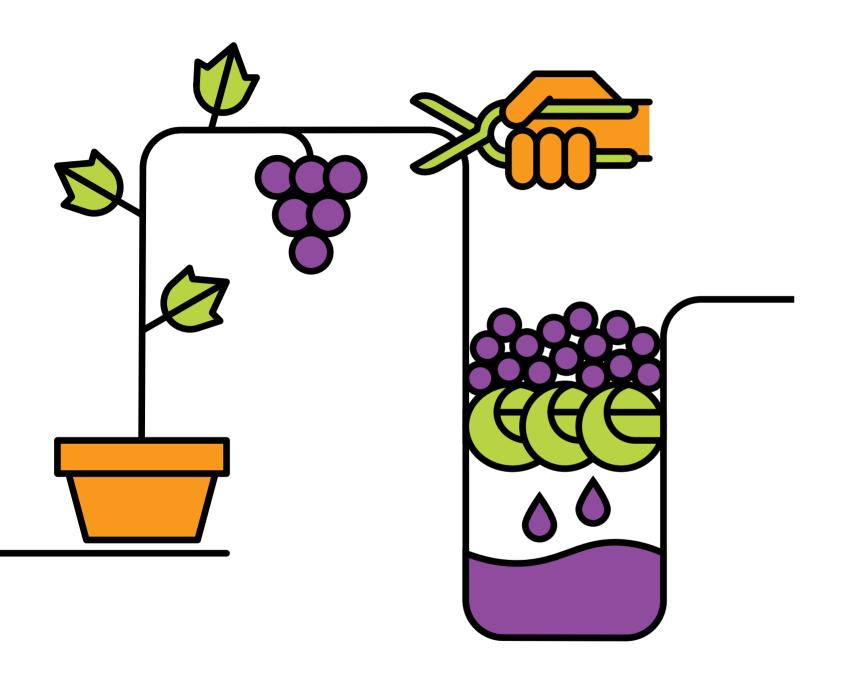
## THOUGHT LEADERSHIP

Volume 4

FUTURE 20 LEADERS 23







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The Future Leaders program provides a framework within which a new generation of grape and wine sector leaders can sharpen decision-making skills, develop networks, and form a core of knowledge, confidence, and collaboration that filters across the entire value chain.

This program fosters agile and resilient leadership behaviours and respects the diversity of voices who question the status quo. We expect them to be authentic, brave and formulate visionary and innovative responses to challenges the sector is facing - and this is already plainly evident across the thought leadership pieces each Future Leader has produced as an outcome of their involvement in the program and published here in Thought Leadership Volume 4.

Against a backdrop of structural oversupply and challenging market conditions, as well as ESG and market access considerations, these are timely and

critical conversation starters around resilience, support structures, maintaining product relevance, understanding consumer behaviour and working together through a culture of cooperation, collaboration and co-investment. Not surprisingly sustainability is a key focus. There are important themes considered around people and diversity within the sector and the way in which we manage and lead our teams, and plan for succession.

These pieces also challenge current practices and thinking around engagement with growers as the backbone of our sector; mindfulness and wellbeing practices while working in the 'alcohol' industry, and how we present information on our wine labels; and the need to genuinely include, collaborate with and acknowledge our First Nations people as the Traditional Landholders where we grow and make our wines.

With this graduating group there are now over 150 individuals who have benefitted from the world-class leadership development opportunity that is Future Leaders. The combined cross-disciplined horsepower of this group will provide crucial leadership as we embrace the challenges and opportunities within the sector, and you will already find many of them making a major contribution to the future direction of the sector. With anticipation we look forward to witnessing the ongoing impact from our outstanding 2023 cohort.

We sincerely thank the 15 individuals from across the alumni who harnessed their collective wisdom and stepped up to act in a coaching capacity for the 2023 cohort – Aaron Mercer, Alexia Roberts, Andrew Stark, Andy Clarke, Angus Barnes, Emily Hay, James Hook, Jean Macintyre, Josh Hixson, Kate Goodman, Marc Soccio, Prue Henschke, Sue Bell, Trish Barry and Zoë Downer.

