

Land of fine wines?

South Africans pride themselves on the superb wines that are produced locally. u|Chief wanted a more balanced view of the industry, so we spoke to Murray Giggins, a former South African wine industry CEO now working Down Under.



Tell us about your background in the wine industry?

I have spent 20 years in the South African wine industry, which have seen me operate in various sectors, from retail and distribution, to production and services to industry. My insight might not be unique and it may therefore just confirm the reality. As I have recently moved to Australia, now running a business in a similar sector to the one I ran in South Africa, I don't think I am yet qualified to offer an opinion on this industry or market, suffice to say it is very different. Bigger, better resourced and quality brand driven. It has challenges and it has problems, but the Oz market is on a huge resurgence, with 30% growth in exports in the last year based on demand from China. So new excitement and investment seems the order of the day.

What is the state of the wine industry in South Africa?

The SA wine industry is made up of three categories of producers. Those that make money, those that don't and those that don't care or rather don't depend on the making of wine to survive. The first category has around 15% of SA wine producers, the last two is made up of in the region of 85%. The bulk of SA wines sells around R25/litre and only 5% sells for the equivalent of R65 or more. 60% of SA wine is bulk and the prices are dictated by bigger marketing corporates who ultimately supply the multiple supermarkets, most offshore. Those producers that have invested in their business, built brands and diversified their markets tend to not only survive but also prosper. Too many carry debt and limp from one vintage to the next with varying degrees of quality, quantity and ability to

Partner with **local brand builders** who understand the **overseas markets**.

maintain financial stability. It's a highly competitive environment, over 750 wine producers and thousands of actual wine brand all competing for market space with beer, spirits and rtd's. The leading world wine consumption per capita countries consume around 40 litre per annum, while South Africa in comparison drinks 7 litres. We are the in the top ten – probably number 9 – of wine producers in the world, making us the lowest per capita wine drinkers in the world of all wine producing countries!

Australia is at about 25 litres with half the population! We do not have a wine culture in SA, it is seen as an elitist drink by some and, quite frankly, most alcohol sold in SA is used for effect rather than pleasure. Seems gloomy, but there are still producers that make world class wines. Our wineries are great destinations and the winelands amongst the most desirable places to live and work. We just can't all survive in a Bacchanalian vocation.

What are the challenges facing the industry?

Building volume quality and quantity brands that are owned by the producers. We are a production-oriented industry and few have built brands that deliver on this challenge, exceptions being Charles Back, DGB, Van Loveren and Leopards Leap. But the bulk of our exports, 70%, ends up in bulk going to the U.K. or EU for bottling/bagging in brands few South Africans would recognise.

What are the opportunities for stakeholders?

Take advantage of the poor Rand and partner with local brand builders who understand the overseas markets. Try get more ownership of the route to market and access to brand equity, thus securing demand, price and rand hedge for off shore sales.



What are the successes you have seen across the industry?

Those producers that built their own brands and invested in marketing. Keeping a strong presence in the local market. See how Du Toitskloof, Robertson and Perdeberg wines are achieving this strategy and growing their market share. Past masters are DGB, Fairview as mentioned. Also see players in the smaller family owned space such as; Simonsig, Warwick, Waterford and De Grendel. The latter started as recently as 2006. Granted that the last two come from extensively capital resourced families. But Mike Ratcliffe has built his brand by sheer determination and marketing savvy to a very recognised and followed SA wine brand, he has burnt a lot leather and air miles to achieve his success.

Opportunities lie in finding a story that resonates with the local market.

What are the opportunities across the industry for new entrants into the market or for improving the supply chain?

Opportunities lie in finding a story that resonates with the local market, see how well Van Loveren have done with Four Cousins. Then being able to own the route to market, i.e. Brand owner that knows and controls access to market, from sales to distribution. Distribution is a key area and remains an opportunity as there are few that can provide a dedicated and quality route to market. There are too few off consumption outlets and on consumption for the number of wines available in SA. Building brand is hard. Keeping it top of mind is harder. So a significant investment in marketing and strategy is as important as buying a press or cellar full of barrels.

Is there anything about the wine industry that might surprise the public or business people in other industries?

They are very passionate about what they do. They love their jobs and they get a kick out of doing it. It is a vocation that whilst not highly paid, provides for high level of job satisfaction. Winemakers are popular! They travel, eat out and live in wonderful environments, this makes up for their middle class earnings... but that's a generalisation.

How do people in other countries view South African wine?

I think South Africa has unique wine-growing areas, some close to the sea, some in high altitudes and lots of different types of "terroir", which provides for wonderful stylistic wines that provide interest and USP. We have a mix of old and new world style and our wines are fantastically priced! I would say we provide some of the best value for money in the world.

In what ways is our industry better than other countries... and where do we need to raise the bar?

Difficult to say, whilst there are pockets of excellence, people who passionately produce wines that rival the worlds best, Mullineux Wines, Eben Sadie and the boys of Kanonkop all of whom have been recognised as world class winemakers by their peers. One should take a leaf from their book. Stay focussed on what they are good at and only accept wine excellence as their quality measure. »

CONNECT WITH MURRAY

Murray Giggins is the General Manager at Grapeworks Consumables & Tanium Machinery & Equipment in Australia. He was previously the CEO of Enartis South Africa. www.grapeworks.com.au

