



# Say cheers!



*It's all about drawing your customers in. Besides the great wine selection at Woodlands Food Lover's Market, the in-store ATM nestled within the department draws more feet.*

## To adventurous wine lovers, diversified ranges and higher profits

BY LAURA DURHAM

### Whining after the recession

The market is going through an adjustment phase as the effects of the recession globally recede in some areas, such as Asia, but remain in Europe and North America. "Prices and volumes that were stable and generated important market share, are currently unstable as brand owners and retailers alike have had to adjust to this new environment," comments Ross Sleet, acting head of marketing at Swartland Winery. "The lack of cash in the system affects everyone from the growers and brand owners through to retailers," he adds.

Consumers too remain cash-strapped as disposable income remains under pressure. This has been exacerbated by recent food and oil price hikes, as well as increases in electricity and municipal tariffs. "That makes value, whatever the price point,

**Your customers are still wining and dining on a budget and value-for-money, variety and innovation remain the key drivers of this category. By investing in promotional activity in-store and changing up the wine status quo, retailers and wine makers should continue to profit from this indulgent category**

absolutely paramount. People want to have the confidence that the financial outlay they are making is being well spent," says Carlen Groenewald, head of Distell's global wine marketing. This is not to say that people are drinking less wine but rather that they are 'drinking down' i.e. the average retail price of the wine that they buy is lower than before. This is not universally true, however, says Sleet, as many of the more cash rich consumers continue to buy the higher priced wines that they did before. It appears that the middle tier brands are bearing the brunt of consumers' reluctance to spend.

"The economic constraints have seen more people wining and dining at home as opposed to in bars and restaurants. The saving allows them to spoil themselves on special occasions with luxury wines," says Groenewald. ▶

## WINE & DINE ►

### Wiser wine lovers

"The wine industry in South Africa is an established, consumer-driven market," says Jan Wegelin, research manager at BMI. Although the market has seen some volume volatility in recent years. Following exceptional volume growth in both 2007 (8.4%) and 2008 (15%), the category dipped somewhat in 2009 (-4.4%). "This 2009 decline may be attributed to the recession and the impact that this had on consumer disposable income and slower export demand. In addition, given the good volume growth in previous years, it was to be expected that there would be some levelling off for the market to reach equilibrium once again," says Wegelin.

In South Africa, the biggest group of wine consumers is aged between 35 and 49 and constitutes roughly a third of the total, according to Distell's research. Then follows the group aged 25 to 34, representing around 29% of all wine drinkers. Young adults, between the ages of 18 to 25 account for 19% and those 50 years and above, 18%. Women dominate, accounting for 57% of wine drinkers. Gauteng represents the biggest market, followed by the Western Cape, the Eastern Cape and then KZN.

According to Makro's national wine buyer, Carolyn Barton, customers are purchasing a lot more varietal wines such as Sauvignon Blanc and Merlot instead of blends. "This is due to there being more available and customers becoming more clued up on wine. Sparkling wine is becoming more of an everyday drink so those are selling more. There is also the obvious growth in the sweet Rosé category, as well as the coffee Pinotages."

"There has also been a steady migration towards wines of elegance from the very fruit-driven, bigger-bodied wines of the recent past. People are looking for balance and refreshment, whether drinking wine on its own or with a meal," says Distell's Groenewald.

"It appears that consumers are brand loyal, but only for 50% of the time, but crucially not for 50% of their spend," says Swartland's Sleet. "We don't have hard facts to substantiate this, but if you consider that internationally, mainstream brands that are mid-priced sell over 70% of their volume when they are on promotion.

This demonstrates that however loyal a consumer is, price holds huge sway over their spend," he says.

"More and more estates offer good quality wines, as well as improvements in range, hence the choice is greater. Customers are prepared to experiment more and certain designer labels may have an influence on choice," says Peter Arnold, Pick n Pay's acting merchandise director.

### Merchandising matters

There are many factors to consider when deciding on a merchandising strategy for wine. Aside from store size and location, customer base remains a determining factor, as your goal is obviously to get as much wine as possible in their baskets. For example, merchandising by cultivar is helpful for those shoppers looking for the specific wine needed to accompany their dinner menu. Separating wine by brand will make for a quick purchase for those customers that have established brand loyalty – but will be very confusing for the customer simply looking for any white wine.

"There are over 140 000 wine brands globally, so standing out is always an issue! It starts in the bottle, clever brand positioning, attractive labelling, and a worthy story to tell," says Swartland's Sleet. "The rest is all hard work," he adds.

Makro's wine is grouped in red, white, rose, sparkling, box and fortified. "Red and white wines are then grouped into varietals and blends," explains Barton. Makro's Woodmead flagship store carries the widest range of wines and the separate liquor outlet caters for all tastes and budgets. For example, a fridge of expensive Moët Sparkling Wine (R369.95 a bottle) greets customers as they walk through door, and a cigar cabinet has been placed directly opposite to complete the sophisticated celebration. But then there is also an entire aisle dedicated to box wines and a 'reduced to clear' offering at the checkout.

There isn't a hard and fast rule when it comes to merchandising wine in-store. "We usually work closely with retailers to develop an approach that they find works for them. International research shows that consumers tend to buy by colour, then style before narrowing down to the brand that suits them," says Distell's Groenewald.