We acknowledge and deeply appreciate the expertise of Ali and Darren Hill along with the wider Pragmatic Thinking team and guest speakers, all who contribute an immense amount of energy and commitment to driving the continued success of leadership within the Australian wine sector.

Since its inception in 2006 the Future Leaders program has been funded and coordinated by Wine Australia, with the endorsement of Australian Grape & Wine.

Martin Cole Chief Executive Officer Wine Australia

Lee McLean Chief Executive Officer Australian Grape & Wine

Change and challenge currently paint the wine sector landscape. Facing a once in a generation level of impact this years Future Leaders put their hand up to step into the unknown and elevate their thinking, their connections and their impact. The result of this has been extraordinary to witness.

Something special happens when a group of talented, passionate and curious people come together, committed to developing their leadership in service of this unique sector. When those same people forge a unique bond over five months of intense learning, growth and development, well that's when hope for a courageous future happens.

Like an exceptional wine, the contents of this book are the culmination of a number of carefully curated variables, crafted with care into something quite extraordinary. There have been challenges faced, obstacles hurdled, insights realised and a resounding desire to turn potential into performance. To elevate their voice and strengthen the sector. What you're holding in your hands right now is an insight into this transformational, and at times, deeply personal journey.

It's also an insight into the future of the Australian wine sector from the people who will lead it. The brief we provided was to find your voice, back yourself and share your insights into areas that will make this sector even better. That's a big ask for people who until now may not have considered themselves Thought Leaders. From the very first session together we knew this was a group with a difference. Their willingness to learn, to dig deep, to listen to each other and tap into their collective potential has been truly remarkable to witness.

The insights shared here address issues as diverse as the group of people in this program. While the content covers as much ground as our participants do with regards to expertise, there are a couple of common threads that bind it together. One is connection – our connection to place, to land and to the people that work with it is essential for our future survival, both as a sector and as a community. The other thread is courage – whether that be the courage to innovate, to create, to care more. The same threads that bind this group together are evident throughout these articles.

This is a group of leaders who care deeply about the work they do and are courageous to step into the future of this sector.

Pragmatic Thinking, once again, are blown away by what can be created when courageous people gather and challenge each other. It has been a pleasure and a privilege to work with this group of leaders. Those who are champions of the Future Leaders program are also woven into these pages through their support and coaching. From the 2023 Future Leaders Coaches who all stepped up in remarkable ways, to the leaders of Wine Australia and Australian Grape & Wine, who cheered on this program at every point. The future of the wine sector is going to require brave communities to gather and Future Leaders is a petrie-dish example of what can happen when they do.

Better humans make better leaders, and better leaders make a better sector. With these leaders guiding the future of the Australian wine sector, it's in ambitious, brave, and deeping caring hands.

