Wine Business Solutions

The Wine Paper 16

March 2011

Reasons to be Cheerful…

Page 3 – Have we hit bottom yet ? **-** Global Supply and Demand analysis.

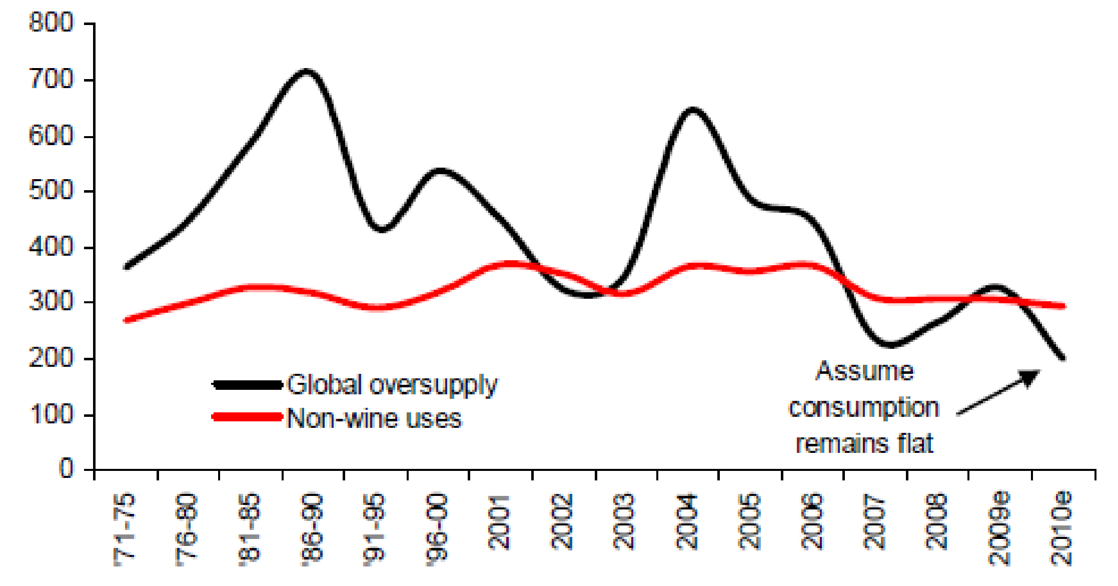
Page 10 – Cool es Cool – Regional Analysis

Page 14 – How can we help?

Page 16 – The Top Ten Tips for Building Better Wine Business.

There was a time when the global supply and demand situation had minimal impact on the domestic demand for wine. Those days are long gone. As Australia, NZ and SA all export more than half of their wine production, external demand has a large bearing on how competitive producers are in their home market. Equally, how eager overseas competitor countries are to export wine to our own markets is significantly influenced by their own supply and demand situation.

Consolidated information on the global supply and demand picture is hard to come by and data from the principal original supplier (the OIV) typically requires a lot of additional work in order to develop a complete picture. Fortunately, Morgan Sanely has undertaken this exercise comprehensively just last month.

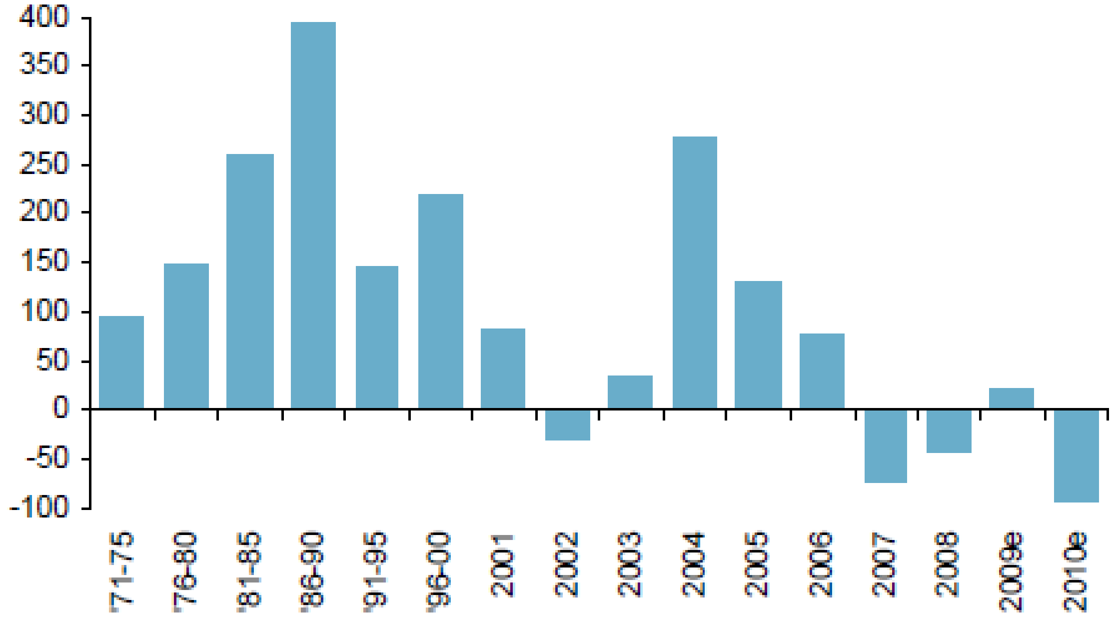


Source: OIV, Morgan Stanley Research, e= OIV and Morgan Stanley Research estimates

Figure One - Global Wine Oversupply – Million of Cases.

