Wine Australia Trade One-on-One Interview Report

June 6, 2016

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INTRODUCTION

Wine Opinions is a wine market research company focusing on the attitudes, behaviors, and taste preferences of the segment of U.S. wine drinkers who are the most frequent purchasers and consumers of wine. To this end, Wine Opinions maintains the largest online panel of highly involved wine consumers ever assembled, and a U.S. wine trade panel that includes wine producers, growers, importers, distributors, those who work on-premise and off-premise, members of the wine media, and others.* Wine Opinions also undertakes custom research projects such as one-on-one interviews, on-site interviews and evaluations, and other such qualitative and quantitative research as suits client project objectives. In addition, Wine Opinions uses a hybrid form of online discussion group called Vintrospectives to cull specific respondents of interest to clients from the Wine Opinions consumer and trade panels. This methodology allows participants to comment on discussion topics and interact both with one another and with the Wine Opinions discussion moderator.

The services of Wine Opinions were retained by Wine Australia to undertake a five-year comprehensive research program. As part of Year 2 of this program, Wine Opinions conducted a quantitative survey of U.S. high frequency wine consumers and a qualitative study among the U.S. wine trade. The qualitative portion of this year's research included 20 one-on-one interviews among retailers and distributors who carry or represent Australian wine. This report details the results of the qualitative trade portion of this year's research.

**Like most online opt-in panels, the Wine Opinions panels of over 12,000 U.S. wine consumers and over 3,600 members of the wine trade are considered “non-probability” panels. The targeted, non-probability nature of the panels mean that survey results based on panel members should not be used to project the behaviors or sentiments of the entire population of wine consumers or the U.S. wine trade.*

OBJECTIVES, METHODOLOGY & PARTICIPANTS

Wine Opinions conducted a survey of its trade panel, followed by a series of one-on-one telephone interviews on the topic of Australian wine with selected members of the U.S. wine trade to discuss the following topics:

- ✓ Australian wine trends
- ✓ What Australian wines in the under and over $15 price categories are selling well for respondents' companies, and why
- ✓ Perception of wines in the upper price categories, and the price point at which Australian wine quality increases
- ✓ Australia's competition by price category
- ✓ Who's buying Australian wine
- ✓ Australian wine types and regions that have the most potential on the U.S. market
- ✓ Opportunities and challenges for Australia
- ✓ What non-Australian wines and regions are doing well for respondents' companies
- ✓ The importance of discovering new wines and regions

Interviewees were drawn from the Wine Opinions trade panel. Twenty interviews were conducted between May 9th and May 19th, 2016. Most interviews, 17, were conducted with participants who work in the off-premise trade tier. Three interviews were among distributor personnel. All interviewees worked for companies that sell or carry Australian wine. The interview participants are detailed in the following table.

Wine Australia Trade One-on-One Interview Participants

INDEPENDENT RETAILERS (SINGLE LOCATION)				
Aimee N.	Assistant Manager	Bottlerocket Wine & Spirits - boutique wine shop	New York City, NY	1 - 4 Aus. SKUs
Mark L.	Owner	Franklin Liquors - family owned wine, beer, and spirits shop south of Boston	Franklin, MA	5 - 10 Aus. SKUs
Bryan K.	Buyer	Andersonville Wine & Spirits - sell mostly domestic wine	Chicago, IL	11 - 20 Aus. SKUs
Rick M.	Company Director/Buyer	Corti Brothers - gourmet wine and food shop	Sacramento, CA	21 - 50 Aus. SKUs
Adam D.	Buyer and Store Sales	The Wine House Los Angeles	Los Angeles, CA	Over 50 Aus. SKUs
Dawn L.	Inventory Control Specialist	Sherry-Lehmann	New York City	Over 50 Aus. SKUs
SMALL MULTI-UNIT RETAILERS				
Carl D.	Buyer/GM	Vino! - four stores in the San Francisco Bay Area. Knowledgeable clientele.	San Francisco Bay Area, CA	1 - 4 Aus. SKUs
Noble C.	Wine Director	The Beverage Place - Large store outside Phoenix, large upper income retiree population	Payson, AZ	11 - 20 Aus. SKUs
GROCERY CHAINS				
Carrie U.	Wine Manager	Mollie Stone's - 9 stores in the San Francisco Bay Area	San Francisco, CA	5 - 10 Aus. SKUs

Dean R.	Wine Dept. Manager	Ray's Food Place - 36 stores in Oregon and Northern California	Sisters, Oregon	11 - 20 Aus. SKUs
Carolyn D.	Store Level Wine Buyer	Whole Foods - national chain with 448 stores	San Diego, CA	11 - 20 Aus. SKUs
Dick H.	Customer Service/ Sales Associate	Wegmans Food Markets - more than 80 stores in New England and mid-Atlantic states	MA	Over 50 Aus. SKUs
Stuart G.	Wine Dept. Manager & Buyer	Publix Super Markets - 1100 stores in the Southeast	North Carolina	Over 50 Aus. SKUs
REGIONAL CHAINS				
James B.	Wine Sales & Education Director	Specs Liquors and Fine Wines - Over 150 stores in Texas	Houston, Texas	Over 50 Aus. SKUs
Joanna B.	Wine Consultant	Binny's - 32 stores in Illinois	Evanston, IL	Over 50 Aus. SKUs
NATIONAL CHAIN				
Melissa D.	Vice President, Buying	Total Wine & More - more than 130 stores nationwide	Headquartered in Maryland	Over 50 Aus. SKUs
ONLINE ONLY				
Nikki S.	Recommendations Specialist	Wine.com	San Francisco, CA	Over 50 Aus. SKUs
DISTRIBUTORS				
Ari W.	Sales Associate (off- and on-premise)	Lauber Selections	New Jersey	21 - 50 Aus. SKUs
Michael T.	Division Sales Manager (off- and on-premise)	Young's Market Company (Estates Group)	San Francisco Bay Area, CA	Over 50 Aus. SKUs
Doug H.	Manager (off- and on-premise)	Republic National Distributing Co.	Wichita Falls, TX	Over 50 Aus. SKUs

It is important to note that this group of 20 interviews is too small to project and quantify results to the entire U.S. retailer/distributor population. The purpose of qualitative research is to gain a better understanding of a topic of interest, to develop hypotheses that can be tested later quantitatively, and to identify concepts or ideas that can be used to design promotions and communications in the market.

Wine Opinions is furnishing these survey results and other research findings (the “results”) “as is” and does not provide any warranty of such results whatsoever, whether express, implied, or statutory, including, but not limited to, any warranty of merchantability or fitness for a particular purpose or any warranty that the results will be error-free. In this regard, the results do not constitute advice and Wine Opinions shall have no liability for the client’s use thereof. In no respect shall Wine Opinions incur any liability for any damages including, but not limited to, direct, indirect, special, or consequential damages arising out of, resulting from, or any way connected to the use of the results, whether or not based upon warranty, contract, tort, or otherwise; whether or not injury was sustained by persons or property or otherwise; and whether or not loss was sustained from, or arose out of, the results of, the survey, or any services that may be provided by Wine Opinions.

KEY LEARNINGS

- ✓ Discovering new wines is universally important to study participants both personally and professionally. Over two-thirds of the screener survey respondents termed it extremely or very important to their business. Personal knowledge of the wines and customers is seen as key, as retail staff on the floor have an important role in educating consumers about new wines and regions, and translating that knowledge and enthusiasm into sales. There is a vast array of sources of information that respondents rely on to learn about new wines and regions, including online resources, wine publications, formal and informal tastings, and peers and colleagues.

- ✓ When considering adding new wines to their portfolios, three things were apparent from the screening survey: despite a crowded market, far more trade members were interested in adding new wines than not; interest was greatest in the $15 - $25 segment and lowest for new wines priced above $35; and there was equal interest in adding white and red wines.

- ✓ The range of Australian wines sold by companies represented by the interview participants was diverse, but none of them reported that Australian wine was a substantial part of their company's business. In the screening survey, roughly two-thirds saw good or better growth opportunity for Australian wines, while one-third of respondents were more pessimistic. Some saw Australian wines sales improving, albeit slowly. Customers typically don't ask for Australian wines by name, and wines beyond the everyday drinkers are often hand-sells. Higher end Australian wines are harder to source, and are most successful in retail outlets that have trained staff to hand sell.