Alio Hul

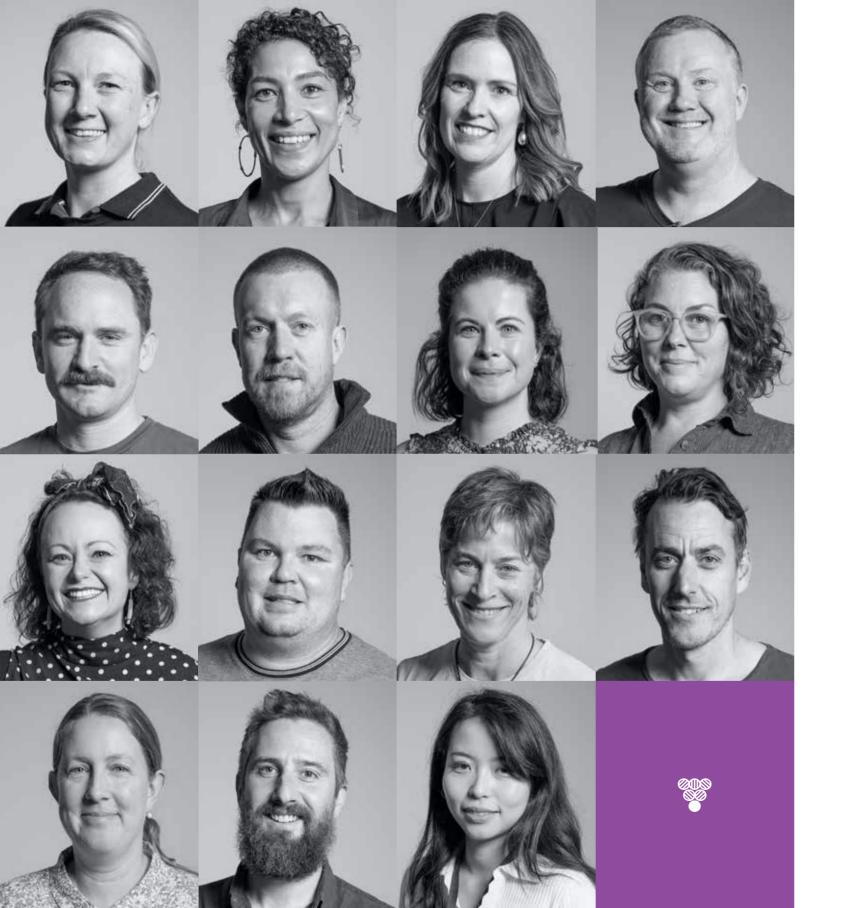
Alison Hill

Psychologist Co-Founder of Pragmatic Thinking



Darren Hill

Behavioural Scientist Co-Founder of Pragmatic Thinking



## WINE FUTURE LEADERS 2023



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Monica **Gray** 

Monica lives and works in Orange, New South Wales, where she is the Senior Winemaker for leading organic producer, See Saw Wines.

Since completing her Bachelor of Wine Science from Charles Sturt University, Monica has worked in Canberra and Mudgee, and completed overseas vintages in Rheinhessen, Germany and the Northern Rhone, France.

Monica was a recipient of the Esther Knewitz Scholarship in 2016 and holds the role of Secretary in the Orange Region Vignerons Association. Monica is an active wine show judge for various regional and capital city wine shows. When not at the winery, Monica enjoys pilates, and sampling many of Orange's great restaurants and bars.



Belinda van **Eyssen** 

Belinda van Eyssen, winemaker and co-owner at The Cutting in the Barossa Valley, joined forces with husband Daniel to establish the sustainability-driven boutique winery in 2018, crafting award-winning wines from single vineyard sites across the region.

Formerly a label integrity inspector for Wine Australia, Belinda took on full-time management of the vineyard and winery in 2021. With experience spanning twenty-three vintages, Belinda's winemaking career commenced in her native South Africa, where she studied and gained experience in the Western Cape. Belinda continued honing her winemaking skills across the globe, from Sonoma to the Douro Valley, Marlborough, Bordeaux and Australia's Langhorne Creek before establishing roots in the Barossa.

Belinda's passion extends not only to the diversity and sustainability of vineyards and landscapes, but also to the people and palates that shape the world of wine.



Kendall
Clements-Virag

A jack of all trades, Fellow Chartered Accountant as one, Kendall moved into the wine sector in 2000 and has never looked back.

23 years with Pernod Ricard Winemakers (PRW), her expertise expands across winemaking and agribusiness operations, supply planning, system implementations, sales and category management, strategic planning, product life cycle management, change management, coaching and facilitating.

At the heart of all her roles is the genuine connection and empathy she brings to the people surrounding her and commitment to problem solve while adding value to the business.

As well as wine, her passion for equality and inclusiveness gave her the honour as a finalist in the 'Champion of Change' category for the Australian Women in Wine Awards in 2017. Today she continues this journey as a role model and member of the Gender Peer Network at PRW leading the way to inspire the next generation.