By their estimation, we <u>have</u> hit the bottom. Each year, around about 300 Million case of wine gets turned into ethanol and other non-wine products. After adjusting for that, Morgan Stanley believes that there is slightly less wine available currently than there is total global demand for.

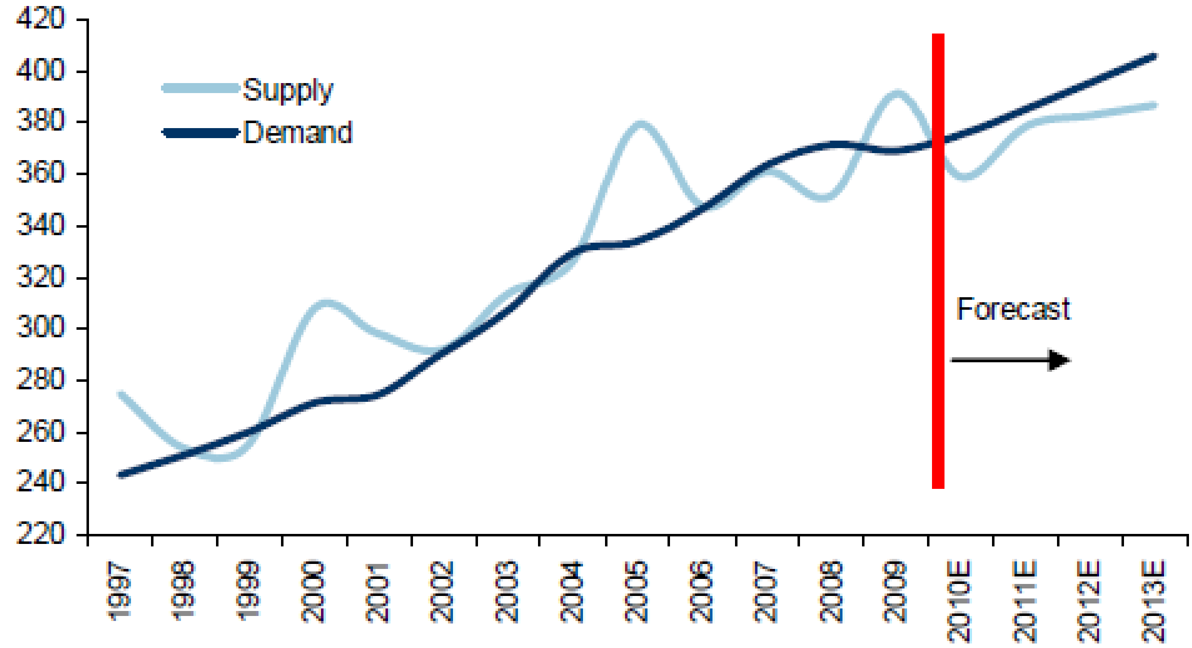
This is in spite of consumption dropping 3% in 2009. Some of the biggest drops were in the largest consumption markets, and the percentage declines mirrored national economic performance (e.g. Italy minus 6%, Spain minus 12%, UK minus 6%, US minus 3%). Critically, in 2010 Global supply was down 4-5% as a result of smaller vintages in Italy, the US, Australia, Chile, South Africa and Germany, according to Morgan Stanley. After allowing for industrial uses, the wine industry should be in global supply deficit in 2011.



Source: OIV, Morgan Stanley Research, e= OIV and Morgan Stanley Research estimates

Figure Two - Global Supply Adjusted for Industrial Use.

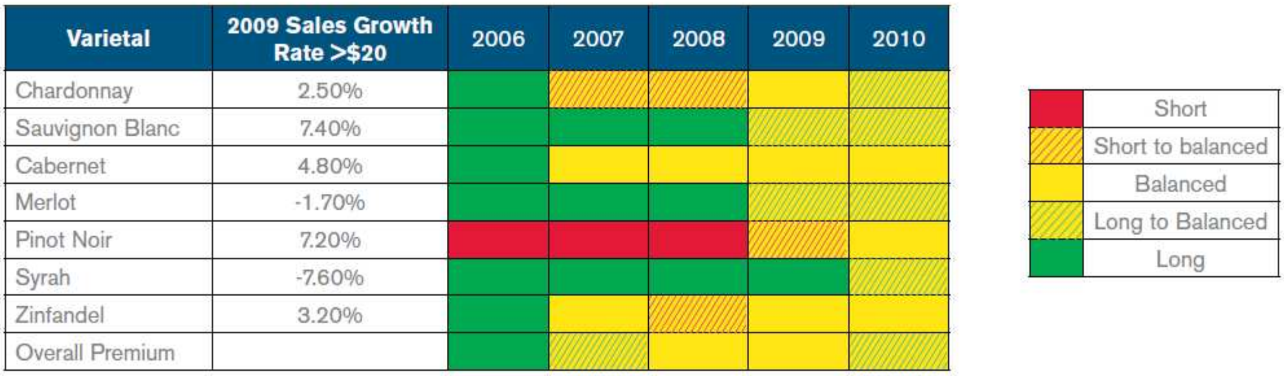
The US has had a replant rate of less than 2.5% for a number of years now so supply was always going to run short of demand as long as the category resumed its long term grow trend following the GFC.



e = Morgan Stanley Research estimates
Source: Gomberg Fredrikson, The Wine Institute, Morgan Stanley Research

Figure Three – US Supply and Demand

Silicon Valley Bank's more detailed analysis by varietal supports Morgan Stanley's conclusion.

