

MEININGER'S

WINE BUSINESS INTERNATIONAL



THE AUSTRIAN MAVERICK

The Austrian wine industry benefits from an unusually dynamic wine marketing body, whose director Willi Klinger is undoubtedly one of the most effective generic wine promoters in the world. Page 30

ALL EYES ON ROBERT PARKER

In August, renowned wine critic Robert Parker stepped away from Californian wines. What will it mean for wine when he finally lays his pen down for good? We asked the trade in California and Bordeaux. Page 14

WINE ON THE HIGH SEAS

The travel retail trade has bounced back after being hit hard by the global financial crisis. What wines are served on cruise ships? Which are the right companies to watch? Monica Murphy takes a look. Page 19

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SHERRY'S LAST STAND

London is now home to a clutch of Sherry bars, which are delighting patrons with Andalusian flavours. Could such establishments give the Sherry category the revitalising boost that it needs? Page 52

AUSTRIAN MAVERICK

AN INTERVIEW WITH WILLI KLINGER BY FELICITY CARTER

Austrian wines have come to increasingly prominent international attention, with their flagship white Grüner Veltliner leading the way. Influential sommeliers from markets as diverse as the USA and Australia have embraced the wines, making Austria a boutique star. It wasn't always this way: in 1985, after various members of the Austrian industry were caught adulterating wines with diethylene glycol, wines were pulled from shelves across the globe. The 'anti-freeze' scandal, as it was known, forced the country to draw up strict new laws and move away from bulk wine and into premium production. Today, the improvement in the quality of Austria's wines has paid international dividends. The country has also benefited from an unusually dynamic wine marketing body, whose director Willi Klinger is unarguably one of the best-known generic wine promoters in the world.

MEININGER'S: Can you give a brief overview of Austria, both in terms of production and the size of the market?

KLINGER: Austria is less than 1% of world production in wine; 46,000ha, 20,000 grape growers, 6,600 bottlers of quality wine, very small, family driven estates. All nine federal states have some wine-growing, but the four major ones are Lower Austria [Niederösterreich], with 27,000ha; Burgenland, the second biggest in the east, with close to 14,000ha; Styria, with 4,200ha; and last but not least Vienna, the capital, with 612ha.

Two thirds is white. Grüner Veltliner is the main grape variety, while red wine increased from 15% to 30% over the last 15 years. And there are some outstanding sweet wines.

MEININGER'S: How much of the wine produced in Austria goes to the domestic market and how much goes to export?

KLINGER: Exports are growing steadily, but not so much in quantity as in value. So we can say about 72% is domestic and 28% is export, depending very much on the vintage. Last vintage was down 40% and exports will go down as well because all the bulk wine exports are practically gone.

MEININGER'S: How much of what you sell to export is bulk wine and how much is bottled wine?

KLINGER: We have nearly tripled the bottled wine exports since 2000, whereas the bulk wine exports are in sharp decline. The year 2003 saw the highest amount of bulk wine exports (over 60m litres). In 2010 bulk wine exports went down to 17m litres while bottled wine exports reached a historic high of 43m litres.

Our idol is New Zealand. Not for the wine character, I'm not saying that, but for the business performance which, so far, was overwhelming. They had 10,000ha in 2000, an acreage that tripled to 32,000 ha in 2009. They have an export value of more than €500m (\$687m) - it's incredible. Austria is coming from the other side. We had a lot more wine than we could sell historically, so there was the bulk wine segment. But with labour costs and with the changes in society, bulk wine will not have a future.

MEININGER'S: The Austrian advertising campaign explicitly links wine with Austria's cultural heritage, such as its music. How much do you think Austrian wine gets a boost from being associated with things about Austria?

