



IN a tough market, wine retailer John Mazzocato sees no sense in waiting for customers to come knocking on his cellar door on the eastern edge of Adelaide. "Online is the future, forget about bricks and mortar - showcasing wine behind bricks and mortar is the past," said Mr Mazzocato, who runs Skye Cellars at Auldana. "Even the elderly are ordering wine online, they are ordering champagne and getting it delivered to nursing homes, even hospitals, it's just phenomenal."

The internet has allowed Mr Mazzocato to transform his business from a small suburban cellar to a national business which will soon have four trucks delivering wine throughout the city, and to buyers from Thursday Island to Broome.

The consumer rush to buy online is dramatically changing the Australian wine sector, with specialists such as Skye Cellars, Get Wines Direct, Booze Monkey, Vinomofu and Cracka Wines competing with direct marketing wine clubs, including Cellarmasters, Wines Direct and Taste.

The trend has been welcomed by the wine industry because of its cost-efficient distribution chain and market potential, particularly for smaller wine brands, while helping the industry fight the rapid growth in cheap home-brand labels by Woolworths and Coles.

"Speak to any retailer in Australia and the past year has been pretty difficult, with most suffering a decline of 20 per cent to 30 per cent in sales, while we are showing 30 per cent growth," Mr Mazzocato said.

While some wineries with wine clubs and mailing lists enjoy significant business from online sales, many wineries are approaching online companies such as Skye Cellars because wine retailing is concentrated in the hands of Coles and Woolworths.

The retailing revolution is one of the bright spots for the state's famous wine sector as it shows tentative signs of recovering from the devastating downturn which crushed the dreams of many people who entered the sector between 1985 and 2005. Optimism is also based on innovative wine styles, new varietals, new technology, online marketing and improving international recognition for the nation's premium wines.

Winemakers Federation of Australia chief executive Steven Strachan said there were signs the industry was turning the corner, but major challenges included the prospect of Australia pricing itself out of the wine industry, because other countries provide more favourable economic conditions.

"The high Australian dollar is the number one threat, oversupply is number two and supermarkets' own brands are number three," Mr Strachan said. "There are any number of issues with returns to wineries and growers still depressed. "When it comes to wine we are doing a lot right, when it comes to the industry there is a lot to tackle. We need to work out how to cut costs and improve efficiencies, with the rising cost of electricity already severe, while the carbon tax is starting to have an impact."

The wine sector's problems follows its dramatic success in building wine exports from \$20 million in 1985 to \$1 billion by 1999 as overseas consumers switched rapidly to Australian wine on the back of the phenomenal success of Penfolds' many international wine awards and its technical excellence.

Despite the gloom of the past few years, Australian wine sales reached a peak of 1.25 billion litres, worth about \$5.5 billion in 2009-10, the best year for both domestic and export sales. The total compares with domestic and export sales of only 654 million litres a decade earlier and just 53 million litres in 1960-61.

Wine Australia general manager market development James Gosper said the industry had been heartened by green shoots in higher price tiers in the US and UK, while Asian markets are continuing to grow. This included 39 per cent growth in wine selling for more than 7 pounds (\$10.70) a bottle in the UK and 72 per cent growth in the more than 10 pounds (\$15.30) category in the past year. A similar result is being seen in the US, with the Australian category for \$15 to \$19 wines rising by 23 per cent against a rise of 11 per cent for the category generally.

Wine Grape Growers Australia executive director Lawrie Stanford said early signs of recovery in demand were being hampered by some growers being too slow to respond to over-production. The industry has also been helped by the arrival of a mix of commercial and foreign investors such as The Wine Group from the US, CK Life Sciences (Hong Kong) and the Vestey family (England).

Riverland Winegrape Growers Association executive officer Chris Byrne said things were looking up, with improved demand for grapes expected next harvest because the region's growers had been quick to restructure, removing one row of grapevines in every five in the past few years.