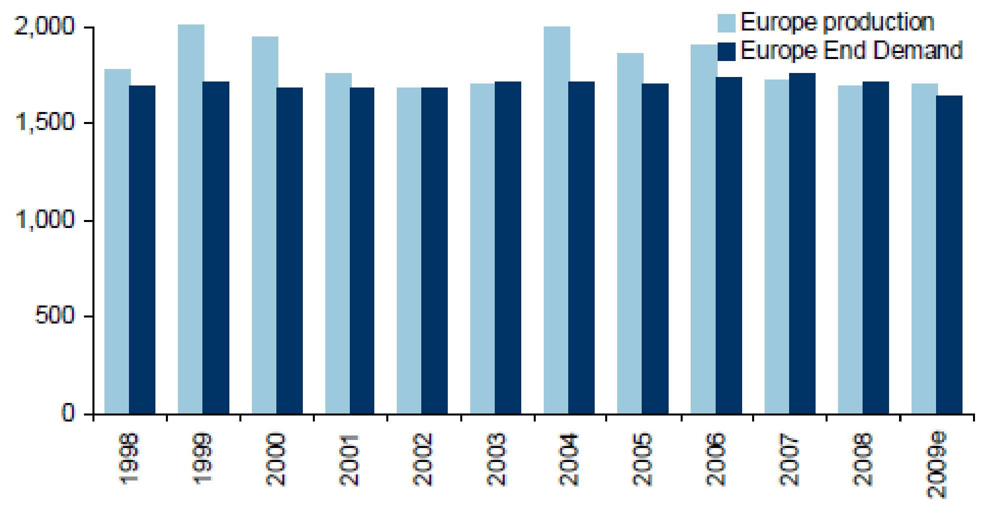


Sources: Nielsen Scan Data, Ciatti Company, Turrentine Wine Brokerage, SVB Research

Figure Four – US Supply and Demand Balance by Varietal

Unfortunately, since the publishing of the Morgan Stanley report, the 2010 US vintage number has been announced and at just under 4 Million tonnes it was 400,000 tonnes higher than anticipated. The balance of opinion, however, is that fast growing US domestic brands will easily absorb this. Still, Australian and South African producers particularly would have been hoping for better news.

The real "elephant in the room" has always been the EU "wine lake". At long last, they also seem to be coming into balance after adjustment for industrial use. More than €130 Million has been invested by the EU to remove vines that were deemed excess to requirement. Spain took just under half of the cash. This hasn't always resulted in lower total yields, however, as the recipients were often older farmers who had low yielding bush vines and these vineyards sometimes got replaced by modern higher yielding ones. Despite these inefficiencies which to some extent mirror what happened under the South Australian Vine Pull scheme of the 1980s, the goal of EU supply demand balance looks about to be achieved.



Source: OIV, Morgan Stanley Research, e = OIV estimates

Figure Five – European Production verses end Demand

Argentinean demand has been on an overall downward trend over many years. This is has been driven by their very large domestic market. Total demand dropped sharply during the last two years but supply dropped faster.

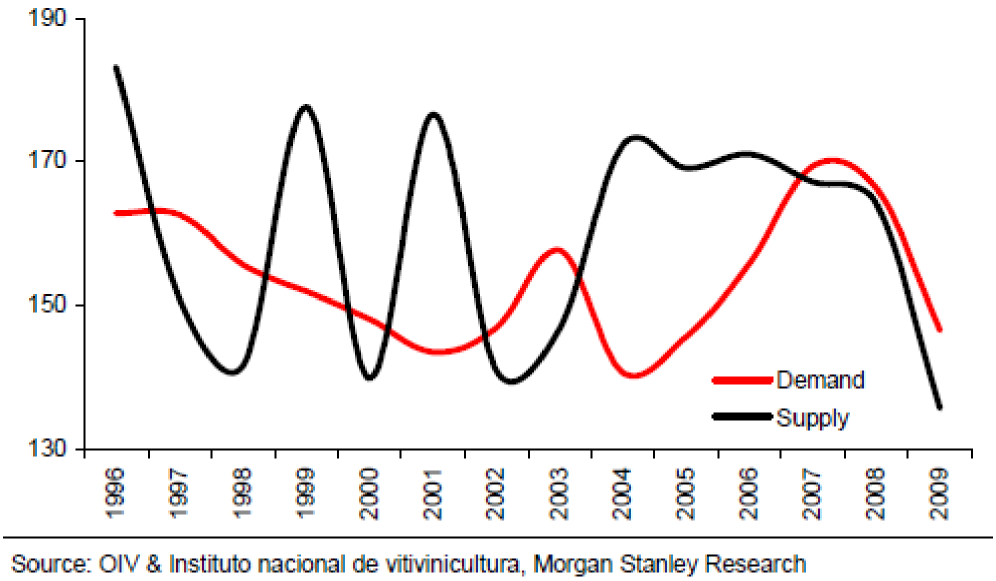


Figure Six – Argentinean Production verses end Demand

The export picture is quite different. Argentina has been arguably the most effective New World competitor during the last year in terms of exports of bottled wine. Not only have they increased volume by 11.5%, they've lifted their FOB prices by over 20% whilst doing it.

EVOLUTION OF BOTTLED WINE (BOTTLE) EXPORTS, BY MAIN MARKETS (TOP 10).

