

Submission to the Australian Grape & Wine Authority Strategic Plan 2015 – 2020 Discussion Paper

By the Barossa Grape & Wine Association – February 2015

Introduction

Barossa Grape & Wine Association (BGWA) represents approximately 550 grape growers and 170 winery members in the Barossa who contribute to the Wine Industry Fund established under the Primary Industry Funding Schemes Act 1998.

BGWA welcomes the opportunity to comment on the Australian Grape & Wine Authority's (AGWA) Strategic Plan 2015 – 2020 Discussion Paper as an important opportunity to develop a consultative and strategic position on issues that have a direct impact on our members and the Association.

Senior executive representation and input has been given already at the Industry forum and workshop held at the National Wine Centre on Monday 9 February 2015.

General comments

In a dynamic global marketplace, the need for companies and organisations to be agile, responsive and willing to embrace change, is a fundamental driver of business success.

Therefore, the first issue presents as: Is there an agreed mandate for AGWA reform in terms of structure, revenue streams and products, or just the willingness to seek improved performance under the existing statutory role and responsibility?

The Australian grape and wine community is amazingly resilient, collaborative in many respects, full of great stories and personalities with authentic wine, and strives to deliver high quality and internationally competitive outputs in most of its core endeavours.

Unfortunately, although this may be the basis of the category's offer, it is no longer currently shared as an objective truth in the eyes of many international gatekeepers and influencers. Sadly, it is also no longer evident in the sentiment and purchasing behaviour of many global consumers.

There is opportunity to rebuild the category messaging and contemporary image of Australian wine and leverage strong market positions in key markets. New conversations need to be had with new generations of people either experienced or not yet familiar with Australian wine. An ongoing coordinated and collaborative presence in international markets is still required, but the five year demand-led strategy needs to move beyond the traditional orthodoxy of "fine wine" positioning, and instead be creative, innovative and both identify and deliver consumer benefit.

Through the various iterations of the Australian wine industry's strategic positioning coming from: Strategy 2025, Directions to 2025, A+ Australian Wine, the Wine Restructuring Action Agenda, and the Winemakers' Federation of Australia (WFA) sponsored Expert Report on the Profitability and Dynamics of the Australian Wine Industry, the ideas proposed within AGWA's current draft Strategic Plan 2015 – 2020 Discussion Paper have already been proposed before, and have yet to be delivered upon.

What BGWA contends is missing from AGWA's Discussion Paper, is an explicit focus on developing an innovative culture across the Australian grape and wine community, that is highly adaptive and responsive to consumer-led changes in the global marketplace.

If the Australian industry does not take the opportunity to embrace a changing paradigm of wine consumption through generational change and technological innovations, then AGWA's Strategic Plan 2015 – 2020 will be destined to repeat the similarly stunted attempts to reposition the image of Australian wine.

BGWA believes we have many examples of innovation and market-led insight across our industry, but long-term declining export values, scant profitability and the ailing category performance suggest that this is not a benefit either widely shared or universally agreed. AGWA's Discussion Paper acknowledges the need for a credible premium and improved competitiveness, however it falls short in delivering a narrative and roadmap that all of industry can adopt. To suggest that a fine wine strategy – however that is going to be defined, articulated, delivered and measured – is going to effect an international category repositioning appears to be misdirected and naive.

The industry strategy should seek to reform the fundamentals that are common to all, and that commonality should be about innovation, and about encouraging a 'whole of value chain' perspective into everyone's planning and strategy.

If AGWA can play a role in shaping a strategy that seeks to reform how we tell our story to a new generation of wine consumers, and backs wine companies and regions that have the capacity to deliver on the strategy through co-investment, then we might deliver on the vision of being "recognised internationally as the world's pre-eminent wine producing country".

BGWA references its response to WFA's Expert Report and reiterates some of the recommendations in the response as being relevant to the AGWA Discussion Paper.

Action 1: Grow the Demand Opportunity and Action 2: Hasten the Supply Correction

BGWA agrees that "Grow the Demand Opportunity" and "Hasten the Supply Correction" are priorities, recognising that these two actions are linked and must happen in concert with each other.

Action 1: Grow the Demand Opportunity Key Questions:

1. Do you agree that these Actions will make a difference to the demand opportunity in the domestic and key international markets?

