my wine... Si vous plait!
## Consumer insight – who loves Australian wine

<table>
<thead>
<tr>
<th>Export</th>
<th>Litres (million)</th>
<th>l/person</th>
<th>number of consumers (if all average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>274.3</td>
<td>17</td>
<td>16,136,734</td>
</tr>
<tr>
<td>US</td>
<td>228.2</td>
<td>10</td>
<td>22,816,171</td>
</tr>
<tr>
<td>rest</td>
<td>283.8</td>
<td>4</td>
<td>70,950,211</td>
</tr>
<tr>
<td>Domestic</td>
<td>437</td>
<td>28</td>
<td>15,607,143</td>
</tr>
</tbody>
</table>

Lots of people **125,510,259**
Clamoring for space – EU retail

Consumers: 160,000,000
Customers: 89,000,000

Outlets: 170,000

Supermarket formats: 600

Buying desks: 110

Manufacturers: 8,600
Semi-manufacturers: 80,000

Suppliers: 160,000

Farmers/producers: 3,200,000
Consumer Success Stories

- Bottled water
- Prepared salads
- Ice cream
- Yoghurts
- Wine
These categories have

- Been highly innovative
- Tapped into changing lifestyles
- Changed consumers’ views
- Driven consumers upmarket
- Generated profits
What Consumers Want

Increasing interest in wine

Value determinant

80% of your guests want:
- Pleasing wine flavors
- Range of price points
- Approachable wine list
- Approachable servers

20% of Experts want:
- Large number of selections
- Rare finds, high scores
- To be left alone with the list
Some messages & data quite simple - can they still read your label?

By year-end 2005, 70% of adult Americans were wearing some form of vision correction.
The simple elegance of consumer education
Of frog wines & frowning watches: Semantic priming, perceptual fluency, and brand evaluation

(Title from: Labroo et al, J Consumer Research, 2008)
The domestic consumer polygraph
(sales in millions litres per month)
The real market – US example where about 50% of sales = 28 brands

(● = nº of brands in each category; yellow marker in large group ~ 14%)

Impact data, 2005
Segmentation...
### Brand personalities… a bit more to learn and describe

<table>
<thead>
<tr>
<th>Accessibility</th>
<th>Brand Champions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>Generation Next</td>
</tr>
<tr>
<td>Interest</td>
<td>Regional Heroes</td>
</tr>
<tr>
<td>Aspiration</td>
<td>Landmark Australia</td>
</tr>
</tbody>
</table>
The changing environment
Market change

Where the do you begin?

CHINA
Climate change

Wine Grapes  Almonds  Table Grapes

% Yield Change

Oranges  Walnuts  Avocados

% Yield Change


Year

D.B. Lobell et al. (2006)
It works – consumer & commercial
Social change

...the leader is the one who doesn’t drink
(France 2004)
Wine as a unique beverage

I am from the wide open spaces of Australia

Look up flavonoids on Google

I would like to join you with your meal

Nature  Health  Food

(Inspired from Leo Burnett)
Conclusion – we might have a level of maturity but hang on for the continuing ride
THANK YOU

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