Outside of work, Kendall is known to her friends as the memory keeper of all things fun through her joy of selfies, love of the outdoors and often found with a sparkling in hand.



George **Taylor** 

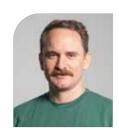
A Viticultural Operations Manager for ANZ at Treasury Wine Estates (TWE) since 2017 working with an exceptional team managing vineyards across Australia.

In 2000 George joined the Southcorp Wines Graduate program and has since had the privilege of experiencing vintages with a diverse range of managers and regions in Australia and the US. Today, George oversee TWE's Graduate program, where he is committed to fostering diversity of experience and facilitating learning from every opportunity.

'Throughout my journey in the wine sector, I've witnessed its cyclical nature and endured the challenges with some dedicated and passionate people. These experiences have reinforced my belief in the power of sharing personal stories and emotional responses to the roller coaster of primary production. As leaders, I believe it's crucial that we continue to develop the emotional intelligence of our teams by sharing our own experiences, helping them navigate the challenges, and celebrating the successes that lie ahead.'







Jamie **Pike** 

Introduced early to the family business, Jamie spent his childhood weekends and holiday years working in the family business, from planting, pruning, and harvesting fruit in the vineyards; crushing grapes, filling barrels and assessing wine in the cellar during vintage, to greeting guests and introducing them to Pikes Wines in the Cellar Door.

Since then he has completed his Bachelor of Wine Marketing at Adelaide University, and gained over a decade of experience in the industry across retail, hospitality, distribution, sales and management. He worked with esteemed wine companies like Bollinger, Henschke, St Hallett and Petaluma during a 6 year stint at wine distributor Fine Wine Partners. Then 2 years working with New Zealand's most awarded winery, the family owned Villa Maria as Brand Ambassador for NSW and ACT.

Jamie returned to the family business in early 2016 as Sales and Marketing Manager to assist with marketing and selling the Pike brand around the world and was soon promoted to the role of Sales and Marketing Director for the Pikes Group.

In 2022 Jamie was further promoted to Managing Director as part of Pikes next generation succession plan. He is married to Anneke and together they have three children, Harriet, Jack and Margot.

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Andrew **Duff** 

Andrew began his wine industry journey long before his first vintage at Reynolds of Yarraman in Denman, 1995. At the age of four, when asked what he wanted to be when he grew up, the unwavering response of 'own a vineyard' would ensue.

Andrew's passion led to a diverse career in the sector working at renowned wineries including Tyrrell's, Church Road, Eden Road, Tempus Two and Hart & Hunter, among others. His academic pursuits include a Bachelor of Wine Science from the Eastern Institute of Technology (NZ) and a Post-Graduate Diploma in Wine Business from the University of Adelaide.

Andrew has received recognition through his involvement creating the 2009 Jimmy Watson recipient. More recently, the Winestate Magazine's 2022 Australian Winemaker of the Year and nominee for Best Wine Student in the 2022 Wine Communicator of Australia awards for his paper on Cross-Cultural Negotiation, part of his current endeavours in the Master's Program at the University of Adelaide.



Caitlin **Davies** 

Caitlin Davies holds a Master of Oenology from the University of Adelaide. Working in production for several years across cool climate regions in Australia, as well as Canada and the United States, Caitlin has more recently expanded her knowledge and skill set to sales and marketing, currently working for McLaren Vale and Adelaide Hills brand, Jericho Wines.

Caitlin is passionate about the long-term sustainability and profitability of the Australian wine industry. As a member of the Executive Committee, she helps to direct the strategic activities of the Adelaide Hills Wine Region, and is also the chair of the regions' Trade Working Group.

Caitlin is a recipient of the 2023 PIRSA Great Wine Capitals scholarship that she will use to travel to Mendoza, Argentina to engage with experts in strategic planning on elevating specific varieties to consumers and trade.