- ✓ Among off-premise respondents to the screening survey, 18% carried more than 50 Australian SKUs, 45% carried 11-50 SKUs, and 19% carried none or just a few. One-fourth of on-premise respondents to the screening survey did not carry Australian wines, while 40% carried 1-4 Australian SKUs and just 16% carried more than 10. Nearly one-fourth of distributor respondents carried 50 or more Australian SKUs, but one-third did not carry Australian wines.

- ✓ There was broad agreement among those interviewed that quality for Australian wine increases significantly around the $15 - $20 price point. There was concern expressed that lower-priced Australian wines tend to taste the same and are less interesting than higher-priced Australian wines. However, despite the negativity toward Yellowtail and the opinion that it and other brands flooded the market with low quality value wines in the past, it is still a top seller for many study participants today. In the case of Shiraz, opinions were split - it sells well for some, while others consider selling it "a battle."
- ✓ Not many respondents have had the opportunity to fully explore and experience the diversity of wines Australia has to offer, especially wine in the top tier. Most who have tried top-tier Australian wines have a generally positive impression of them.
- ✓ Very few consider the proliferation of brands in the under $15 price category a positive. Instead, agreement tended toward seeing adverse consequences - dilution, a lowering of the quality bar, and fewer stories to tell.
- ✓ Many favor smaller production, lesser-known brands because they view them as being of higher quality than big brand line-extensions. Nonetheless, many have had great success with line extensions, or high end wines from larger producers. Some believe they appeal to different customers. There was also diversity of opinion on what wines at the higher price points offered the best quality or flavor. In sum, while participants were generally positive on high end Australian wine, there are no clear flagship regions, varieties or brands in this segment.
- ✓ From a birds-eye view, Australia primarily competes with new world wine producing countries or regions, such as California, Argentina, Spain, Chile, and Portugal. However, particularly at the higher prices, some specific Australian wines were matched with specific competitors; for example dry Riesling with Finger Lakes and Alsace, certain Cabernets with mid-range Bordeaux, or less expensive reds with Spain. Malbec is a key competitor on the low end, and California red wines on the high end.

- ✓ Australian expatriates and consumers who have travelled to Australia were mentioned most often as the type of customer to ask for Australian wine by name. Everyday wine drinkers looking for value are key Australian wine buyers. Respondents who are looking for something new are potential Australian wine buyers, but often have to be pointed toward Australian wines. In the opinion of the interviewees, younger respondents are more likely to buy less expensive Australian wine, while it is the older, more affluent consumers who are the primary buyers of higher priced Australian wine.

- ✓ Trade promotions are considered helpful for any region trying to gain recognition among the trade and awareness among consumers. Tastings are the most important and widely cited promotional initiative. Trade trips are considered the most impactful way to spread knowledge about a wine region.

- ✓ To gain U.S. market share, respondents suggested focusing on wine with more "bang for the buck" than their competitors, moving perceptions of Australian wine from bulk or mass market wine to the region's diverse and unique wines, boosting awareness and availability of higher quality wines, and telling the stories of smaller production wines. Among the types of wines study participants think have potential on the U.S. market are Cabernet Sauvignon, Riesling, cooler climate wines, and wines in the "middle" price categories.

- ✓ On the other hand, challenges to gaining U.S. market share include combating the negative impact of critter wines and Australia's "manufactured wine" stereotype, the fact that customers don't typically ask for Australian wine, that some of Australia's key competitors are "easy to move," the perception that Australia is one region, and that many of the higher quality wines require hand selling.

DISCOVERING NEW WINES

Respondents were asked how important discovering new wines and wine regions are to them personally and professionally. The importance of discovery was unanimous among respondents, and as one described it, their "life's blood."

Being on the forefront of discovering what's new in the wine industry is important, as most of the respondents we talked to work directly with consumers or are charged with training staff on what's new.

Respondents learn about new wines and regions from many sources. Many of these resources are utilized by most respondents, while some depend on location, position within a company, and company size.

All respondents use the Internet as a tool to research wines or regions they're interested in or hear of, and to look for new trends. Online sources they look at include producer websites, blogs, and wine-related organization websites, such as the Society of Wine Educators' Facebook page. They follow travel writers, and writers and critics such as James Halliday, Steven Tanzer, and Jamie Goode. They receive online newsletters, for example, from Shanken and the Court of Master Sommeliers.

Hardcopy publications are not dead, however. *Wine Spectator* was mentioned most often as a publication read to keep up on what's going on in the wine world. Also named as regularly referenced publications were *Wine Enthusiast*, *Wine Advocate*, and *Wine & Spirits*. *Beverage Media* and *Decanter* were cited by a few, and *Decanter* was mentioned specifically as a source of information on Australian wine. Some also consider culinary magazines good resources for learning about new wines and regions.

Tastings - both in-house and outside the workplace - are a key way to learn about new wines from new regions. In-house tastings are considered an effective method to familiarize staff with what is offered by a retailer or included in a distributor's portfolio. Some regard in-house tastings as important to increase sales of a particular wine, and are considered educational for all involved. One respondent who works at a small independent retailer mentioned being part of her company's "democratic" tasting team that helps decide what wines the shop should carry. Some talked about the importance of suppliers and winemakers who visit retailers and taste them on their wines - some taste "hundreds of wines" through these means. Sales representatives who are "wine geeks" are especially good sources of information.

It is easier for those in larger markets such as New York, Chicago, San Francisco, and Los Angeles to get access to interesting wines to taste outside of their workplace. In these markets, trade tastings sponsored by wine regions are more frequent, and wine bars and retailers who sell a larger assortment of wines more abundant. Wine bars with offerings put together by sommeliers or wine experts they trust are a way of learning about and taste new wines, and serve as a venue in which to discuss them.

> *"[New York City] is kind of a crossroads and a great place to study and procure things that you don’t necessarily get around the country or even worldwide." Bottlerocket Wine & Spirits, NY*

Some taste farther afield. There was mention of attending a large wine event in London where the respondent had the opportunity to taste Australian wines they hadn't tasted before (Publix), taking a yearly employer-sponsored trip to a new region (The Wine House Los Angeles), and of judging a wine competition in Bulgaria (Bottlerocket). These types of tastings lead to the opportunity to taste wines ranging from sparkling Portuguese wines to Mexican wines.

Traveling to events like those described above, or participating in trips sponsored by trade associations are highly valued and have long-lasting effects. Respondents who have taken these types of trips have continued to have interest in the wines of the countries they visited.

Depending on their level of responsibility, buyers attend large wine events, tastings, and trade shows. These give them a top-level view of what is new.

However, as one respondent pointed out, these larger events are sometimes more suited to networking than seriously tasting and evaluating wines.

Many learn about new wines and regions through continued formal wine education, such as working toward a Wine & Spirit Education Trust (WSET) certificate or diploma, or taking master classes through educational societies and organizations like the Society of Wine Educators and the Court of Master Sommeliers.

It was noted that customers can be the impetus to investigate a region or wine the respondent has never heard of. Customers looking for wines they've tried on-premise or experienced while travelling can result in learning about a new wine, and perhaps the addition of that wine to their portfolio. One respondent writes a local wine column (Republic National Distributing Co.) and is always learning from his readers.

Respondents located in areas close to wine country will taste wines at their source (Ray's in Oregon), and those in more corporate positions at larger companies have access and use industry data (Total Wine & More).

Peers should not be underestimated. A few respondents mentioned that they learn about new wines and regions by word of mouth via their professional and personal networks. One mentioned using Delectable to see what their friends are drinking.

Introducing Customers and Clients to New Wines

The majority of respondents work on the sales floor directly with customers. Alternatively, the Wine.com representative works with customers as an online customer advisor. Many are charged with training staff. Only one, who holds a corporate position with a large chain, doesn't have direct contact with customers, but influences the introduction of new wines to staff by her involvement in choosing what wines her company will carry. All distributors who participated in the study work directly with accounts.

There were multiple comments about the importance of their personal knowledge in influencing customer purchase choices on the sales floor by educating interested customers on various regions, or hand selling specific wines that they believe match a customer’s taste. One respondent who works for a small retailer that doesn't allow any POS in their stores noted that hand selling is a form of building customer trust and loyalty. Another respondent is responsible for conducting weekly customer in-store tastings, which is his company's method of educating customers and fostering repeat business. Importantly, some consider bringing a new wine to the attention of a customer a satisfying part of their job.

