



## Ailing wineries uncork the web

Cameron Houston

November 27, 2011 - 3:00AM

AUSTRALIA'S embattled wine industry is rapidly moving online in response to an influx of cheaper home-brand labels on supermarket shelves that has pushed many independent wineries to the brink.

Advertisement

But such is the power of Woolworths - its chains include Dan Murphy's, BWS, Cellarmasters and Langton's - and Coles - which owns 1st Choice, Vintage Cellars and Liquorland - that many winemakers refused to comment for fear of retribution.

One Heathcote-based producer told *The Sunday Age* it would be "commercial suicide" to discuss plans to diversify its distribution to independent internet retailers.

Online retailer Cracka Wines has recently challenged the supermarket chains with an aggressive expansion launched in September. Its director, Shane Pettiona, predicts local winemakers will look increasingly to selling online. "Despite it being their highest margin channel, the average Australian winery only sells about 1 per cent of their stock online. Ten years ago, it was the same in the automotive industry. We believe that within five years up to 30 per cent of all wine will be sold online," Mr Pettiona said.

He claimed online sites could offer cheaper prices to customers and higher margins to local producers because they did not have to invest in stores and retail staff. Mr Pettiona accused the supermarket chains of exploiting struggling winemakers by squeezing margins and herding consumers towards home-brand labels.

Already battling a supply glut and surging Australian dollar, many local winemakers hope the internet will break the stranglehold of the supermarket giants, which control about 60 per cent of Victoria's retail market. But Coles and Woolworths have also expanded their online presence in a bid to maintain their dominance of the \$16 billion packaged liquor market.

De Bortoli winemaker Steve Webber said growers were responding to the dramatic shift in consumer buying patterns, which had already transformed the real estate, motor vehicle and fashion industries. "Everything is changing, we are all buying more online and consumers are getting far more confident. I would suggest it will play a very big role in the future of our industry. But the big retailers, particularly Dan Murphy's, are also going online, so they'll be part of it too."

The proliferation of private labels across supermarket chains is expected to fuel the growth in internet sites, particularly at the premium end of the wine market. "I'm not having a go at anybody, but it's really hard out there when the supermarkets have a strategy with their own-brand labels and they make that perfectly clear in their public statements," Mr Webber said.

Woolworths chief executive Grant O'Brien recently flagged that the nation's biggest supermarket chain would double its offering of home-brand products to eventually represent about a third of total sales.

Winemakers' Federation of Australia chief executive Stephen Strachan said the supermarket giants had capitalised on the nation's oversupply of wine, which had enabled them to buy vast quantities of wine cheaply, sometimes below cost. "The oversupply ends up in their private labels and for every bottle they stick on shelves, there is one less space for a local producer."

A Woolworths spokesman confirmed it was expanding online retailing through its Dan Murphy's and Cellarmasters chains. A Coles spokesman denied plans to significantly increase its range of private label wines. The spokesman said

Coles had already experienced substantial growth in online traffic across its sites.

This story was found at: <http://www.theage.com.au/national/ailing-wineres-uncork-the-web-20111126-1o0fu.html>