Lucy **Etheridge** 

Lucy is a farmer with a PR degree and Masters in Agribusiness. Having spent 20+ years working in the shiny side of the wine industry (sales, events, functions, marketing), Lucy returned to help run the family farm, 'Yarrawalla', in 2018.

Yarrawalla grapes are grown to supply some of Australia's most respected wine companies and, very occasionally, for production into its own label. Overseeing the cattle, sheep and cottage accommodation, Lucy is also passionate about biodiversity and land protection for future generations.

Lucy loves sharing knowledge and believes in staying curious to ensure that she is innovating within her own business and helping to support, inspire and involve others to do the same. Lucy has a keen interest in consumer behaviour and a desire to ensure wine carries a story from the vine to the table; in particular giving grapegrowers a voice and place in that story alongside the winemakers, marketers, sommeliers, sellers and sippers.







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Katie **Spain** 

Katie Spain is a former dairy gal-turned journalist, drinks writer and author. To earn a crust, is the national drinks writer for GOOD FOOD (Sydney Morning Herald and The Age), feature writer for Australia's Wine Business Magazine (WBM), and state editor (South Australia) for Gourmet Traveller. She is also the Australian correspondent for award-winning Swedish wine magazine Livets Goda.

Katie also writes books (most recently about South Australia's wine regions and distilleries). For her efforts, she was named Wine Communicators of Australia's 2021 Wine Communicator of the Year and winner of the 2022 Best New Wine Book. In 2022 she was named Best Rural Journalist – Print – in the Rural Media Communicator Awards.

She wears colour (always), glitter (nearly always) and enjoys nothing more than a long chinwag with interesting people. If she's not behind her keyboard she can usually be found scouring the country for stories in a tiny vintage caravan called Charlie.



Bodhi **Edwards** 

A respected and driven government leader, Bodhi has extensive skills in strategy development, international relations, project design and delivery, and communications and engagement.

Bodhi led development of the collaborative No and Low Alcohol wine project for the South Australian Government which has so far secured over \$5 million of State and Federal Government funding, supported the delivery of the Riverland Wine Industry Blueprint Strategy and worked in partnership with the wine industry to provide support following the 2019/20 fires in the Adelaide Hills.

Prior to his time in Government, he has worked across the wine sector in hospitality, retail, production, export and marketing. He is now the lead contact for the wine industry at the Department of Primary Industries and Regions in the South Australian Government.

Outside of work, Bodhi is most content with a glass of Grenache (or Hard Solo) in hand, watching the Mighty Adelaide Crows and spending time with his family.



Eloise **Jarvis** 

Growing up in the Margaret River region and after completing a Bachelor of Horticultural Science (Hons) degree, then working in vineyards, Eloise Jarvis' love for the wine industry was cemented with her first vintage at Cape Mentelle in 1996.

Achieving a Post-Graduate Diploma in Oenology from University of Adelaide in 1997 Eloise worked vintages throughout Australia, California and South Africa before rejoining Cape Mentelle as a winemaker from 1998-2005 and Fonty's Pool Vineyard, Pemberton as their Senior Winemaker until 2007.

Since then, while raising three children with her husband, Eloise continued to broaden her experience and contribute to the industry lecturing for Curtin University in their Viticulture and Oenology Degree, wine consulting throughout the southwest of Western Australia, producing her own wine and brand with husband, Glenn, and working to establish Margaret River Wine's sustainability program. Eloise returned to Cape Mentelle in September 2022 for a third time as Senior Winemaker.



Steven **Paul** 

Steve is the General Manager/Director of Oakdene Wines, a boutique producer based on the Bellarine Peninsula, in the Geelong Wine Region. Steve is Business Graduate (Bachelor Business/Marketing), a graduate of the Australian Wine Research Institute's Advanced Wine Assessment course, completed the Wine Spirit Education Trust's (UK) Advanced Certificate, and Len Evans Tutorial Scholar.