> *“The world of wine is so vast and there’s so much that is overlooked. There are so many wonderful small places that just don’t get the press or get the exposure, so I think it’s super important [to introduce them to customers] and it’s fun to turn people on to these little hidden gems.” Whole Foods, San Diego*

> *"To my customers it’s very important [to learn about lesser known wines]. It’s an urban store that sells more wine than any Publix in the 75 store region, and it’s critical to let customers know they can buy more than just generic wines at the store.” Publix Super Markets, North Carolina*

SELLING AUSTRALIAN WINE

Australian wines carried and represented varied across the 20 respondents interviewed and ranged from small shops that carry only a few upper tier hand picked Australian wines, to grocery stores that only carry under $15 Australian wines, and liquor chains that carry Australian wines in both low and high price categories and everything in between. Within some of the grocery and retailer chains, the wines carried in a specific store are dictated by a corporate list of approved wines. Some of these stores are able to tailor the selections to their clientele with wines from the corporate list.

> *“We do have some input. If we get a lot of requests for a certain wine, if we can get it from a distributor, we will bring in certain items.” Wegmans Food Markets, Massachusetts*

The chart beginning on the following page summarizes the scope of Australian wines carried by each participant's company.

INDEPENDENT RETAILERS (SINGLE LOCATION)	
Bottlerocket Wine & Spirits	About 5 of 400 SKUs are Australian. Offerings include sparkling Shiraz (good with takeout), Shiraz, dry Riesling, red blends priced from $12 - $21.
Franklin Liquors	Carry only under $15 Australian wines - Little Penguin, Yellowtail (reserve blends), Oxford Landing. Very small part of their business.
Andersonville Wine & Spirits	Australian offerings span lower to upper end. Carry 64 SKUs, but small part of their business.
Corti Brothers	Carry small production Australian wines not in the mainstream. Mostly in the upper tier price ranges ($25+).
The Wine House Los Angeles	Carry 105 Australian SKUs; about 30 brands. Prices range from $11.99 to $800. Very broad selection.
Sherry-Lehmann	Carry 20 - 50 Australian SKUs. Wide range of prices and varietals. Average $20/bottles. Small part of their business. 5 or fewer SKUs sell through.
SMALL MULTI-UNIT RETAILERS	
Vino!	Australian wine they carry varies. Used to be more consistent with SKUs they carried, but brands have changed distribution multiple times and continuity with brokers and distributors has been an issue. Has trouble sourcing Australian wines. Offerings range from $12.95 to $40-$50. Smaller producers, well-selected for hand selling they carry include: Marsanne, Semillon, GSM blends, some Shiraz, Riesling.
The Beverage Place	Usually carry 10 -15 Australian SKUs; has carried as many as 15 – 20. Small part of overall sales.
GROCERY CHAINS	
Mollie Stone's - San Francisco, CA	Carry 4 or 5 Australian wines, mostly Shiraz, under $20. (Store aims to only carry wines under $20 as theft is a problem, and since groceries are generally higher priced than other markets customers go elsewhere for better wines.).
Ray's Food - Sisters, Oregon	Sell Australian wines priced from $7 - $150. Special order for higher end. Carry 50 - 60 Australian SKUs, which is a small part of business. Store is more independent and can carry wines not dictated by corporate
Whole Foods - San Diego, CA	Not much top-notch Australian wines. Wine selection is provided by corporate list. Have basic, low-end: Yalumba, Yellowtail, nothing competitive, nothing top shelf. Carry less than 20 Australian SKUs under $15. Have a corporate list of 10,000 wines to choose from.
Wegmans Food Markets	Carry 100+ Australian SKUs from $7 (Yellowtail) - $75

	(Mollydooker), but mostly under $15. Sell a lot of Yellowtail, Penfold's Chardonnay, Lindeman's, Oxford Landing, Stump Jump. Tries to educate and upsell to higher price points.
Publix Super Markets	Carry over 100 Australian SKUs. Biggest single import category in terms of SKUs, but 75% is big branded wines (Yellowtail, Jacob's Creek, etc.). Also carry Australian wines costing up to $65 at the top end. Publix is "new" to the wine program - so can tailor offerings to store's clientele by carrying wine beyond corporate list.
REGIONAL CHAINS	
Specs Liquors and Fine Wines	Carry about 100 Australian SKUs ranging from $5 - $100. Carry major brands and regions.
Binny's	Carry about 100 SKUs, but not a large part of business. Low end to high end, mostly Shiraz and Shiraz blends due to corporate selections.
NATIONAL CHAIN	
Total Wine & More	Carry 300 - 350 Australian SKUs, with prices that range from $4.99 to high end (more sales on the high end).
ONLINE ONLY	
Wine.com	Carry a large, diverse selection (over 400 SKUs) of both value wines and high-end Australian wine. No Yellowtail.
DISTRIBUTORS	
Lauber Selections	Carry large Australian producers, rather than small producers. Mainly - Mollydooker, Jim Barry, Yalumba, Oxford Landing. Smaller part of their business.
Young's Market Company (Estates Group)	Primarily represent lines of one leading importer - Old Bridge Cellars. Carry 20 - 25 Australian brands that retail from $10 - $125. Small part of their business.
Republic National Distributing Co.	Carry at least 100+ Australian SKUs that retail for $8.99 to $50 - $60. Jacob’s Creek is top volume Australian producer. Used to handle Penfold's, Rosemount - before they were bought out. Australia is a small part of their business.

Sales Trends

For nearly all interviewee companies, Australian wines are not a large part of their business. For most, sales have been improving, but growth has been meager. In some cases, improved sales were attributed to hand selling and guiding customers to Australian wines.

> *“They’re doing better because I’m there. Generally, at a grocery store, you’re not getting wine advice from anybody. I definitely try to introduce people to wines from other places.” Mollie Stone’s, San Francisco*

Those who haven't seen much of an improvement in Australian wine sales consider it a "sorry category" and attribute slow sales to a "critter hangover."

> *"I think there’s been a real hangover [after] being perceived as critter label wines and lower shelf in the big box stores.” Vino!, San Francisco Bay Area*

The representative from Binny's feels she doesn't have many higher end Australian wines to offer her customers due to her belief that the company isn't committed to broadening their Australian offerings.

> *"[Binny’s] corporate stance on this category seems to be stuck on the cheap and cheerful and big, high alcohol South Australian Shiraz mode without much recognition or feeling that there is interest on the part of the customer for the rest of what’s there. And that’s disappointing to me.” Binny’s, Illinois*

The representative from Spec's in Texas noted that Australia was at one time a big part of their business (they carried over 200 Australian SKUs), but that has since been replaced by wines from Argentina, Chile, and Spain. However, he has seen improvement in the $15 - $25 price category. The representative from Total Wine & More identified their Australian wine sales a "medium" part of their business, although it has declined over the last few years, and is now not considered a growth category.

One distributor attributes the slowing of their Australian wine sales to a decrease in quality across the category when the price of Yellowtail decreased.

> *“You’re not getting the quality. When they very first came out you could find good [Australian wines], and then they had the big, huge boom. We’re rushing them to market - I call them green wines.” Republic National Distributing Co., Texas*

From the perspective of the Wine.com respondent, whose job it is to advise customers, Australian wine is a substantial part of Wine.com's business. Although she does not find that customers necessarily ask for Australian wine (although those who do typically ask about Shiraz), she and her colleagues recommend Australian Cabernet Sauvignon, for example, as an affordable alternative to California Cabernet Sauvignon. The Wine.com recommendations team considers Australia a provider of good value for the quality and a wine category that meets the needs of many customers.

Among those who had a more positive outlook, one noted seeing an uptick and interest in white Australian wines, including Riesling, and another has seen an increased interest in red blends. Still another has observed the sales and price point of Australian wines rebounding as people are moving away from higher priced wine regions (e.g., France), rediscovering the flavor profiles they like in Australian wines, and finding that some Australian wines over-deliver.

AUSTRALIAN WINE SALES TRENDS

Australian Wine – the Quality Threshold

Respondents were asked at what price they think Australian wine jumps in quality. Answers were fairly consistent at around $15. Some estimated this quality price point to be between $15 - $20.

Some respondents were more precise in their estimations. A New York retailer described $15 Australian wine as "good," but with no distinctive flavor profile, and $20 Australian wine as "phenomenal" with diverse and interesting flavors. A Los Angeles retailer also noted a quality jump at $15, another quality jump in the mid-$20s, and another at around $45. He elaborated that customers who purchase Australian wine priced in the mid-$20s tend to be customers who like to experiment, and those who buy Australian wine that costs $45 and up are purchased by customers know what they want. A San Francisco Bay Area wine shop respondent took this further, observing that from $9.99 up to $12.99 there is a big step up in terms of sourcing and quality; then from $15.95 to $19.95 an increase in quality; and then from $24.95 to $40 Australian red wines have some element that makes them more prestigious, such as appellation, old vines, small production, etc.