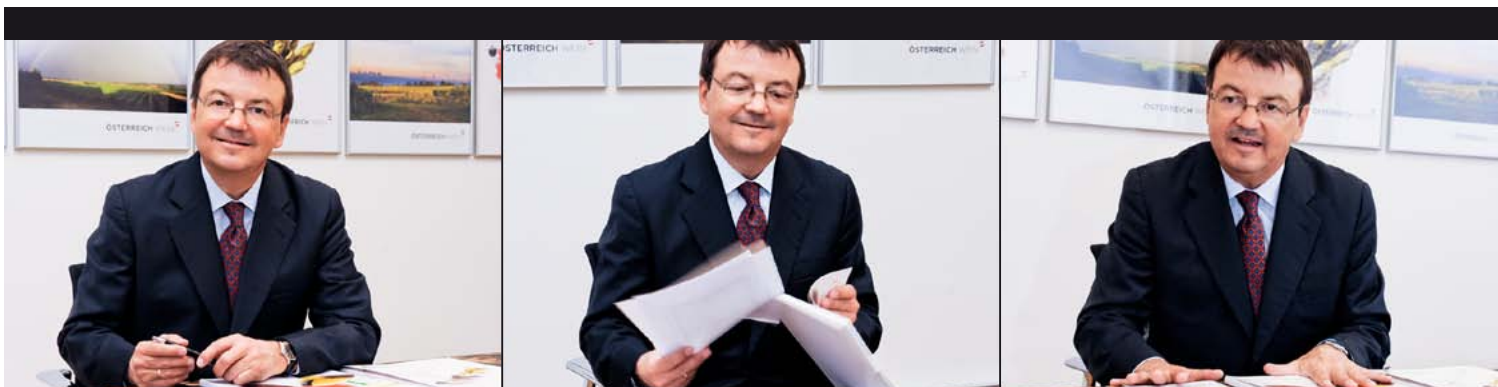
KLINGER: This becomes clear the first time you go out of your beloved European context where everyone knows Austria. When you land in Shanghai, Tokyo or Manila and you take a taxi and say, "Can you drive me to the Austrian Embassy?", the taxi driver says, "Yes, yes, yes," and automatically drives you to the Australian Embassy. Then you realise how difficult it is to sell the wine when people don't even know your country, or mix it up with Australia. We are perceived as a new wine country, as if we had started planting vineyards 20 years ago, not 2,000 years ago. So we must hammer home that culture, music and wine is all part of Austria.

MEININGER'S: Do you think people's perceptions have changed?

KLINGER: I think so, because the export statistics show that we have developed the markets. The first market for Austrian wine is Germany of course. They know us, they come as tourists, they love our country, they love our wine. The second market is Switzerland, probably for the same reasons. The third market is America and this is a newly created market, which only started 20 years ago. We are now developing other markets and we always do it the same way. We start with sommeliers and knowledgeable people who explain to knowledgeable people that this is a great story, a great wine. In New York, a famous



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sommelier used to ask his customers: “What do you want to drink, red, white or green?” The reply was regularly, “What do you mean by green?” and the answer was “Grüner, haven’t you tasted it?” I think over the next five years we will manage to get Grüner Veltliner on the radar of knowledgeable people. But we will never mass market.

MEININGER’S: Austria has been particularly successful in connecting with sommeliers and wine critics. But what Austria hasn’t done is moved Grüner Veltliner into the same category as something like Sauvignon Blanc, which is a ‘must have’ white.

KLINGER: I’m not for grape variety marketing, because grape variety marketing alone is dangerous. It doesn’t give you the right price points, as we know from Sauvignon Blanc. There is New World Sauvignon Blanc that can be at price points that we could never match with our Styrian Sauvignon Blanc. That’s the first. So if we market Grüner Veltliner or other varieties, we market it together with the specific appellation of origin. Secondly, it’s a question of brands. Austria has so many micro-brands. There are only 19 Austrian producers making over a million bottles. There are only 18 producers making from 500,000 bottles to a million. These are the only ones to sell to supermarkets, but mainly in Austria and Germany. Internationally, this is nothing in brand terms. After that, you come to family businesses making from 50,000 to 500,000 litres. If they make high quality wines, like many of the Austrian top producers, then it’s a well profitable company.

MEININGER’S: Do you think the companies that are producing over a million bottles could ever create a big brand?

KLINGER: There are some big companies who have the potential to be more visible in the market. What we will see more of is medium-sized companies, smaller companies and family companies getting more worldwide distribution. There is a potential problem when you have thousands who are exporting, because it’s a lot of brands. So the consolidation process has to go on. We had 48,000 grape growers in 1988, but we are now down to 20,000. There’s a lot going on in the country that you don’t see, but it means a lot of wineries have significantly more wine than 10 years ago and can serve markets. But we will hardly show up in the big supermarkets outside the German speaking world.

MEININGER’S: A walk around a German supermarket shows that there is still a lot of Austrian bulk wine. Will this eventually disappear?

KLINGER: First of all, a certain bulk market is necessary with our internal structure, because we have many people buying grapes or wine from contracted partners. So there has to be a reasonable bulk wine market, but it doesn’t make any sense to export bulk wine for 30 cents a litre. So this will disappear, I’m sure.

MEININGER’S: You’ve been quoted as saying that you want to market wines to smart people and that you’re going to move into social networking and so on. What have you been doing in that area?

KLINGER: Smart people, because we don’t have enough wine to mass market Austrian wine, that’s true. So we go to a special audience or a special clientele and this gives us also the prices we want. The situation is very nice, nowadays, because of the French. The Bordeaux situation is creating new concepts of price in wine, so we can seem very well priced at €20.00. But it’s not our business to market wine over €100.00, €200.00 or even €1,000.00. So social media becomes more important, to get intelligent people around the world talking about Austrian wine, creating rumours, creating interest, creating passion, creating enthusiasm.