Steve is extremely passionate about high quality sustainable focused local wine industry, a past President of the Geelong Wine Growers Association, and current Committee Chair of the Geelong Wine Show. Steve is a firm believer in "improving the breed" and has contributed to the Australian Wine Show System as a judge for the past 14 years.

Time away from work is time is spent on the surf coast running, swimming, or cycling preparing for the next endurance event with wife Kristen and daughters Isabel, Claudia and Sofia.





lacksquare



Amy **Blackbum** 

Born in the Riverland, Amy has come full circle returning to the Sunraysia region of New South Wales.

A passion for science led Amy to a major in Chemistry at the University of Adelaide and beginning her career in the wine industry as a laboratory technician in 2004 at Brand's Laira Winery. Amy's interest in Wine production led her to study Wine Science at Charles Sturt University and change roles at Brand's Laira into Winemaking. Amy graduated Dux of her class, taking home the Calabria Family Wines Graduating Prize and Dean's Award.

With the closure of Brand's Laira Coonawarra winery in 2022, feeling change in the wine industry Amy embraced the opportunity to work with Australian Vintage at their Buronga Hill Winery leading production of No and Low Alcohol wines.

Other highlights of her career include vintages in the Hunter Valley at Mount Pleasant Wines, and the Napa Valley with Arkenstone Wines.

Amy is passionate about a sustainable future for Australia's wine industry through innovation and diversification.

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Andrew **Shedden** 

Andrew Shedden is the Head of Fine Wine for Endeavour Group, Australia's largest retail drinks network and largest licenced hotel portfolio. Andrew and his team form the key relationships with small-medium sized Australian wineries who range wine into the Group and they manage the ranging, pricing and promotion of Australian fine wines end-to-end across the Dan Murphy's, BWS, and Langton's businesses.

Andrew has over 10 years' experience in Liquor retail in Australia, working across multiple businesses and categories. Prior to joining the retail sector, he worked as a Management Consultant in KPMG's Business Performance Improvement practice.

Outside of work, Andrew also spends most of his spare time engrossed in wine, whether that is studying it (WSET Diploma 2018), making a tiny amount of it on the Mornington Peninsula (don't worry, it's for personal consumption only!) or simply enjoying it!



Ray Chen

Ray is from New Zealand of Chinese and Japanese descent, with 10 years of experience in the industry. Her journey commenced with a degree in viticulture and oenology from Lincoln University, New Zealand, followed by a master's in food science, specializing in wine science at Cornell University, USA. She has worked multiple vintages in Australia, New Zealand, the US, and Europe. With a knack for research and development, she's lent her skills to research extension and technical winemaking consulting in previous positions. Presently, Ray works as the Product Innovation Manager at Pinnacle Drinks, Endeavour Group, spearheading innovation in all alcoholic beverage categories. Additionally, she runs her own wine brand, Rongo Wines, based out of Yarra valley and focuses on small lot, single vineyard expressions.

Disclaimer - The opinions expressed in the essays in this publication are those of the authors and do not necessarily represent the policies, positions or practices of the organisations supporting the Future Leaders program. The intent of the essays is to provoke thought and discussion.

The majority of the images used throughout this book are credited to Wine Australia.