There were some who believe Australia's initial wine quality threshold is a bit higher. One who works at an independent wine shop in Chicago believes quality jumps at around $20 - $25. An Oregon grocery wine shop representative believes that quality improves at $20, when in his words, Australian wine is "no longer critter wine" or "gimmicky." (A Texas retailer also identified under $10 wine as critter wine that "tastes all the same.") An Illinois retail chain respondent sees the "sweet spot" for "affordable and good" Australian wine as $15 - $25, with a quality jump at $25.

One respondent made an important observation about Australian wines under $15. Although it is generally believed that quality increases at the $15 price point, “People that go for $10 to $15 wine, don’t have the hugest of expectations but they want it to taste good.” (Bottlerocket Wine & Spirit, New York)

Another insight came from an independent retailer in Arizona who has observed a general shift in the quality threshold of Australian wines over the past few years. In his opinion, the quality that used to be found in Australian wines in the $8.99 to $11.99 price range isn't attainable today without spending $20 - $29.99.

Lower Priced Australian Wines - Sales Trends and What's Doing Well

The brands in the under $15 price category respondents indicated are selling well for them included:

- 19 Crimes
- Jim Berry
- d'Arenberg (Stump Jump, and in general)
- Heskith (Syrah)
- Jacob's Creek (one thinks the bottom tier has dropped in quality and now it's necessary to go to the reserve tier for that same level of quality)
- Leeuwin (Sauvignon Blanc)
- Lindeman's (Bin 65)
- Oxford Landing
- Penfold's
- Peter Lehmann
- Robert Oatley (Chardonnay)
- St Hallett (Shiraz, Shiraz blend)
- Two Hands
- Yalumba
- Yellowtail
- Wolf Blass

Despite study participants' negative opinion of Yellowtail and how it is believed to have undercut Australia's reputation in the U.S., for many, it sells very well (for example in Andersonville Wine & Spirits, an independent Chicago retailer; and Wegmans).

Yalumba was positively mentioned multiple times - as a quality brand in general, as a good value, and praised for its whites (Riesling and Viognier). Its appeal was seen as stretching across multiple price categories.

Jim Barry Cabernet Sauvignon was brought up by a few respondents as offering more "bang for your buck" than California Cabernet Sauvignon at the same price.

Two Hands and Peter Lehmann were named as selling well due to their positive ratings and because they are not widely available in grocery stores.

Best selling Australian varieties/types in the under $15 price category mentioned by respondents included:

- Cabernet Sauvignon
- Chardonnay (unoaked)
- Pinot Grigio
- Viognier
- Shiraz
- $10 - $15 Reds

Shiraz is carried by all respondents and for some it sells well (e.g., small independent retailer in the Northeast: Franklin Liquors; and Binny's). However, many - including distributors Lauber Selections, Republic National Distributing Co., and Young's Market Company - see the sales of Shiraz decreasing.

As noted above, Australian Cabernet Sauvignon was often noted as providing better quality than a California wine at the same price. In fact, the Wine.com representative regards Cabernet Sauvignon as their biggest Australian success story.

Among retailers who reported they have experienced weakening demand for lower priced Australian wine were Spec's and Sherry-Lehmann. The Sherry-

Lehmann representative commented that in the lower tier, many of the wines taste the same.

> *“A lot of the lower priced wines - they’re very much the same flavor profile. You can’t really tell whether or not you’re having a Rosemount or a Jim Barry.” Sherry Lehmann, New York*

However, another New York independent retailer, whose few Australian offerings tend to be in the mid- to upper-range, warned not to assume cheaper Australian wine is of inferior quality. She personally finds Jacob’s Creek and Wolf Blass offer some simple, clean wines.

> *“The value is there and I’ve had to get over my stigma. Large quantity does not necessarily mean low quality.” Bottlerocket Wine & Spirit, NYC*

There were many success stories told by respondents who sell Australian wine in the under $15 category.

A respondent who sells a few hand-selected Australian wines at a multi-unit wine specialty shop in the San Francisco Bay Area explained that he is able to sell some under $15 Australian wines by occasionally finding good value close out wines that he can offer for under $15 (e.g., Heskith Syrah). He has had success with St Hallett Shiraz and Shiraz blend, and with some unoaked Chardonnays that had a clean characteristic. For the Wine.com respondent, one particular successful Chardonnay came to mind - Robert Oatley - which she described as a "crowed pleaser" because it is "not too light, but not heavily oaked," and available at about $15/bottle. She sees this as one of the few good quality Chardonnays at that price.

An independent retailer in Arizona has noticed that since the economy has improved the ceiling for lower-end Australian wine has increased to $10. The store has phased-out Yellowtail due to grocery competition and now pushes Lindeman’s, which is priced on average at $10 a bottle.

Proliferation of Brands in the Under $15 Price Category

Respondents were asked if they thought a proliferation of brands is an issue.

Overall, one retailer who sees under $15 Australian wine sales declining, attributes this decline to the increase in the number of brands that have entered the low end price category.

> *"As more and more entrants came into the market there was an issue of quality. Customers feel a little less confident about it, and that customer may not be necessarily tied to a particular region." Total Wine & More, Headquartered in Maryland*

Another attributes the decline to the consolidation of many brands and pressure on distributors by large wine companies that own Australian brands to carry their wines.

A few respondents said that too many SKUs have been an issue because there is no new story to tell.

In the opinion of the Publix Super Markets representative, “big brands destroyed the image of good Australian wines because people think of Australia as a source of an ocean of cheap, ripe, soft wines that don’t cost more than $10.” In his experience, many consumers are not aware that Australia makes better wine.

On a more positive side, one study participant thinks that a proliferation of SKUs is not a problem because it gives consumers an opportunity to try new wines, while another stated that many of the brands "filter out” due to lack of sales, leaving the best of the lot behind.

Higher Priced Australian Wines - Sales Trends and What's Doing Well

In the price categories over $15, the following brands have been doing well for respondents:

- Clarendon Hills Astralis (high Parker scores)
- d'Arenberg (“stable” though “highs and lows”)

- Greg Norman
- Llewyllen (Riesling and Chadonnay)
- MacPherson (Victoria Shiraz)
- Marquis Philips
- Mollydooker (due to its labels; variety of wines at every price point)
- Penfold's (upper tier)
- Peter Lehmann
- Shield
- Tahblik (good quality/price ratio; good story)
- Torbreck
- Yalumba (higher end)
- Yangarra (Shiraz McLaren Vale; Grenache)

Best selling Australian varietals/wine types in the under $15 price category that were mentioned included:

- Cabernet Sauvignon (Margaret River)
- Cabernet based blends (Coonawarra)
- Grenache (due to quality and its uniqueness) and old vine Grenache
- Pinot Grigio (at a shop located in a hot climate)
- Riesling (Eden Valley, Clare Valley)
- Semillon (Hunter Valley)
- Semillon blends
- Shiraz
- Shiraz blends
- Reds sell more than whites in this price category

Ratings are important in the higher end price tiers. In fact, one New York retailer said that any wine that makes the Wine Spectator Top 10 does well for them. She gave the example of Yalumba Port. Australian wines with ratings from IWC (International Wine Challenge), *Wine Spectator*, and *Wine Enthusiast* sell best for Total Wine & More. Respondents in the grocery sector noted that it is price and brand recognition that are important.

Trade Impression of Over $15 Australian Wines

All initial respondent reactions to the question of their impressions of higher end Australian wine was positive. Most often respondents described these Australian wines as good values, and one pointed out that he likes higher priced Australian “big” reds due to their unique flavor profile and style.

Only one said he doesn't like Australian wines in this category due to his personal taste preferences. Although he likes food-friendly wines and avoids over-oaked, extracted wines, he finds that Australia wines that match his preferred profile are priced a bit too high (e.g., $23 to $24 instead of $15 - $18.95).

Another respondent has mixed feelings. He doesn't like Australian wines in the Mollydooker style, but thinks wine from Barossa, Limestone Coast, and Margaret River are “spectacular.”

Small Production vs. Big Brand Line Extensions

Respondents were asked their opinion on smaller production, lesser-known brands from Australia in the over $15 price category, as opposed to the big brands entering the over $15 category with “line extensions.”

Many favored small production, lesser-known brands, because they perceive them as being produced with more care, having an “implicit trust.” They are viewed as “more sophisticated,” interesting, and more unique than the widely distributed brands, and more often have a story that helps them sell. It was agreed that these types of wines tend to be hand sells, and sell best for retailers who have the staff to do so. These wines fit the current “authenticity” trend.