RANK	MARKET	US$ FOB			AVERAGE PRICE PER CASE			VOLUME (9 LITERS CASES)		
		2009	2010	CHANGE (%)	2009	2010	CHANGE (%)	2009	2010	CHANGE (%)
1	UNITED STATES	140.378.591	168.066.549	19,7%	32,06	32,23	0,5%	4.378.521	5.213.871	19,1%
2	CANADA	54.425.228	65.996.956	21,3%	26,54	32,82	23,6%	2.050.377	2.010.854	-1,9%
3	BRAZIL	27.333.912	39.006.677	42,7%	24,59	28,09	14,3%	1.111.811	1.388.487	24,9%
4	UNITED KINGDOM	30.107.547	32.333.941	7,4%	22,30	26,12	17,1%	1.350.041	1.237.973	-8,3%
5	NETHERLANDS	24.243.863	28.772.025	18,7%	24,39	25,03	2,6%	994.040	1.149.288	15,6%
6	MEXICO	8.363.160	11.831.076	41,5%	33,72	30,47	-9,6%	248.031	388.279	56,5%
19	RUSSIA	3.522.882	4.259.456	20,9%	19,34	21,20	9,6%	182.197	200.923	10,3%
	NORDIC COUNTRIES	26.071.762	28.804.597	10,5%	28,65	29,23	2,0%	909.893	985.503	8,3%
	OTHERS IN EUROPE	18.222.084	19.415.663	6,6%	29,94	31,26	4,4%	608.626	621.154	2,1%
	ASIAN COUNTRIES	14.262.288	18.875.961	32,3%	28,97	32,05	10,6%	492.385	588.963	19,6%
	LATINAMERICAN COUNTRIES	15.139.341	16.893.615	11,6%	30,09	30,99	3,0%	503.064	545.098	8,4%
	OTHERS	42.020.328	50.882.130	21,1%	23,36	25,62	9,7%	1.798.698	1.985.836	10,4%
	TOTAL OF BOTTLED WINE	**404.090.986**	**485.138.645**	**20,1%**	**27,63**	**29,73**	**7,6%**	**14.627.683**	**16.316.229**	**11,5%**

Source: CAUCASIA Wine Thinking - based on data provided by DGA.

Figure Seven – Argentina's leading export markets

As is the case in the Australian and US domestic markets, it is Argentina's exports at Super Premium prices ($SU90 plus FOB per case) that are growing fastest.

RANK	GRAPE VARIETY	US$ FOB			AVERAGE PRICE PER CASE			VOLUME (9 LITERS CASES)		
		2009	2010	CHANGE (%)	2009	2010	CHANGE (%)	2009	2010	CHANGE (%)
1	MALBEC	166.684.760	226.354.268	35,8%	34,40	35,19	2,3%	4.846.187	6.431.433	32,7%
2	CABERNET SAUVIGNON	47.431.770	52.458.795	10,6%	29,55	30,57	3,5%	1.605.175	1.716.006	6,9%
3	GENERIC RED	30.533.699	36.012.508	17,9%	23,20	26,86	15,8%	1.315.969	1.340.754	1,9%
4	CHARDONNAY	27.551.618	30.947.736	12,3%	26,65	27,25	2,3%	1.033.899	1.135.772	9,9%
5	SYRAH - MALBEC	12.339.521	14.615.648	18,4%	17,70	20,93	18,3%	697.194	698.231	0,1%
	OTHERS	119.549.618	124.749.690	4,3%	23,31	24,98	7,2%	5.129.258	4.994.034	-2,6%
	TOTAL OF BOTTLED WINE	404.090.986	485.138.645	20,1%	27,63	29,73	7,6%	14.627.683	16.316.229	11,5%

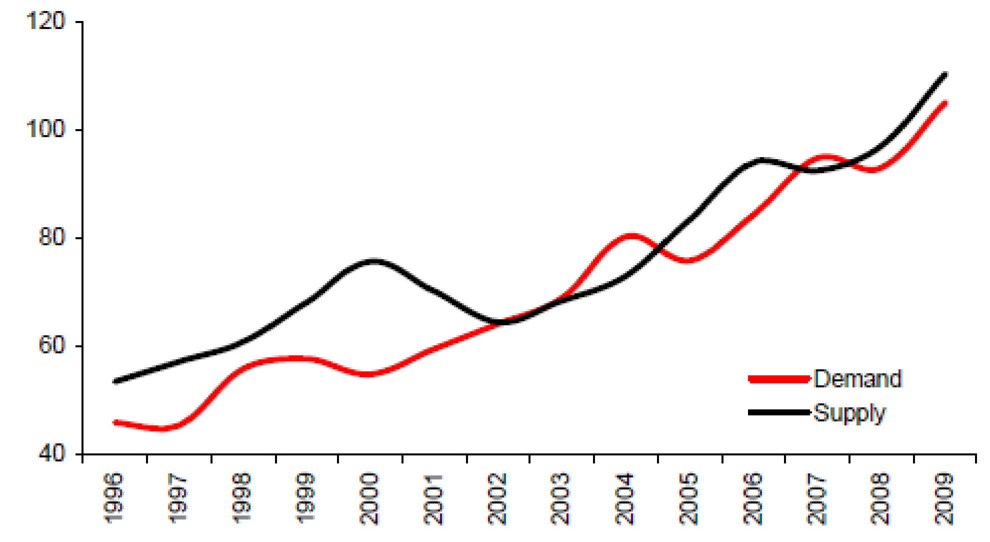
Source: CAUCASIA Wine Thinking - based on data provided by DGA.