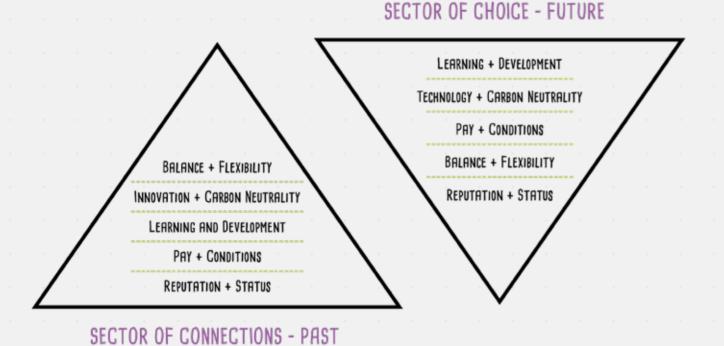




## A SECTOR OF CHOICE

by Monica Gray





he wine sector excels by having a long-term focus, in all facets of the sector, from vineyards through to connection with consumers. Extending that long-term view to being a relevant career choice for generations both now and in the future is key to our sector's success. We need to identify what makes the wine sector a unique and appealing career choice for young people, and how can we ensure the sector continues to attract and retain talent to drive it further. Where the past may have been seen as a sector of connections for our workforce, the future must position us as a sector of choice.

#### What Millennials and Generation Z look for in a workplace?

Millennials – classified as those born between 1981 and 1996, and Generation Z (Gen Z), those born between 1997 and 2012, will increasingly make up a large proportion of the workforce<sup>1</sup>. The Deloitte 2023 Gen Z and Millennial Survey<sup>2</sup>, with 22,000 respondents from 44 countries, found that these groups are more encouraged to make career decisions based on values, compared with previous generations. In addition, they want to be empowered to make change within organisations. The top global concerns for Gen Z's in 2023 were: cost of living, climate change, unemployment, mental health, and crime/personal safety.

Whilst a worldwide concern, the rising cost of living is also a key concern for millennials and Gen Z in

Australia. Pressure on housing, particularly in some regional areas where wine regions are located, has been front of mind for these generations. For example, the Upper Hunter in NSW saw rental increases of 15.2 percent in 2022 after an increase of 28.2 percent in 2021<sup>3</sup>.

Work is important for Millennials and Gen Z, but the achievement of work/life balance remains a central goal. It was interesting to note in the survey that when thinking what has impressed them most about their peers, the number one admiration was the 'ability to maintain a positive work/life balance.' This differs from previous generations where job title, seniority or level of pay, may have been considered an admirable goal in the workplace (Deloitte 2023).

The COVID years certainly caused a change to working patterns and styles. Millennials were already into their careers; however, the younger members of Gen Z were only at the start of their careers. The lack of social connection and working from home meant that this generation had a commencement to their working lives like no other. The levels of stress and anxiety recorded in the Deloitte survey were astounding – 46 percent of Gen Z felt anxious or stressed about work most or all the time. If we want this generation to have fulfilling and successful careers, we need to address the underlying concerns causing anxiety and stress amongst Gen Z. Mental wellbeing needs to be prioritised by employers.

#### Gen Z in the Wine Sector

By 2030, a third of the Australian workforce will be from Gen Z. Currently in the wine sector this figure stands at 21.9 percent, compared with 31.3 percent of workers who are 50 years and over<sup>4</sup>. With this shift in the generations of workers, the preferences and styles of millennials and Gen Z will be significant for employers in the wine sector.

A 2023 survey conducted by the NSW Department of Primary Industries (DPI) with 126 respondents from the NSW wine sector under 35 (in a project jointly funded by Wine Australia) found that the most important areas for job satisfaction were: opportunities for learning and career development, workplace culture and relationships, and work/life balance. The least important areas for job satisfaction were job security and having interesting job content<sup>5</sup>.

Survey respondents were also asked about their likes and dislikes in the wine sector. Common likes identified amongst under 35's in NSW included: working in a passionate and enthusiastic sector, the ability to work outside, variety in work opportunities, and working in a creative and social sector.

The main dislikes of the wine sector, centred around pay and the lack of transparency, not being involved in decision making processes, a lack of information sharing on business decisions and relevant sector resources, and a feeling that younger voices were sometimes ignored by older ones.

There are opportunities for the sector to consider if we are to retain and attract younger generations into the future. Concerningly, 50 percent of the survey participants from NSW said they would consider working in another sector in the next 5 years. This is a significant number and alarming for the wine sector if this figure was to be replicated Australia wide.