> *“There’s a flight to authenticity, a flight to return to smaller, artisanal production, or at least a perception of small, artisanal production so that smaller brands coming in have a leg up in the conversation.” Young's Market Company, San Francisco Bay Area*

One noted that he believes there is a market for these smaller production wines, but there needs to be promotion and advertising to support sales.

Even among those who prefer these types of wines, many complained it is hard to get them. Or, they buy them and when it is time to reorder they are not available. Besides availability, distribution was identified as a problem for small producers. One fan of these wines also commented that these wines tend to be more expensive once they enter the U.S. market.

> *“It’s tough for them if they don’t have the marketing muscle behind them because the Constellations and the Treasurys can so easily drive distribution through all their distribution networks, their vendor networks.” Publix Super Markets, North Carolina*

There was also a substantial group of respondents who have done quite well with big brand line extensions, from independent retailers of all sizes to grocery chains, and they find it easier to sell recognizable brands. These line extension wines were described as eye-catching and curiosity piquing. Respondents named Penfold's and Yalumba as examples of successful brands who do well in multiple price tiers.

The point was made that big brands that produce line extensions make it difficult to convey a message or tell the necessary story to sell these wines. However, d’Arenberg was described as an anomaly because of how they have successfully built stories about each of their many wines.

> *"d’Arenberg has 24 new Shiraz's to hit the market but they all tell a story about a specific vineyard and a specific site. That’s something that, I think, could work.” Young's Market Company, San Francisco Bay Area*

Another problem that can arise from big brand line extensions is the potential to dilute the brand's own product line. As noted above, line extensions if “done well” or “intelligently” can be successful.

A few of those who favored smaller producers view big brands entering the over $15 market via line extensions as “pushing their product” and find them to be harder to sell than other Australian wine.

> *"The larger brands trying to go small has a smell of desperation, [like] craft beer versus the big brands. I don’t think a lot of the customers they want to target buy that for a second.” Vino!, San Francisco Bay Area*

One suggested that big brands would do better with line extensions if they changed the new line's brand name (and cited Gallo as an example of this).

One respondent (a grocery wine department representative) made a noteworthy point - that both small producer wines and big brand line extensions have a place in retail, as they appeal to different types of customers.

AUSTRALIA'S COMPETITION

When respondents were asked who they think competes with Australian wine, varietals, regions, and in some cases, specific wines were discussed. There were a few respondents who consider “everyone” Australia's competitor, considering the vastness of the U.S. market.

By Varietal

- Competition for Australian dry Riesling: New York Finger Lakes Riesling; and Riesling from Germany, Austria, and Alsace.

- Competition for Australian Shiraz: Red wines from California and South Africa, and for bigger Shiraz, Argentinean Malbec. Some specific competitors to St Hallett Shiraz mentioned were Hahn GSM and Petit Syrah. In general, Argentinean Malbec is considered a Shiraz competitor by some (see more by price category further on in this report). However, it was suggested that the path Malbec is taking is similar to the one Shiraz took years ago, (“a race to the bottom,” which is benefiting Australia as it is winning some Shiraz drinkers back). One believes Australian Shiraz drinkers may be moving up to California Old Vine Zinfandel.

- For Australian Marsanne and Viognier: One respondent suggested Eastern European wines or Gruner Veltliner would be the closest competition when looking for unique, interesting white wines.

- Australian Cabernet and bigger reds: Napa Valley. A respondent specifically considers Mondavi Reserve Cabernet Sauvignon a competitor of Coonawarra Cabernet Sauvignon.

By Region

From the most general perspective, respondents see Australia competing with other New World regions. Most often in this context: California, Argentina, and to a lesser extent, Chile. A distributor also considers New Zealand and South Africa as Australian wine competitors.

By Price - Under $15

In the lower price category (under $15), the regions and varietals that respondents suggested compete with Australian wine included wines from:

- Spain
- Portugal
- France (Cotes du Rhone)
- Argentina
- Chile
- The U.S.

A distributor made the point that when the quality and price of lower end Australian wine is perceived as being “too far apart,” retailers will move on to regions (like Argentina, California, or Washington) that provide a better quality/price ratio.

Varietals called out as under $15 Australian wine competitors included:

- Grenache
- Pinot Grigio (Cavit)
- Malbec (“stole Shiraz's sunshine”)

By price - $15 and Above

California, Argentina, Chile, and South Africa were also mentioned more specifically as regions that compete with Australian wine in the over $15 price category. Additionally, one respondent feels that Australian wines that cost $20 or more compete with “modern” Spanish wines and wines from Southern France.

More specific wines that compete with over $15 Australian wines included:

- Red wines form Napa Valley and Sonoma County, including California Cabernet Sauvignon
- Mid-range Bordeaux
- Chianti
- Pinot Gris from France/Alsace
- German Riesling
- Rhone

The nature of competition cited varied by geography. For example, an Oregon retailer in a community with a large number of California transplants said that wines from California are particularly popular in his store. A Whole Foods in San Diego caters to a significant number of European expatriates who tend to buy $20 - $40 Bordeaux. A Texas retailer noted that “big” Cabernets are popular due to the popularity of steak in his community, which makes it harder for Shiraz to compete.

In the over $30 price category, a Binny's representative commented that competition for Australia increases.

> *“The higher up you go in price the more quality options that you have. There are also more iconic things that people already know about at those price points. You have to have an adventurous customer who’s willing to try something they are not familiar with to get them off the Napa track or whatever track they’re on.” Binny's, Illinois*

Other Observations

A New York retailer observed that, in her opinion, the difference between Australia and some of its competitors is in the winemaking.

> *“If I had to generalize, also, Australian wines sometimes seem a little too technical for me, like the technology and the science behind it is so super squeaky clean that it just lacks interest for me.” Bottlerocket Wine & Spirit, NYC*

One distributor made the comment that Washington and California compete with Australia because they appeal to “similar palates.”

WHO BUYS AUSTRALIAN WINE

Interview participants were asked to describe their best customers for Australian wine. It should be noted their replies are anecdotal rather than quantitative.

The type of customers who buy Australian wine varied by each retail outlet's clientele, but some trends emerged from responses. There were two types of customers discussed - customers who buy Australian wines regularly or ask for Australian wine when shopping for wine, and customers who are open to buying Australian wines or are attracted to the category.

Australian expatriates and those who have travelled to Australia were the types of customers mentioned most often as those who ask for Australian wine and buy it regularly. They were pinpointed as Australian wine's biggest fans.

> *“Certainly people who have been there…that’ll do it for most places. There’s no substitute for that.” Binny’s, Illinois*

The other major category of customer who buys Australian wine regularly is the everyday wine drinker looking for a value priced house wine, and those who typically don't spend a lot on wine.

Customers who buy lower priced wine or who are new to wine were also recognized as purchasers of Australian wine.

In answer to the question of who buys Australian wine, some responded with the type of consumer who they feel are open to trying Australian wine. For example, customers looking for something new or who like to experiment are in many cases open to trying Australian wines. The Sherry-Lehmann participant described these as customers who want something new because they are tiring of Malbec from Argentina or find New Zealand wines too dry or acidic. However, they typically need to be directed to Australian wines.

> *“That type of customer would be a hand sell customer. They are people who like to come in (for) what’s new - a new varietal, a new region or what’s new that I like.” Franklin Liquors, Massachusetts*

Other types of customers that respondents point toward Australian wines are those looking for a wine to drink with BBQ or spicy food. A respondent who works for a grocer in San Francisco said that in her experience she see customers who are in the wine industry, taking wine classes, or involved in tasting groups as coming in to buy Australian wine.

There were many observations regarding Australian wine purchasers in terms of age. For example, a retailer in Arizona has found that his customers who are interested in buying higher priced Australian wines tend to be California retirees with more disposable income, that is, the “country club set.” This was echoed by a retailer from Oregon who said that more expensive Australian wines such as Mollydooker are of most interest to “wine aficionados” who are retirees, or those in their 40s or 50s who have second homes in the vicinity of his store. Customers who have travelled to Australia were also described as typically in their 40s or older.

A Southern California retailer has noticed that her older customers appreciate screw cap closures because they are easy to open, but her European expatriate clientele do not. She also considers Shiraz a better wine to pair with food, especially compared to Cabernet Sauvignon, and for that reason believes it is more attractive to older customers because they typically buy wine to match with food.

