

ABSTRACT:

What steps should New Zealand's wine industry pro-actively undertake to build on its past success, minimize any inherent weaknesses, and combat external threats, to guarantee its future?

MOTIVATION:

Is derived from my involvement in the NZ and Australian Wine Industries which coincided with the crisis and its immediate aftermath. I was working for Dan Murphy's in their Fine Wine Department at their flagship store in Melbourne – here I witnessed first-hand the hype surrounding NZ Sauvignon Blanc: I also witnessed the ensuing tidal wave of BOB's and cheap imitation brands of NZ Sauvignon Blanc that consequently flooded the market. This was created by investors (not necessarily people with any wine or marketing experience), looking to turn a quick dollar, with no regard for the long term nature of brand building, reputation or the lifecycle of the vine.

I also had/have friends who are involved in the NZ wine business, in grape growing and wine making, which were directly affected. The economic impact of this situation and its flow-on effect into different strata of society - banks being very cutthroat - grape prices plunging – oversupply – storage and educational/Business issues.

THE PROBLEM / OBJECTIVE:

NZWI had established an identity, and this identity was now under threat. This image and its marketing slogans of; 'NZ is a land like no other.', 'NZ wine is an experience like no other.', 'Pure discovery' and 'Make our discoveries your own.' were being undermined by the flood of substandard, cheap Sauvignon Blanc that was produced and sold into key markets such as Australia, the UK and the USA. This was in turn undermining the overall Premium and clean image of NZ wine.

This 'over-investment' with no true capital backing started a spiral decreasing grape and wine prices which were unsustainable and lead to bankruptcies as vineyards that were established on low interest low capital loans were unable to create the forecast income with which they had planned to finance their loans.

The objective was to analyse this phenomenon with a view to finding the main reasons it occurred, and with the hope of being able to offer advice and/or direction to NZWine and others involved in the industry so as to stop a repeat of this in the future.

METHODOLOGY:

Initial methodology involved a broad reading base of journals, websites, industry magazines and local papers to keep abreast of current issues. This was followed by deeper reading into NZ Law and European legislation relating to wine production and the concept of terroir.

For the main body of the paper a SWOT analysis was then applied and broadened by the use of empirical methodology - A questionnaire was created and emailed to a cross section of wineries and growers in NZ, asking for their feedback and position on a series of questions.

Key members of the industry were interviewed to discover their thoughts and opinions on the following concepts of control in other countries – France's A.O.C.'s , Australia's G.I.'s or the US's A.V.A.'s.

The benefits of market influence and interventionism were weighed up and the current forms of legislation were reviewed as were the pros and cons of stricter control. And recent harvest reports from NZ Wine and their statistical outcomes were also evaluated.

CONTENT:

The focus of the research was defined to a production stand-point and marketing was excluded in order to make the topic more manageable, while acknowledging that marketing is an interrelated topic and also important in a holistic view when considering the main options available to NZ Wine in order to protect the image it had built and to build a sustainable future.

The main topics covered were:

- The challenge faced by NZWI and over a 5 year period.
- The application of the concept of Terroir
- The idea of regionalism and regionality
- Concept of Vineyard registry
- Government taxation policy and Law and compliance
- The emergence of bulk wine
- Yields and infrastructure and climate change
- Winery techniques and sustainable wine growing practices and communication within the industry
- NZ's sensitivity to currency fluctuations

The social implications of any legislation and the effects it would have on different strata of society were also evaluated.

CONCLUSION:

NZ's free market policy and legal structure allow for ingenuity and flexibility, which in turn allows for face paced change. This 'kiwi' attitude should be held onto and not restricted. However if the following suggestions were implemented, the next crisis would never need to happen:

- Compulsory vineyard register – allowing for accurate production forecasting
- Auditing system of BOB/Bulk wine and off shore bottling, so as to retain the ownership of the Brand NZ and it's values
- To implement GI's with non-restrictive criteria to help fight fraud and leverage marketing
- To lobby Government for a change I the excise tax system to bring it in line with other industries and alleviate pressure on growers and producers
- To invest in better infrastructure/storage facilities thus allowing for better control when production is increased and provide balance in lower yielding vintages
- To keep compliance and paperwork to an acceptable level and not overburden the smaller farmers
- Create a better path for dialogue in the NZWI whereby grower and producer are on the same page and that they receive education on pertinent business aspects.