RANK	PRICE SEGMENT	US$ FOB			AVERAGE PRICE PER CASE			VOLUME (9 LITERS CASES)		
		2009	2010	CHANGE (%)	2009	2010	CHANGE (%)	2009	2010	CHANGE (%)
1	Px < US$ 18	58.074.104	52.449.975	-9,7%	13,85	14,42	4,1%	4.194.063	3.637.573	-13,3%
2	US$ 18 ≤ Px < US$ 38	203.913.530	248.826.756	22,0%	25,51	26,04	2,1%	7.993.771	9.553.756	19,5%
3	US$ 38 ≤ Px < US$ 90	117.674.722	152.208.248	29,3%	51,83	52,51	1,3%	2.270.617	2.898.510	27,7%
4	Px > US$ 90	24.428.630	31.653.667	29,6%	144,35	139,82	-3,1%	169.233	226.390	33,8%
	TOTAL OF BOTTLED WINE	404.090.986	485.138.645	20,1%	27,63	29,73	7,6%	14.627.683	16.316.229	11,5%

Source: CAUCASIA Wine Thinking - based on data provided by DGA.

Figure Eight– Argentinean bottle wine exports by wine style and price point

Chilean demand has been building strongly and supply has just stayed in step. The 2011 harvest is reported to be 20% higher in an attempt to recover inventories lost in last year's earthquake and keep pace with the 12% growth in exports recorded in 2010. Because of their low price positioning in most markets, the rise in the value of the Chilean peso is placing a lot of smaller players under significant financial stress. Concha Y Toro's acquisition of Fetzer will certainly help their position and balance their exchange risk over the long term.



Source: OIV, USDA, Morgan Stanley Research

Figure Nine – Chilean Production verses end Demand

South Africa has been hit by the same sort of weather pattern that is plaguing Australia and the crop there is projected to be smaller than last year at around 1.2 Million tonnes. South African companies are being squeezed at both ends as a very low replant rate and lack of red wine grape plantings is leading to a bulk wine shortage at the same time as exports are being hit by a stronger Rand. The market will sort it self out as always but the co-ops need to work with growers to encourage them to plant the right varietals so as to hasten the adjustment. Increasing yields is not the answer.

New Zealand is expecting a 310,000 tonne 2011 vintage verses anticipated demand of 265,000 tonnes. In the grand scheme of things, this is not of consequence but it will have significant ramification for white wine in the Australian market. According to our analysis of Nielsen Data, New Zealand now accounts for 35% of white wine volume in Australia at price points over $10 per bottle. New Zealand is also responsible for 3% (and Imports 5%) of red wine at these price points.

As is the case when you dig into the detail in all markets, there are many different theories and opinions about how far down the path Australia is to righting the oversupply situation. Morgan Stanley believes that the total vineyard area is down 10% from its peak in 2007. Citigroup claim that that total area removed is only 6500 hectares. Lawrie Stanford believes that the actual figure is lower still as many vineyards were simply not picked or maintained rather than removed. *(Stories of sheep being let loose in vineyards as an economic way to defoliate vines and thereby reduce disease risk hit the press last week….)*
Lawrie also points out that practically no adjustment has been made in premium / coastal regions and that many of these regions remain over supplied, particularly in light of market share loss to imports.

There are still many growers in places like McLaren Vale, Mudgee, Cowra etc who developed large scale vineyards to sell fruit to big companies despite their cost structure not being suitable given the target price points and efficiencies those contracting companies are now working to. Who's to blame is always a moot point. It is worth noting that many of these vineyards are now coming off 10 year contracts.

So why are we not seeing mass failure in Australian premium wine regions? As we will see in regional analysis section, many of the better known regions have actually preformed extremely well as Australian consumers become increasingly aware of the link between regional branding and wine quality.