"Again, no one strategy will win as every retailer has different aspirations for the



Every customer loves a bargain. Placing reduced wines at the checkout like Makro is a sure way to win a few impulse purchases.



A fridge of expensive Moët Sparkling Wine greets customers as they walk through the doors of Makro's Woodmead flagship store, which caters for all tastes and budgets.

Wine tasting is a great way to get customers to try something new. "You'd be surprised at how many customers are willing to try some wine as they shop – even at 11am!" said one wine promoter at Makro Woodmead.



role that wine plays in their business at different times of the year. Retailers know from their data what works in store so for a brand owner to tell a retailer what to do is dangerous!" says Swartland's Sleet.

Retailers can further boost their wine sales in-store by highlighting the versatility of their wines and presenting them in a range of contexts. Cross-merchandising is one of the simplest – and yet most overlooked – ways of doing this. For example, place a few wine bottles near your braai display for the wives that don't enjoy the typical braai beverage of beer; instead of just having corkscrews in your general merchandise section, hang some up in the wine department; and why not create a gifting section where wine, chocolates and flowers make up the perfect gift ideas for customers?

### What's new on the wine scene

Retailers have to constantly keep their wine offering fresh and exciting by changing merchandising techniques, increasing promotional activity and bringing in new labels. Makro's Barton says while there are not too many new innovations in the wine category, the continuous stream of new entrants certainly keeps things fresh. "Keeping up to date is easy – just keep your ear to the ground!" she advises.

"I don't think the South African wine industry is saturated but I do think we have to look at different emerging markets within our society as well as really focusing on what makes you unique and different," says Johnathan Grieves of Avondale.

Checkers has differentiated its wine department by promoting its very own wine route: "You don't need to visit the Cape Wine Route to enjoy great wine! That's because we bring the Wine Route to you with wines from over 80 of South Africa's top estates, all at cellar prices." From the website, customers can search for wine by brand, price or category and purchase their choice online.

Packaging is one of the aspects that has seen the most innovation in the last year with the introduction of PET bottles being one of the most interesting developments. "There has been an effort to remove the papsak from the market given the negative societal connotation and impact it has," says BMI's Wegelin. In doing so, packaging suppliers and producers have increased their usage of cartons. This means that the papsak packaging, which has already waned,

will probably be removed completely from the market within a year or two.

"Wine packagers and producers are also moving towards smaller, lighter glass bottles to reduce the packaging impact on the environment and to reduce costs and recently there have been wines marketed in PET bottles with the aim of achieving carbon neutral status," he says.

Last year, Pick n Pay announced their partnership with Backsberg to become the first retailer to sell the new innovative PET soft wine bottle for the launch of Tread Lightly by Backsberg. "As a major food retailer in South Africa, we are committed to minimising our environmental impact through various recycling and packaging initiatives and this project fits our overarching environmental strategy perfectly," says Arnold. Box wines have also continued to grow through new brands adding 3 litre packs to their repertoire. "We also recently launched our own Pick n Pay wine which complements our No Name box wine," he adds. To stay up to date with the latest innovations, they attend trade shows, visit estates, have regular supplier meetings and scan media publications daily.

### More on the green scene

"South Africa has taken the global lead in environmental stewardship and the country's sustainability seal is the first industry-wide initiative of its kind anywhere in the world," says Distell's Groenewald. The seal, which is applied to bottled wines from the 2010 vintage, is a guarantee of production integrity.

Bio-Logic is a unique farming method that was developed over the last ten years by Johnathan Grieve at Avondale, a family-owned and managed wine estate near Paarl. "It combines the organic, bio-dynamic and modern science in a holistic all-encompassing systems approach. It's all about creating life and asking does Mother Nature approve?" he says.

"If you are farming for volumes in production and you have a balanced natural system you will get better production. This said, conventionally farmed farms have abused their lands for the last 4 + decades, this abuse is not undone in a couple of years," he says.

Biodynamic principles take advantage of the influence of the cosmos on our natural environment, and Avondale follows the astronomical calendar during planting and

picking times. In 2003, Grieve installed an ultra-modern gravity-flow cellar; ensuring the highest quality slow wines while also making the least amount of negative impact on the wine and the environment.



*Creating a wine and dine experience in your store will inspire your customers to recreate it at home – after purchasing all the components from your store!*

### Wine promotion in-store

"When you have less money to spend, you tend to take fewer risks and buy what you know and trust. To maintain brand loyalty, wine producers have to ensure consistent value for money and keep on surprising and delighting their supporters with new offerings," says Distell's Groenewald. These can be new wines, new pack sizes or special promotions and fascinating stories involving their wines.

"The best way is to engage the trade and consumers by keeping them updated on initiatives around your brands. The trade needs to know how you can support their effort. Shoppers want to what's new or different," she adds.

"Point of purchase (POP) merchandise material on the shelf is an under-utilised and ineffective mechanism and we are investigating a more effective retail mechanism to stimulate sales growth at shelf level," says Pick n Pay's Peter Arnold. More customer interaction, such as wine tastings is a great way to do just that.

For example, Hobart Superspar offers wine tasting to its customers and the latest wine guides are clearly available for browsing. Woodlands Food Lover's Market is even looking into a wine auction to be held in store where staff, brand owners and regular customers enjoy an evening of bidding and wine, with proceeds going to charity. It's these added extras and effort in turning a category into a dining experience that sets these stores apart.