In contrast, one respondent explained that in her experience, it is the 20-somethings who tend to buy white Australian wine to be consumed right away, and that whites in the cold box are particularly popular among those in this age group. Leeuwin Sauvignon Blanc was specifically mentioned as a wine that does well in this context.

Younger wine buyers (in their 20s and 30s) were tagged by one respondent as looking for value in Australian wine. In another's experience, college students buy based both on price and brand. Still another sees his younger customers as more open to experimenting with wine.

Also related to age, a college town grocery wine department representative says that in her market, college aged customers are buying Yellowtail. Another urban grocery wine department respondent, whose clientele include young professionals, observed that these customers have moved past buying Yellowtail to buying Australian brands like 19 Crimes and Lindeman's. He further noted that if they are going to spend over $20 on a wine, they are more apt to buy California wines. Customers who are more knowledgeable, and typically middle aged will buy Australian wines such as Mollydooker and Penfolds based on quality and their interest in trying new wines. One observed that younger respondents who are open to Australian wine typically don't have a preconceived notion of Australian wines past reputation as only a source of lower priced wine.

A couple of respondents - one from a grocery wine department, and one who is an independent retailer - mentioned craft beer sales. One in the context of attracting younger consumers to their shop, and another who observed that craft beer drinkers are typically more experimental in their wine choices, and are open to trying Australian wine.

In more diverse markets, it was harder for respondents to pinpoint a specific type of customer that purchases Australian wines. In the Texas market, one retailer sees respondents of all ages buying both lower priced and higher priced Australian wine. Although, he did comment that affluent “wives” tend to buy lower priced brands in 1.5 liter bottles, while their “husbands” buy Mollydooker.

TRADE PROMOTION

Trade promotion impact was touched upon by some respondents during their interviews. Most comments were made in the context of what type of trade promotional activities they consider to have made some impact, and what countries or wine regions they think have been successful in promoting their region in the U.S.

There were some very positive opinions about the impact of promotional associations. Increasing awareness of wines from a region is viewed as a win-win.

> *“Definitely support from a trade association makes a difference. When you think about all the wines that are available to consumers today, being top of mind is key, whether it’s top of mind with consumers or you’re focusing more on the trade. It just helps your leg up.” Total Wine & More, Headquartered in Maryland*

The level of involvement in promotions was mixed, and ranged from traveling to a wine producing country on a promotional trip, to experience with POS.

Those who had participated in a sponsored trip to a specific wine region or country found it to be invaluable - both to their personal knowledge of the wines from that area, and also in the sense that their enthusiasm about the region has translated into a long-lasting interest in imparting that knowledge to their colleagues and customers. One respondent took a trip to Portugal with ViniPortugal, and another took a trip to Australia with Wine Australia about "ten years ago." Both thought these trips were especially effective in getting them to realize these countries produce a large array of wines.

> *"Then I knew more about Portugal than I did about Bordeaux. I felt extremely comfortable with this country, its regions and its 250 varietals.” Bottlerocket Wine & Spirit, NYC*

> *“Every person on that trip, I’m sure, has been talking about it ever since, just like I have, and getting people to try the range of wines that are coming out of [Australia].” Binny’s, Illinois*

Conducting tastings is a worthwhile promotional initiative from the perspective of respondents - both trade tastings and consumer tastings. A Los Angeles retailer welcomes local Australian wine brokers that come to his store and taste customers on Australian wine. He said this is very popular among his customers.

Some of the respondents do their own promotions of wines from particular regions though tastings. In some cases, this is done with involvement from a promotional organization. One retailer has a “wine room and wine club” through which he has tastings led by a wine specialist or educators.

There were some who find trade tastings organized by regional promotional groups helpful in that they reenergize members of the trade and push them to revisit wines they haven't recently experienced or considered.

Larger retailers that have corporate oversight were more apt to have formal relationships with promotional entities. For example, Whole Foods does a regional promotion twice yearly. The Whole Foods representative that participated in this study was not privy to how the regions were chosen, but had heard feedback that the quality level of the wines had been disappointing in the case of their last imported wine regional promotions. The representative from Wine.com sees through her experience that support from trade and marketing organizations have helped to foster the perception of Chilean and Argentinean wines as good values. Their regional promotions are coordinated with trade organizations and include discounts offered through emails, advertising, marketing materials sent along with shipments, blog posts, and social media exposure. Although not as robust, Wegmans promotional involvement is comprised of end displays and occasional supplier tastings.

An important point made by a Texas distributor was that, unless you're located in a major "metroplex,” many trade promotional opportunities are not available. In his case, the trade promotions that make an impact are ads in publications that reach his customers, like *Wine Spectator*.

When asked what wine region's trade association promotions are making headway in the U.S. market, only Portugal came up, and only by a few respondents. One respondent's experience with Portuguese promotional efforts targeted to the trade was in the form a “comprehensive tasting,” that “got the point across.”

WHAT'S HOT

Apart from wines from Australia, wine regions and wine types that are doing well for respondents and were mentioned most often included:

- French wine (mentioned in general, and Loire, Bordeaux, Rhone, Beaujolais, Burgundy mentioned specifically)
- Argentinean Malbec (“soft” like Merlot, but “more interesting”)
- California wine
- Domestic Red blends (The Prisoner mentioned by one respondents; one thinks of these wines for those looking for more flavor, but "not sophisticated enough" for Cabernet Sauvignon)
- California Cabernet Sauvignon
- Italy (mentioned in general, and Tuscan; whites, such as those from Arneis, Puglia, mentioned specifically)
- Spain (mentioned in general, and lesser known regions also mentioned by a few)

The following are wine regions and wine types mentioned multiple times, but not as often as those above:

- South African wine (Bordeaux blends and Chenin Blanc)
- Portuguese wines
- Argentinean Cabernet Sauvignon
- Chilean wine
- Pinot Noir (California mostly, but one mentioned Oregon)
- Napa Valley wines
- Bordeaux (mentioned in general, and one mentioned those in the $15 - $20 range for everyday drinking)
- New Zealand Pinot Noir, and Sauvignon Blanc (noted as doing well because they are less expensive than California Sauvignon Blanc).

The following were each mentioned by one interviewee:

- Eastern/Central European wines
- Austrian wines
- Gruner Veltliner
- Chenin Blanc
- Syrah
- Dry rose
- Sparkling wine
- Prosecco (for Mimosas)
- Smaller production Champagne
- Organic/Biodynamic wines

In addition to the reasons for success mentioned above, other reasons mentioned by respondents included: consumer exposure through wine bars, consumers having read about specific wines of interest, wines that are unique or “very distinctive” (South Africa), name recognition (The Prisoner, Meiomi), familiarity (Italy), strong value (Argentinean Malbec, Portugal), food friendliness (Spain), and increasing quality (Portugal).

Pinot Noir from California and Oregon were mentioned as being popular for multiple reasons. One specifically called out cooler climate Pinot Noir as selling well, another mentioned it has become more popular as consumers are trying different styles of Pinot Noir. Another mentioned that Pinot Noir in the $9 - $16 price category sells well, which he thought might be due to the popularity of Meiomi.

One commented that Spanish wines are “having their renaissance” among consumers seeking interesting regions, but feels the market is now becoming saturated. Another sees Spanish wines as a good value, food-friendly, good for outdoor entertaining, unique, and as having an exciting history.

OPPORTUNITIES FOR AUSTRALIA

A variety of opportunities for Australia to gain market share were identified by respondents.

More bang for the buck. In some categories, Australia offers quality wine at a lower price than similar wines from other regions. An example of this was a $15 Shiraz that can offer the same quality as a $20 - $25 California Syrah. Margaret River Cabernet and Chardonnay were also noted as having potential because Napa and Sonoma price are too high.

Riesling. One New York retailer identified Riesling as “hot” in New York City. She sees the confusion about Riesling sweetness levels lessening (perhaps due to the sweetness indicator used on labels), and an interest growing among a younger demographic. That Riesling pairs well with food was also mentioned as a reason for its potential to gain momentum on the U.S. market. Another retailer believes that Ste. Michelle's Riesling has helped drive Riesling awareness and trial. Still another advocates promoting Australian dry Riesling from Eden Valley and Clare Valley, and Pewsey Vale Riesling in particular.

However, this optimism about Riesling was not universal. Another New York retailer does not see a growing market for Riesling and has not experienced success for Australian or New Zealand Riesling at her shop. She considers them a hand sell and regards that as a barrier.

Other Australian whites. White wines beyond Chardonnay, such as Semillon, Semillon blends, and Viognier, were noted as having potential. One suggested a rosé.