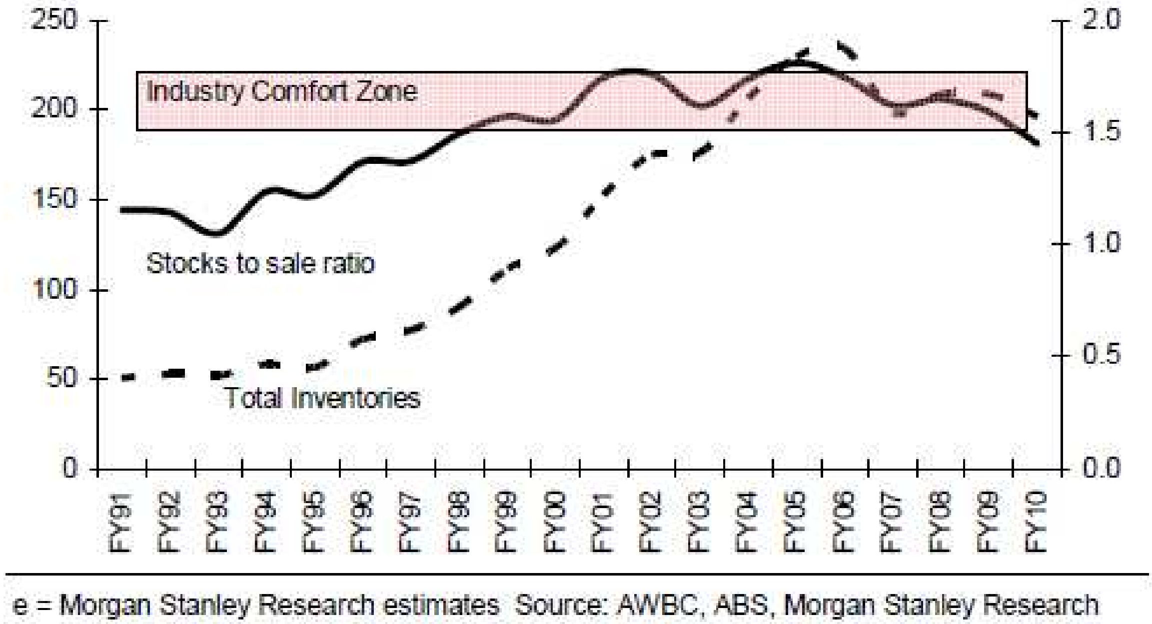


Figure Ten – Australian Inventories and Stock : Sales ratio

On balance, the critical thing is the amount of inventory held by wineries. After all, you can't oversupply a market unless you manufacture more than you can sell. On that score, things are looking a lot more positive for Australia.

Another good tester of where we are at in the supply demand cycle is international sales of bulk wine at distressed prices. These appear to have all but dried up.

Business cycles are inevitable and all indicators seem to point to this being the bottom of this particularly tough adjustment.

The best performing wine businesses, in WBS' view after talking to successful clients, are the ones that:

- Have a very clear but adaptable business plan,
- Understanding their optimal size, have right sized the business around its oppourtunity and who are not pursuing growth for growth's sake.
- Have only pursued business that can be done at sustainable margins.
- Have paired back inventory and operating costs
- Have paid down debt and are not beholden to their bank
- Are not dependent on government rebates for survival.
- Know how to do business with the multiples if they have to
- Have channel strategies that strike the right balance between achieving sales and protecting brands.
- Run strategies that reduce reliance on individual customers and place as little business as possible with multiple retailers.

For those that have done this and who have the possibility to seize oppourtunity as it presents itself, this should be the ideal time to position wine businesses for profit growth.

WBS recently undertook exhaustive analysis of the Australian Off-Premise market. Whilst the details of the findings are confidential (ie our very good clients pay very good money for this information) we can share some useful headline insights.

Those of you that have been following the Wine Paper will recall that when certain commentators claimed that the US market (in particular but the same comments were made about the UK) would never recover at the top end, we suggested that those people must clearly have either been drinking beer or in nappies at the time of the last recession (1990-1). The market always recovers. People who have money will always want good things. People who make and sell good things will always do well in good times.

In the US, as in the Australia, it is the super and ultra-premium price levels that are now growing fastest and that growth rate is accelerating.

	DOLLAR VOLUME			DOLLAR VOLUME PERCENT CHANGE vs. YEAR AGO		
	4 WEEKS ENDING 02/05/11	13 WEEK ENDING 02/05/11	52 WEEK ENDING 02/05/11	4 WEEKS ENDING 02/05/11	13 WEEK ENDING 02/05/11	52 WEEK ENDING 02/05/11
TTL 0-2.99	$60,413,846	$205,705,622	$786,765,768	(3.7)	(2.4)	(1.7)
TTL 3-5.99	$216,331,170	$759,223,701	$2,762,402,005	**5.8**	**5.1**	**4.6**
TTL 6-8.99	$139,517,983	$533,935,072	$1,887,638,085	(3.2)	(2.7)	(3.3)
TTL 9-11.99	$147,530,564	$580,706,133	$1,959,538,584	**11.1**	**10.5**	**10.1**
TTL 12-14.99	$68,945,251	$286,507,589	$941,547,767	**8.9**	**8.3**	**8.1**
TTL 15-19.99	$41,838,647	$184,502,074	$583,233,073	**12.1**	**10.6**	**7.8**
TTL >20	$32,964,570	$167,377,810	$472,783,760	**16.2**	**14.1**	**12.2**

Figure Eleven – US Off Premise Wine Sales – Source Nielsen

In Australia, according to Nielsen, bottled wine sales between $20-30 to Nov. 2010 are up by that same figure – 16% - a phenomenal increase in demand at price points where even the smallest producers can make money.

What is driving this increase?

The same two trends that we uncovered through our Wine On-Premise research.

Firstly - Strong brands linked to a varietal that is in turn linked to a strong region is the winning combination. A varietal can be supplemented by a strong "wine idea" such as Cotes du Rhone but this will only work if that wine idea has the same awareness and clarity as to concept that varietals have.

From our analysis of Nielsen Australia data, at price points of more than $10 per bottle, wines with a regional brand on the label grew at 9% MAT November 2010 whilst those without regional appellation contracted by 3%.

Oddly enough, Marlborough is a major contributor to this phenomenon.

Products branded "Marlborough" constitute nearly 5 times the sales value of the largest selling Australian "appellation" - Margaret River. In the process of becoming such a strong brand, Marlborough has taught the wider wine drinking public to value regions linked to varietals. This has had strong negative <u>and positive</u> effects on the Australian wine industry.

On the one hand, it has almost whipped out the incumbent wine idea "Classic Dry White" which was a blend of white grapes that deteriorated in quality over time as the large companies took advantage of the loose winemaking parameters associated with this style.