For these actions to make a difference:

- The shift to a collaborative culture across the entire industry must be encouraged to continue and improve.
- There must be a clear "growing demand" strategy, including market insights and planned next steps, that is well communicated across the industry with a framework and structure of activation, making it clear as to whose role is it to do what in delivering on the strategy (national, state, regional, producer). This strategy can then inform the "supply correction". Outcomes of the strategy must be measured and communicated effectively through the industry in a timely manner to ensure that the strategy is correct and adjusted as required.
- Regions (with appropriate capability and capacity) and Wine Australia Corporation (AGWA) should actively work closely together to align mutual goals and deliver benefits:
- To fulfil on the regional connection with markets both with in-market initiatives and also in-region initiatives

- As a channel for capability and capacity development both in supporting the supply correction and in delivering on growing demand.
- It must be recognised that different regions have different capabilities and capacities so that what suits some regions won't necessarily suit others. So work needs to be done in matching regional capabilities with differing market demands. Currently only some regions have the capability to partner in this style. These lead regions could then act as "pathfinders" and assist other regions in building their capabilities as well. The objective is to strengthen the overall Australian brand. There is a role for government policy and programs in this area.
- It is one thing to say that demand can be grown through various activities but if the industry does not have the ability to deliver, then the opportunity will not be capitalised on. Therefore, investment must be made in capability and capacity development of individual growers, producers, brands, businesses, regions and states (at an association and government level) to capitalise on the demand opportunities and assist growers in correcting supply. Examples of capability development are (but not limited to):
 - Understanding the value of consumer and market insights to each business and region and training on how to make use of these insights in business decision-making. This is for both wine producers and grape growers.
 - How to promote and sell wine in Asian countries.
 - How to create and deliver wine-related experiences to Asian visitors.
 - Negotiation skills.

With regard to specific actions:

Action 1.3:

BGWA supports the call for more market development programs. The request for increased funding for specific programs is noted, but first of all BGWA recommends that an audit of current and potential market development funding at a state and regional level. This should identify the quantum of funding that could be available if there was alignment across the different levels and structures.

Equally, regional associations should be more closely consulted on delivering these programs, particularly with regard to how priority-setting is determined for market investment.

2. How could these proposals be funded?

Through greater collaboration and alignment of strategies and funding across states and regions, allowing the Australian brand to make the entry into the markets, with states, regions and brands then bringing in the personalities, stories and colour.

In addition, working with other associated products such as food and tourism, which allows the wine industry to present as part of an amplified "experience".

3. What other demand-side initiatives would be supported?

No demand side initiative will work on its own. To be successful the initiatives must be a mixture of:

- In-market education and promotion (to trade/influencers/consumers depending up on the development stage of the market), *combined with*
- buyer visits (short term) and trade/influencer visits (medium to long term) *followed by*
- consistent follow up from producer, regions and in-market representatives to commercialise the opportunities

BGWA also recommends that there is a global strategy; with different markets clearly identified as to the stage of development they are in (mature, growth, re-emerging, emerging) and appropriate programs are designed to meet the stage of development.

Current Strategic Priority 1 – Increase Demand

1. Enhanced Image – Education, Marketing Communications, Trade and Consumer Engagement
2. Enhanced Reputation – Annual Analytical Survey, Label Integrity Program
Winery Inspections, Regulatory Services
3. Improved Access to International Markets – International Organisation engagement, Market Access support

With specific reference to current Strategic Priority 1, BGWA's response is as follows:

The key determinant here is that a demand-based strategy requires demand-based intelligence. We still plan on shipments rather than in-market depletions; have little or no information on competitive sets; and have no regular information on price-point growth rates and category market share of key price points.

BGWA suggests that these are all priority investments as our current data is almost exclusively supply-led.

Strategic Priority 2 – Increase Competitiveness

1. Delivering Knowledge – Market Information and Insights, Consumer Information and Insights
2. Improving Products and Processes – Objective measures of quality and assessment systems, Germplasm (yeast and bacterial), Process Efficiency
3. Understanding the Environment and Sustainability – Climate Adaptability, Germplasm, Vineyard Efficiency, Pest and Disease Management, Biosecurity

With specific reference to Strategic Priority 2, BGWA's response is as follows:

BGWA suggests that the current South Australian Market Development Priority based on Premium Food and Wine from Our Clean Environment is a more comprehensive framework and strategy on the above features and benefits than currently offered by AGWA and/or any of its market programs.

It would therefore recommend a close liaison with PIRSA to determine how and if such a priority could be developed across a national perspective, as well as liaison with McLaren Vale Grape Wine and Tourism Association as to how the current Sustainable Australia Winegrowing program could be developed as a national, industry-wide adopted standard.

Strategic Priority 3 Increase Capacity

1. Adopting Research Outcomes – Regional Extension Services
2. Developing People – Industry Leadership Development, Supporting Researchers

With specific regard to Strategic Priority 3, BGWA's response is as follows:

BGWA acknowledges the relevance of all of the criteria, but identifies Industry Leadership Development as the most pressing need.

We recommend an annual bursary scheme made available to regions from AGWA for the

identification and investment in leadership programs for outstanding individuals across sales, marketing, viticulture and winemaking. Recipients could serve on relevant industry reference groups as payment in dues for the initial sponsoring support.

The BGWA recognises that there will be many diverse opinions offered throughout the consultation period, and thanks AGWA for the opportunity to put forward our views.

We encourage AGWA to endeavour to create an enduring platform from which the whole Australian grape and wine community can grow.

The BGWA Board are very willing to provide further feedback or respond to any queries from this submission.

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