The Commodity Wine Market and Private Label: Can the Riverland sustain a Position?

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Agenda

- The Role of Private Label
- What should the Riverland be supplying?
- Strategies for growth

The Role of Private Label

Private Label: The World's Biggest Brand?

In 2005 Wal-Mart private label was worth US$126bn

Total Nestlé sales in 2005: US$75bn

Source: Fortune Global 500/M+M planet Retail 2005

When does a “label” become a “brand”?

“Retailers now position their private labels as brands in their own right. Their store brands are increasingly imbued with emotion and imagery rather than only with the functional logic that dominated private labels a generation ago.”

Private Label Strategy, Kumar and Steenkamp 2007

Why Do Retailers have Own Brand Wines? Part one

- Differentiation from key retail competition. Brands are ubiquitous
- A greater share of the system profits
- Consumers are increasingly loyal to retailers rather than brands
- In some markets "smart shopping" is fashionable
- Halo effect of successful products
- Consumers Trust Retailers

Why Do Retailers have Own Brand Wines? Part 2

- Wine is written about in press and blogs much more than other products
- Brand owners/managers tend to be conservative: OL can permit innovation
- Consumers expect OL wine
- Provides a guide through the maze that is wine

The size of the prize: UK Off Trade

- Total UK off-trade wine market worth £5 billion
- 98 million 9 ltr cases
- Average bottle price £4.30
- Australia: 20m cases, Worth £1 billion

The size of the prize: Mults

In Multiple Grocers

- Wine sales: 72 million cases, £3.6 billion
- Total Australian sales: £813 million
- Australian private label worth £92 million
- 1.9 million 9 ltr cases

What Should the Riverland be Supplying?

Who Should be its Customers?

Who should be the customer?

- Large scale growers need large scale wineries
- Large scale wine producers need large customers

- Large retailers need large suppliers

- Riverland can supply both Private Label and Branded wines

Grow grapes for a Purpose

Growing for an end use

- You can’t buck the market
- Global over-supply isn’t going away
- Consumers will remain price-conscious
- Retailers will always need their margin
- Not everyone can “Grow for Grange”

- We MUST break the cycle of distrust along the supply chain.

Strategies for Growth and Financial Sustainability

Growth and Sustainability

- Keep it simple
- Promote the Riverland domestically
- The Ethical consumer
- The Organic consumer
- Point of Difference
- Understand the customer
- Develop strategic alliances right along the supply chain
- Have realistic expectations
- Have Pride and Faith in what you're doing

Who Wants My Grapes?

Who wants my grapes?

UK consumers want them

Who Says So?

243,576,000
Purchase Decisions say so

MAT to October 2009 total UK off trade

Market Segments UK

- Total Australia: 19.9m dozen
- <£3/bt: 2 million dozen
- <£4/bt: 9 million dozen
- <£5/bt: 4.6 million dozen

- 15.6 million cases to aim for in UK alone
- Circa 50% of total Riverland production from 2008

Q: The Commodity Wine Market and Private Label: Can the Riverland sustain a Position?

A: You are Riverland contract winegrowers proudly producing Riverland wines for an identified and targeted end-use. Other people, elsewhere, make commodity wines, they are not your problem.

Thank You