Eben Sadie is a big advocate in South Africa of making blended wines in Mediterranean climates. McLaren Vale and Barossa GSM blends are proof that this can work from a winemaking perspective. Communicating the idea to the public is the challenge. Without European style appellation rules about what goes into which blend, ensuring consistency and communicating a clear concept becomes extremely difficult. It can be done, of course. Margaret River Cabernet Merlot and Semillon Sauvignon Blanc blends are cases in point. It does take at least 20 years to establish a wine idea in a market, however, and in the UK for example, Margaret River has yet to start that process according to our Wine On-Premise UK research. In the US, the entire market has yet to embrace blends.

On the positive side this shift towards regions and their associated wine styles (which of course Wine Australia has been driving not to mention the regions themselves) has helped Australia's leading regions grow dramatically in the last year. I doubt that this would have happened to quite the same extent without the "Marlborough" regional brand effect. *(Note - Recent consumer research found that a significant number of Australian consumers thought that "Marlborough" was an Australian brand. When looking at the ultimate ownership of the largest stock movements, they could perhaps be forgiven…)*

To what extent is this benefiting the major Australian Regions?

State	Region	Share 2010	Share 2008	Change
WA	Margaret River	13.30%	12.53%	6%
SA	Barossa	13.00%	9.98%	30%
SA	McLaren Vale	8.90%	7.85%	13%
VIC	Yarra Valley	8.50%	7.23%	18%
TAS	Tasmania	6.40%	4.98%	29%
SA	Coonawarra	6.00%	6.06%	-1%
SA	Clare Valley	5.60%	5.07%	10%
SA	Adelaide Hills	5.30%	4.91%	8%
NSW	Hunter Valley	5.30%	6.52%	-19%
VIC	Mornington Peninsular	3.70%	2.71%	36%

Figure Twelve – Total On-Premise listings of Top Ten regions – Source WBS "Wine On-Premise Australia 2010"

Where On-Premise listings are concerned, leading regions have significantly outperformed lesser known ones. The one exception to this is the Hunter Valley which has not changed to in demand varietals, does not have so many wineries by proportion who work through quality distributors and who are trying to build their business primarily through regional tourism. Not a winning combination…

How does this compare to the Off Premise?

Region	Value Growth MAT Nov '10
Marlborough	6%
Margaret River	4%
Coonawarra	13%
Barossa	20%
Clare	8%
Adelaide Hills	31%
Orange	28%
McLaren Vale	10%
Yarra	8%
Tasmania	12%

Figure Thirteen – Value growth of Top 10 Australian Wine Regions – Source, Nielsen

Again, most of the leading regions are out performing the rest of the market.

Secondly – Cool climate wine styles are an even bigger driver of growth.

Orange and Adelaide Hills (Off Premise) and Tasmania (On-Premise) are vastly outperforming the rest of the market. *(Note that WBS's analysis of Orange includes the Rolling label which although predominantly off the same vineyard as Cumulus' Orange fruit, can not technically be branded "Orange" as it is below 600 metres in elevation)* According to Nielsen, sales of $20-30 Chardonnay where up over 30% MAT November. Pinto Gris at those price points grew by over 50%. New Zealand may be responsible for 30% of $20-30 Pinot Gris but it has been a boon for Orange, Adelaide Hills, Mornington and Tasmania. Super and Ultra Premium Sauvignon Blanc (more than $20 retail) has been growing strongly as well and perhaps surprisingly, Marlborough has less than half of the sales volume at these price points. Adelaide Hills is responsible for 30% according to Nielsen.

Barossa and McLaren Vale preform well off the back of Shiraz which is growing strongly at all price points. Cool climate Shiraz (from the Orange, ACT, Hawkes Bay, Adelaide Hills etc) is growing at three times the rate of the rest of the market according to our analysis of Nielsen data.

Exposure to New Zealand's cooler climate wine styles has reset Australian pallets and expectations, it would seem, and leading Australian regions are benefiting. You might even argue that the new styles of premium Chardonnay that are almost universally loved by the wine industry and clearly gaining a following with consumers is the most positive response to this change in preference. New Zealand also produces great Chardonnay but now has to play catch up in the Australian market.

So what to do you do if you're in warm region without a big reputation for a particular varietal? WFA board member David Lowe has an interesting solution. David is based at Mudgee and has carved out a niche for himself as Australia's leading producer of Zinfandel. He is also a leader in dry grown organic, low alcohol and no preservative wines. He makes great red wine but was never happy with his whites. What did he do? Rather than import Sauvignon Blanc or buying a vineyard in a cool location somewhere he bought a whole cool climate wine company, Louee, who already had a well established reputation. He went up the mountain in his own region. Louee have some of the highest vineyards in NSW.

South Australian producers have been doing this for a long time in the Eden Valley and Adelaide Hills, of course, but perhaps need to think about doing so more overtly and pushing Adelaide Hills' white wine credentials harder. Cutting back production of whites in the wrong areas will also help clarify the picture.

The South African situation is complicated by the proximity of very cold ocean next to otherwise warm to hot regions. New regions that are without question cool climate provide the best solution from a marketing communications standpoint. Regional branding presents a huge opportunity.

What am I doing when not writing these newsletters?

Regional Brand Strategy – In the last year, WBS has worked with Mudgee on regional brand strategy (Mudgee increased Off-Premise sales by 41% in the year since, according to Nielsen – their hard work, not ours), we've just finished a Marketing Plan for the Coonawarra Vignerons Association, we're working with the NSW Gov. on improving On-Premise distribution of NSW wines and are in discussions with the Great Southern wine producers of Western Australia.

