

The Wine Exporter

Quality in the bottle but there's more to d'Arenberg success in USA

Anthony Manifold

Emily Henwood abandoned a promising career in recruitment for an entry level opportunity at a small winery in the Hunter Valley. "Like many people," she recalls, "I wanted to incorporate lifestyle and work." Now, as marketing co-ordinator for d'Arenberg, she is responsible for the marketing and distribution of its wines throughout the Americas.

Today the company's patience and perseverance is paying off. "We increased our sales in America by 30% in 2004," said Henwood. "It has now become our most important export market." d'Arenberg currently ships around a third of its production to the US.

Henwood attributes its success to a variety of factors. "First, it's quality in the bottle. We had two really outstanding vintages with the 2001 and 2002 fruit." d'Arenberg has capitalised on this quality by regularly entering its wines for show awards to enhance its market reputation. In 2004, the company took part in more than 30 shows. As a result, Henwood claims, it has "fabulous" recognition from people within the American wine industry. Show participation can also impact directly on sales. For example, the Pennsylvania Liquor Control Board which has a monopoly on distribution in the state, endorses the local Starwine International Wine Competition. Last year, 200 of the 450 award winners at the show, including d'Arenberg, had their wines stocked in PLCB bottle shops. "If your wine wins medals at the show, you have a good chance of getting better distribution in that state. Otherwise, it's a very difficult market to enter," she said.

Harnessing the power of the press is another key tactic in d'Arenberg's US marketing strategy. "We sold 10 months' stock of 'The Footbolt' Shiraz in two months after it was favourably reviewed by *The Wine Advocate*," said Henwood.

d'Arenberg's importer Old Bridge Cellars maintains close ties with *Wine Advocate's* Robert Parker to ensure that they get his attention for new d'Arenberg releases.



Emily Henwood

"We have very strong relationships with trade journalists in the USA and this has been a key influence in our recent success," Henwood said.

While the printed word is a very potent market influence in America, it's no substitute for regular one-on-one contact in the marketplace. "We tour America several times a year," Henwood said. "Chester Osborn, our chief winemaker, who is very gregarious, comes out. D'Arry, our MD and an icon

in the industry, was here in 2003 in celebration of his 61st consecutive vintage. Americans love it when winemakers from the actual Australian winery come here. It comes from just having the accent, selling the wine and talking to them about the product."

Henwood believes d'Arenberg's wine portfolio also plays a critical role in its sales success. The company can offer up to 32 different wines at a comprehensive spectrum of price points. "We have distributors in 40 of the 50 States in America," she said. "It's very important to be able to cater for various different markets." d'Arenberg opens the bidding with red and white blends at the US\$10 entry level. Its next level, 'The Footbolt' Shiraz, 'd'Arry's Original' Shiraz/Grenache, 'Custodian' Grenache and 'High Trellis' Cabernet Sauvignon, is priced in the US\$16-19 bracket. "These under US\$20 price points are very much where the sales volumes are being achieved at the moment," said Henwood. "From there, we have five reds with prices from US\$30-35 such as 'Laughing Magpie' Shiraz/Viognier and 'Galvo Garage' Cabernet Sauvignon. Then we move up to our 'icon' wines 'The Dead Arm' Shiraz, 'Coppermine' Cabernet Sauvignon and 'Ironstone Pressings' Grenache/Shiraz/Mourvèdre with price tags around US\$65. ▶

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By having a diverse portfolio and wide-ranging price points, we are able to cater to our customers' developing palates and, hopefully, have them move up our product range. The key is to offer excellent value at all prices by not compromising on quality. We are here for the long term so at this stage we have no plans to adjust our pricing on any key products."

Responding to market opportunities with new products is another significant part of the marketing mix. "We made a new release last year in the US called 'The Sticks & Stones'. It's a quasi-Spanish/Portuguese blend made from Tempranillo, Grenache and Souzao. Our timing with this launch was very much in line with what we perceived to be an increased popularity of Spanish wines in America," Henwood said. d'Arenberg is currently discussing with its US importer the introduction of the McLaren Vale Winemakers/Zork wine innovation known as 'Cadenzia'. This is a Grenache, Shiraz and Mourvèdre blend with a dash of Viognier using the South Australian alternative to cork as a seal. "The wine is incredibly fresh and vibrant," said Henwood, "which we believe can be attributed to this new form of closure."

d'Arenberg's strategy for supporting distributors is a difficult balancing act. "We don't offer massive financial incentives. We do

offer distributors promotional dollars to be sunk into advertising, dinners and entries for show awards. It's not, 'buy a pallet of 'The Footbolt' Shiraz and receive two more pallets,' we don't have the quantities for that and we don't want to be perceived that way. If you have the right people representing you, you can avoid that situation."

Henwood sees the primary challenge facing d'Arenberg in America in the coming months as increased competition from other New World wine exporters. Meeting and beating that challenge will, in her view, mean not compromising on quality versus cost particularly at the volume end of the market. The potential rewards for success are considerable. d'Arenberg is targeting sales of 80,000 cases this year although supply could influence the end result as much as demand. To achieve this goal, Henwood believes d'Arenberg must continue to build and strengthen its US distribution networks by increasing the distributor's product knowledge. This means that Henwood and members of the d'Arenberg family will be spending a lot of their time on the road in America in 2005. But, in the wine industry, that's what combining work and lifestyle is all about. ■

Low tariffs help foreign wines pour into China

China's fledgling domestic wine industry will feel the brunt as China continues to lower tariffs on imported alcoholic drinks in 2005.

A report on the *People's Daily* website, <http://english.people.com.cn/> in late 2004 said that according to the country's commitment to the World Trade Organisation (WTO), import tariffs on foreign alcohol, except apple wine, pear wine, honey wine and other fermented drinks, will be reduced to somewhere between 10 and 30% in 2005 from the original 65%.

"The reduction of import tariffs will lower the threshold for foreign alcohol makers' entering the Chinese market," said Liu Yuan, secretary-general of the China Liquor Industry Association.

Liu said the tariff cut would put pressure on China's wine producers and a fledgling wine market, which, after more than 20 years development, remained small.

The *People's Daily* report said that in 2003, China produced 350,000 tonnes of wine, but only accounted for about 1% of the country's total alcohol production. It put annual per capita consumption of red wine in China as 0.5 litres.

But with wine culture spreading in China, more and more people have begun trying wines. The market is expected to grow rapidly.

"Huge market potential, as well as the lower market entrance threshold, will attract more foreign wineries into the Chinese market," Liu said.

"Therefore, it is important for domestic winemakers to learn how to compete with their foreign counterparts in the future, though at present big domestic wineries dominate the market.

"Generally speaking, foreign winemakers enjoy advantages in product quality, production technology and management," Liu said.

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