Cabernet Sauvignon. Something to compete with domestic Cabernet Sauvignon (especially California) as prices rise. One thinks over $15 Cabernet Sauvignon based blends would also be of interest to consumers. Suggestions included Margaret River Cabernet Sauvignon and a Coonawarra Cabernet blend.

Regional Australian wine. Highlight the differences between regions and the unique wines produced in each region. Respondents think there would be interest in wines from Tasmania (Pinot Noir and sparkling wine); McLaren Vale (Grenache and Riesling), Barossa, and South Australia.

Cooler climate wines. A different style Shiraz was given as an example, as was Pinot Noir.

The “middle” price categories. The definition of the “middle” price category varied, but included \$15 - \$19, \$20 - \$25, and \$15 - \$35.

Specific wines with potential. Clarendon Hills – gets a lot of write-ups and good *Wine Advocate* reviews, and people request it. Two Hands was also called out.

Smaller production wines. Wines made in a more artisanal style.

Much advice was given on how Australia can work toward gaining market share.

Move perceptions of Australian wine away from bulk, mass-market wine by promoting Australia's diversity and uniqueness. Consumers are getting more knowledgeable and looking for more off-the-beaten-path wines. Move the focus to categories such as heritage wines and “old vines,” and away from gimmicky labels.

Promote Australian wines NOT produced in a high alcohol, big, oaky, jammy style. Respondents would like to see Australian wines that are more complex, food friendly, elegant, and balanced. However, one noted the importance of maintaining a fruit forward style because that is the style consumers expect from Australia, but to “strive” for balance.

Tell stories. Promote passionate winemakers, tell stories, and make the wines romantic for the customer.

> *“Selling wine is a lot like being a storyteller. It helps if you have a story to go with it. It helps sell the wine.” Dean Ray’s Food Place, Oregon*

Another emphasized “authentic” stories that “reflect a sense of place,” which resonate with consumers.

> *“Wines that have an authentic story to tell: they’ve got an owner, they’ve got a winery, they’ve got something to say and they’re reflective of their sense of place.” Young’s Market Company, San Francisco Bay Area*

Maintain authenticity. An example was given how large beer companies have gotten on the craft beer bandwagon, and flooding the market with “craft” beer which makes it difficult to maintain an “aura of authenticity.”

Boost awareness and availability. Among both trade and consumers. Some members of the trade have never had the opportunity to try some of the wines in the upper price ranges. More consumer and trade tastings are needed.

Convert domestic Cabernet Sauvignon drinkers into Australian red wine and red blend drinkers. One distributor finds it an easy transition from higher priced domestic Cabernet Sauvignon to Australian Cabernet Sauvignon. It was suggested that these consumers are the best source of new Australian wine drinkers.

Consider taking Australian wine out of the Australian wine section. In the context of exposure to Australian wine, the idea of where Australian wines are located in a retail shop came up. Being isolated in an “Australian” wine section, there is a missed opportunity for adventurous wine drinkers to choose an Australian wine when seeking a specific varietal.

CHALLENGES FOR AUSTRALIA

According to many of those interviewed, the negative impact of critter wines and the “monolithic” and “manufactured” stereotype take attention away from higher quality Australian wines. In this view, the brands that consumers see most often don’t reflect the true or distinct appeal of Australian wines. However, it is the lower end Australian wines that in some cases are the biggest sellers for some retailers (e.g., in the grocery channel). The challenge respondents put forth is to “blow up the bias.” In the opinion of the representative from Lauber Selections, “Yellowtail killed Australia; destroyed the Australian market.” He goes on to explain that brands like 19 Crimes priced at $8.99 - 9.99 with marketing dollars are now taking “too much of the pie,” while smaller producers with better quality wines can't get retailers to pick them up.

The lack of availability and awareness of interesting Australian wine in the over $15 price categories, from lesser-known Australian wine regions, and small production wines. Some feel these are missing from trade tastings. The trade know these wines exist, but haven't had the chance to taste them and don't know how to get them. It is difficult to trade up customers when the upper end is unfamiliar.

> *“What I find is lacking, not only at our store but in the New York market here, is the high end spectrum of Australian wine - I know they exist. Even at an industry tasting at Lincoln Center, people didn’t have an understanding of what [high end Australian wines] they were in the presence of.” Bottlerocket Wine & Spirit, New York*

Further, these wines are not promoted as aggressively as the big brands. Small wine producers also face problems with inconsistent distribution, as well as getting distributors behind them.

> *“Smaller Australian producers have really been bounced around between importers and distributors carrying them. So, their presence isn’t really as consistent as the bigger boys.” Vino!, San Francisco Bay Area*

In response to the question of availability, one distributor said distributors in general are "tiptoeing" carefully back into the market because they are hesitant to take a large position on inventory as the market rebounds.

Another distributor's experience is that smaller production wines are difficult to source. In some cases, because some producers can't fill the pipeline, distributors manage their allocations by offering them primarily to on-premise accounts.

<u>For independent or fine wine retailers, aggressive grocery channel pricing</u>. One respondent discontinued Layer Cake Shiraz because their price was higher than their local Safeway.

<u>The fact that California wines are “easy to move.”</u> Competition with wines that are more familiar and have a reputation for quality is a challenge for higher priced Australian wines.

<u>Shiraz has been hard to sell</u>. One observed that Shiraz is being replaced by red blends. Another described selling Shiraz as “a battle.”

<u>Customers don't ask for Australian wine</u>.

<u>The perception that Australia is one region</u>. Although this is changing, most consumers are only aware of a few Australian wine regions (McLaren Vale and Barossa Valley were primarily mentioned).

<u>The perception that all Riesling is sweet</u>. The challenge of overcoming the perception that all Riesling is sweet, makes selling dry Australian Riesling difficult.

<u>Corporate control over regional retailer offerings</u>. Some retailers can only buy wines that are on corporate-approved lists or schematics, which inhibits the addition of lesser-known Australian wines that may be of interest to regional clientele.

Without hand selling, lesser-known Australian wines will not sell through. Fine wine shops have more success selling lesser-known Australian wines than larger retailers with less knowledgeable staff to hand sell.

Regaining “bang for the buck” reputation. Without increased awareness among the trade and wine consumers of Australia’s price/quality ratio at higher price points, consumers will continue to turn to more familiar wines and regions.

INTERVIEW GUIDE

Note: In some cases, the order in which questions were asked was tailored to the interview flow. Some questions were not asked if they were not relevant to the interviewee's experiences. Questions were slightly modified for distributor interviews.

DT1: How important is discovering new wines and regions for you personally and professionally?

Where do you typically learn about new wines and regions you hadn't known about before?

Then ask: What is your role in introducing new wines and regions to your clients and customers?

DT2: Please describe briefly the Australian wines you deal with in your work.

Roughly how many brands and SKUs or individual wines do you carry?

What price ranges and varieties?

Are they an important part of your business or small relative to some other countries or regions?

What is the sales trend for Australian wines in your company, and does it vary by type or price range?

DT3: Thinking about Australian wines, are there clearly different price segments where the quality or style noticeably changes, or the customers who are interested in the wines changes?

Probe: At what price does a noticeable jump in quality occur? At what price do sales really drop off for Australian wine?

Probe: What is your overall impression of Australian wines above $15?

These next few questions are related. I'm interested in what wines i the under $15 price category and what Australian wines in the over $15 price category have been successful for you. In addition, I'm interested in What types of Australian wines in the over $15 price tier do you specifically think have the most opportunity on the U.S. market?

DT4: Let's start with the under $15 price category. Tell me about a type or brand or region of Australian wine under $15 that have sold well for you or impressed you personally.

DT5: Tell me about a type or brand or region of Australian wine at $15 and above that has sold well for you or impressed you personally.

Probe: Why do you think that wine/brand/region has succeeded?

Probe or ask as appropriate: Do you think that the proliferation of brand SKUs is an issue for the trade?

DT6: What types of Australian wines in the over $15 price tier do you specifically think have the most opportunity on the U.S. market?

What is your opinion on smaller production, lesser-know brands from Australia in the over $15 price category as opposed the big brands entering the over $15 category with “line extensions.”

DT7: Thinking about the leading types of Australian wines in the over $15 price category, what wines from what regions would consider their competition?

Probe for countries, specific regions, and “leading brands.”

DT8: Thinking of just your customers, if you had to describe the most enthusiastic Australian wine buyers, who would they be? What do they like about Australian wines?