We'd of course love to help your region if we can.

Oppourtunity Analysis - We've just conducted a thorough assessment for a major wine company**.** These exercises and our own research resources put us in an excellent position to help any wine business assessing their options globally.

Mergers and Acquisition Activity – Having taken the pain of financial restructuring, many of the industries better performers are now sitting on a pile of cash. At the same time, others are thinking that it may be a good time to leave the industry. Others still simply want to retire but have no one in the family looking to take up the reigns.

WBS is currently project managing the sale of major Western Australian wine business.

We're also working on the sale of a rapidly growing 100,000 case virtual wine business that would provide a quality South Australian based producer who has strong distribution capability with an excellent add on.

There are other smaller businesses we know of that could present a good oppourtunity for aspiring young winemakers.

If you would like more information on any of these opportunities, if you would like us to assist with the sale of your business or you would like us to help you acquire one, please just let us know.

WBS is pleased to welcome Adam Parkinson to the WBS team as an Affiliate. Adam has considerable skills in the areas of Information Memoranda preparation and Due Diligence support etc.

Wine On-Premise Australia 2011 - Research is once again underway and this report will available in the coming months. Our Wine On-Premise UK 2010 report was only completed in November so information within it is still highly relevant for anyone considering that market.

2011 Workshop Series – "Turning Your Wine Business Plans into Profits" is the name of this year's workshop series. As the title suggests, we'll be focusing on helping you to develop actionable plans designed to re-energise your business.

We'll be kicking off again in Stellenbosch where lasts year's workshop was a sell out. You can check out program details and register using this link. http://goo.gl/u9J24

We are again hoping to receive funding from Industry and Investment NSW that will support the delivery of 8 hours of business mentoring at no additional cost for each firm participating in the NSW program. We'll know about this within days. Again, this was a sell out last year so please let us know now if you would like to attend.

Please also let us know if you would like a workshop run in your region. We'll be covering most regions of Australia, New Zealand and South Africa during the coming year.

OH & S - WBS has formed a strategic alliance with MindAtlas Health, Safety and Environment, a consultancy specialising in OHS systems audits, risk assessments, OHS solution design and implementation, as well as innovative training design and delivery.

Victorian winemaker, John Tregambe, is principal of MindAtlas, and is a leader in the Oh & S field.

New, tougher, national legislation is coming into effect in Australia. All wineries will have to be compliant by January 1st 2012.

John and his team can assess your risks and help manage compliance in a way that is sympathetic to the unique needs of the wine industry.

Finally – Thanks to all our loyal customers. Last year was our best ever. This year has started much better still. All the signs are there that the things may be about to improve for our clients.

There are reasons to be cheerful…

The “Top Ten Tips” for Building Better Wine Businesses.

(From a Wine Business Solutions article published in Wine Business Magazine)

One - Start by understanding your customer value proposition. Only part of this stems from your company’s unique heritage and / or personality. To be successful, this needs to be strongly linked to what your customers ultimately want from the experience of your brands. There is some excellent research on this that is publicly available. Getting it right is therefore not out of the reach of small companies.

Two - Once you understand what customers value most, you can then remove what they don’t want (thereby reducing costs and freeing up cash), focus your communication on what they do want (often at no additional cost), differentiate your company on the basis of fulfilling customer needs more accurately than any competitor (again often at no extra cost) and raise prices (because your offering is more highly valued)

Three - Always be asking the question – “If I could start with a blank canvas today – what would our wine business look like?” It’s all too easy to let existing assets, existing product lines and existing ways of doing things blind us to what it is that our consumers value most. Often it’s simplicity. Complexity usually adds to costs and often only serves to confuse customers. Retaining unnecessary or irrelevant product lines, assets or business processes is the worst contributor.

Four - Make everyone in the company accountable for securing customer preference. This is not just the job of marketing but of everyone in the company, the owner most particularly. Make this the focus of the way every employee innovates their job processes on a daily basis.

Five - Invest in relationships. This is particularly so with major distribution partners. Make sure sufficient time and money is invested before demanding results. Be prepared to invest up front in bringing them to your home base and entertaining them in order to build enduring friendships.

Six - Make all employees champions for profit. Develop a culture of honesty around net revenue. Make sure everyone knows the actual price achieved net of all discounts, rebates, bonus stock and anything else that might otherwise cloud the true profit picture. Keep them focused on reducing costs but let them know that a percentage increase in wine company revenue is, on average, twice as effective as the same percentage decrease in the cost of goods sold and 3-4 times as effective as the same percentage saving in operating expenses.

Seven - Optimise your pricing mix. Focus first on selling more, higher margin product in high value markets to high value customers. Beware of people in love with “big volume”. Big numbers make for big stories but often mean a lot of running around for no additional profit.

Eight - Build better business intelligence gathering systems – most companies are good at monitoring their own press. Very few have effective systems in place to monitor competitors, track changes in consumer preferences and turn customer feedback into customer value added.

Nine - Build 5-10 year Strategic Plans, forecast rolling 12 month budgets, link them to the most relevant KPIs and tie remuneration to these where ever possible. Everybody knows they should do this. Few do. The difference in performance of companies that do is enormous.

Ten - Watch your cashflow – building a cashflow forecast is a relatively easy exercise with the right software and some quality assistance. Some people survive years of losses but you can only run out of cash once. In a cash hungry business like wine – Cashflow is not just King but Oxygen.