MEININGER’S: Do you integrate what you’re doing with any overall tourism proposition from Austria? Do you work with other government bodies?

KLINGER: Yes. If you want to be successful in generic marketing, never be jealous! We work carefully with all people who can be of any help. Austria has a worldwide network of trade commissions, some countries have wine enthusiasts as trade commissioners. You can work with them and these are really great people. The Tourist Office, same thing. These people know marketing. In New York we did a tasting in Carnegie Hall when the Austrian piano virtuoso Rudolf Buchbinder was playing his debut concert. With very little money, we co-sponsored the very upscale Orpheus Chamber Orchestra and we had dinner after the show with 32 travel agents who specialised in culinary travel to Austria. That was fantastic and cost me no money. Nowadays, we heavily work with embassies and trade commissions improving their wine selections. Sometimes we try to help them with wines and they get special conditions and the glassware.

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MEININGER'S: Sommeliers and other taste makers always want something new. So what's your new offering?

KLINGER: Yes, that is the big danger. At some point, three years ago, I was always asked, "Grüner, okay, and what's the next thing?" Australia ran a little bit into a trap with Shiraz and we were very much aware of that, so we never, ever, stayed only with Grüner. We always gave them the other things. What were the other things? We have to say that we are one of the Riesling stars in the world. The hard thing was to make sommeliers believe that there are great Sauvignons here. But then came the red wines. First there was Zweigelt and now Blaufränkisch is the hot thing. And St. Laurent and Pinot Noir are already visible on the horizon. We never let Grüner Veltliner become a flash fashion. We constantly marketed it within the concept of cool climate terroir wine, true wine. My most important thing is this: Don't industrialise.

MEININGER'S: There are some generic wine bodies around the world that aren't doing well at the moment, usually because their relevance is being challenged by their own members.

KLINGER: You know how the Austrian Wine Marketing Board started? It wouldn't have been possible without the painful wine scandal of 1985. If you want to fund a company like ours by legally forcing everyone to pay you can only implement this at a very critical time. We have a very good legal situation, so we are stable. I think if a general body is in the hands of low-quality mass producers, if they are presenting not-so-good wines at an expo because the big producers are paying more, then they are lost. We always go the opposite way. We always show the experts our quality. If quality is not the first argument of a generic body and if the fine wines from a country are not important, you can close doors.

MEININGER'S: What do you see as the changing role of the wine marketing board in the future?

KLINGER: Bureaucracy is the main danger when you are a generic body. We are taking €8m from the wine industry and the regions, and we're taking €1m and maybe €1.5m next year from the EU. EU programs need control, clearly, but the documentation of the activities is so tough, you know, and we're only 20 people. My main concern for my company is that the bureaucracy doesn't overwhelm us so much, that creativity has no chance. On the other side, we have to divide our

time between the mature markets: Germany, Switzerland, parts of the USA, the Netherlands, where the first goal of achieving distribution has already been reached. We have more than 200 importers in the United States, so the need is not to get more wineries represented, but to grow the market. How to do that is difficult. That's why we use social media. How can you grow consumer awareness when you don't have the budget for a campaign on CNN? Guerilla marketing, yes? Reach your people, reach the people who will eventually buy an Austrian wine. The next thing is realising that every market is a market, because everywhere we find people who want to buy fine wine. Brazil is growing so fast, it's like an avalanche. Mainland China is incredible, even for us Austrians.

MEININGER'S: If you have low harvests and if your wines start to be adopted in places like China and Brazil, how are you going to supply all of those markets?

KLINGER: We would never mass market. We will go out of mass markets that are not sustainable for our economy. Selling Austrian wine for €1.49 in a German supermarket will not be the future. First we will substitute bulk wine, so we will have millions of litres of reasonable wine left for reasonable prices. In the future, I think it will not be possible to sell Austrian wine below €3.00.

MEININGER'S: What are the challenges that you're facing?

KLINGER: We are also working internally in wine politics, with regards to defining regions, appellations. This is very hard and necessary work. We don't want to run into the trap of the Italians, who created 360 DOCs in a few years and over 50 DOCG on top. So we have four federal states which produce significant amounts of wine and then we have specific regions and I have to get ready with profiling those.

MEININGER'S: What are your next goals?

KLINGER: To export 70m litres. In a good year, 80, - and I want €3.00 per litre on average. This would mean nothing less than double income. Can you imagine what that means for our people? But this would only be halfway to New Zealand, you know? Can you imagine how good it would be exporting 105m litres at €5.50? So €3.00 is my next target. Crazy? Maybe, but you know, I once said, "I want a €2.00 average price" and that was when we were below €1.00. In 2010 we achieved this goal. So it's time to set new ones. ■