DT9: What wines should Australia promote in your opinion. Generally, which brands, regions or varieties do you think have the most potential to excite or interest your customers?

Probe for each: what is their distinct feature or appeal?

DT 10: What region or appellation or type of wine (not necessarily Australian) is doing exceptionally well for you right now? In the sense that people are regularly asking it or it’s in great demand, you don’t have to push it?

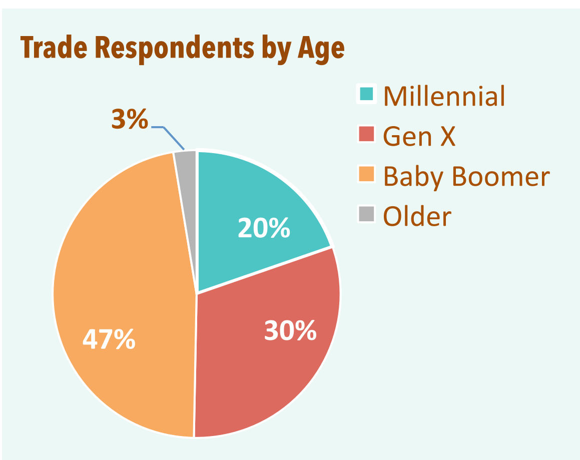
Probe: why do you think it is so successful?

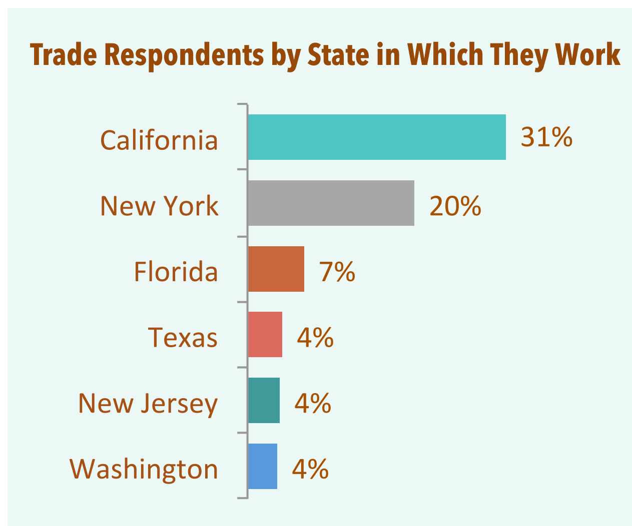
Probe: What have they done on the trade promotion front? Consumer? Wine quality/style?

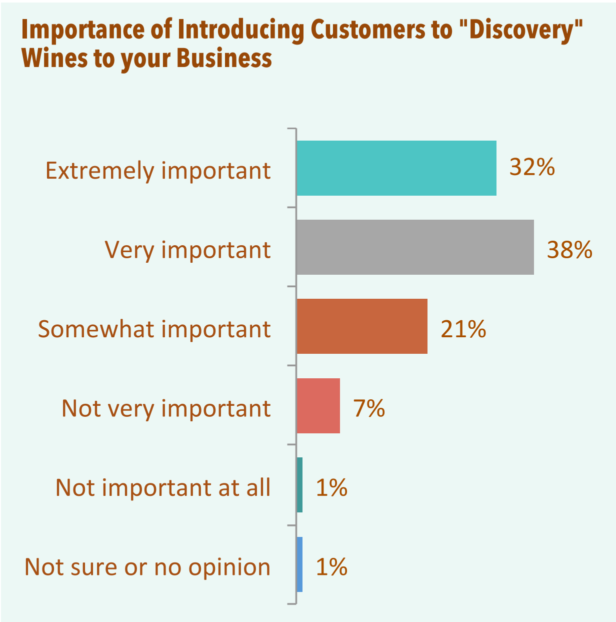
DT11: Is there anything else you’d like to say about Australian wines or individual Australian companies or brands, negative or positive?

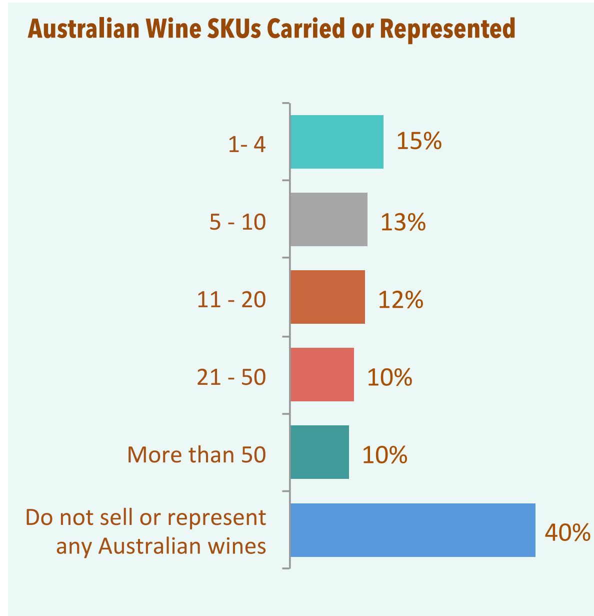
RECRUITMENT SCREENER SURVEY RESULTS

The screener survey questionnaire, used to recruit participants for this project, also provided some useful quantitative data from the 358 Wine Opinions trade panelists who participated in the survey. The following are the topline results of that survey. As noted in the introduction to this report, the targeted, non-probability nature of the Wine Opinions panel means that that screening survey results based on panel members should not be used to project or estimate the behaviors or sentiments of the entire population of U.S. wine trade.









Interest in Adding WHITE Wines to your Portfolio or Wine List in the Coming Year by Price Range

	HIGHLY INTERESTED	SOMEWHAT INTERESTED	PROBABLY WON'T ADD IN THIS PRICE RANGE	NO INTEREST IN THIS PRICE RANGE
Under $15	55%	31%	7%	7%
$15 - $25	64%	31%	4%	2%
$25 - $35	32%	47%	16%	5%
Over $35	24%	38%	28%	10%

Interest in Adding RED Wines to your Portfolio or Wine List in the Coming Year by Price Range

	HIGHLY INTERESTED	SOMEWHAT INTERESTED	PROBABLY WON'T ADD IN THIS PRICE RANGE	NO INTEREST IN THIS PRICE RANGE
Under $15	53%	30%	9%	8%
$15 - $25	70%	26%	2%	3%
$25 - $35	51%	40%	7%	2%
Over $35	39%	43%	14%	4%

Growth Potential on the U.S. Market for $15 - $25 Imported WHITE Wines by Variety

	EXCELLENT GROWTH POTENTIAL	GOOD GROWTH POTENTIAL	FAIR GROWTH POTENTIAL	POOR GROWTH POTENTIAL	DON'T KNOW, NOT SURE
White wine blends	28%	40%	24%	6%	2%
Sauvignon Blanc	27%	44%	22%	5%	1%
Riesling	25%	35%	31%	8%	1%
Chenin Blanc	25%	41%	25%	8%	2%
Chardonnay	19%	33%	38%	10%	1%
Viognier	18%	35%	31%	13%	2%
Muscat/Moscato	13%	31%	37%	16%	2%

Growth Potential on the U.S. Market for $15 - $25 Imported RED Wines by Variety

	EXCELLENT GROWTH POTENTIAL	GOOD GROWTH POTENTIAL	FAIR GROWTH POTENTIAL	POOR GROWTH POTENTIAL	DON'T KNOW, NOT SURE
Red wine blends	43%	42%	13%	2%	1%
Cabernet Sauvignon	33%	36%	27%	3%	1%
Grenache/ Garnacha	32%	50%	15%	2%	1%
Tempranillo	29%	47%	20%	3%	1%
Malbec	28%	46%	20%	5%	1%
Syrah/Shiraz	22%	41%	28%	8%	1%
Sangiovese	20%	52%	22%	4%	2%
Merlot	10%	37%	38%	14%	1%

Opportunity to Grow Share of the U.S. Market for Wines in the $15 - $25 Price Range by Import Country

	EXCELLENT GROWTH OPPORTUNITIES	GOOD GROWTH OPPORTUNITIES	NOT MUCH GROWTH OPPORTUNITY	DON'T KNOW OR NOT SURE
Spain	52%	42%	5%	2%
Italy	38%	52%	8%	2%
France	30%	50%	18%	1%
New Zealand	28%	53%	16%	2%
South Africa	25%	56%	16%	4%
Greece	21%	39%	32%	7%
Australia	16%	49%	33%	2%
Germany	16%	47%	34%	3%
Austria	15%	47%	32%	6%