#### The recommendations required in the industry to be a sector of choice for Gen Z and Millennials:

#### 1. Career progression – learning and development opportunities

Learning and development opportunities were highlighted by millennials and Gen Z in both the global survey, and the NSW DPI survey, as an area of importance. Whilst sector-wide programs such as the Future Leaders Program and the Wine Industry Mentor Program exist, there is an opportunity for these to be expanded or additional programs introduced to target specifically early career professionals. These programs need experienced people to take on coaching style roles where questions can be asked, rather than information being lectured.

The recommendations from the pilot program delivered by NSW DPI were for an under 35's network to be replicated across Australia. Participants involved in the program highlighted that it was useful for learning and development opportunities within the wine sector. We are aware that Wine Australia is pursuing this option.

Whilst we have winemaking and viticulture degrees in Australia - although with lower enrolments than 20 years ago; as a sector, we need to continue to build learning and development opportunities at the diploma level through TAFEs or similar. In these programs, students are trained and supported while employed. Whilst there are programs that exist, these are limited. For example, there is only one location in NSW where such a course is currently delivered.

Further thought and innovation needs to be placed on internship and exchange opportunities. For example, arrangements between businesses in different regions could see a vineyard or cellar hand from Orange spend a season in the Yarra Valley, with their counterpart taking their place.

### 2. Roadmap to carbon neutrality, climate adaptation and the embracement of technology

As mentioned, climate change is a top concern for millennials and Gen Z. As generations who believe their personal values should align with the work they do, it is imperative the wine sector continues its path to carbon neutrality. Aside from the obvious environmental benefits, this would also ensure individual businesses and the broader sector have a strong and sustainable workforce into the future. The recent release of the Emissions Reduction Roadmap from Wine Australia is a step in the right direction. Furthermore, the marketing of carbon neutrality throughout the sector would provide a greater connection to the desires of millennial and Gen Z consumers.

In a study 80 percent of Gen Z's had a desire to work with cutting edge technology in their future career<sup>6</sup>. The wine sector is filled with new and emerging technologies to improve efficiencies, reduce labour, and reduce carbon emissions. We need to continue to promote and support research and development in new technologies and innovations.

#### 3. Pay and conditions – transparency and accountability

Both the rising cost of living and pay and conditions were identified by millennials and Gen Z's as a concern in various studies. Outside of the Wine

Sector Award, rates of pay vary across businesses, locations and positions. Whilst the South Australian Wine Sector publishes the National Wine Sector Salary and Benefits Report annually, it has been designed for managers and employers, rather than early career professionals to gauge their pay and conditions against others. Resources such as this could be made more widely available by Australian Grape & Wine.

From the perspective of business owners, high labour costs pose a significant impact on the bottom line. As a sector we need to improve labour efficiencies to reduce head counts while maintaining, or ideally, improving, productivity.

#### 4. Balance and flexibility in the workplace

As highlighted, work/life balance and flexibility in the workplace are key goals for millennials and Gen Z. How this can work in the wine sector, particularly in production roles, is a challenge. While some shifts have been made, further could be done in this area. For example, there has been a trend towards 3 x 8 hour shifts for larger facilities, rather than traditional 2 x 12 hour shifts for production roles during vintage. This is obviously based on having enough employees to fulfil positions in the first place. Part-time and jobsharing roles remain a very small part of the wine sector - part time roles only made-up 8 percent of 'year-round' roles (SAWIA 2023)4. 85 percent of winemakers work in full-time roles, as opposed to an average of 66 percent in other professions. Furthermore, the average weekly work hours are 47 hours per year, above the Australian full time average of 44 hours per week<sup>7</sup>. To achieve work/life balance and flexibility in the workplace, the sector needs to adapt and accept different work arrangements and understand that millennials and Gen Z consider work as one part of their lives. However, it's not as easy as less hours, more money!



#### Conclusion

The wine sector is one that is deeply rooted in tradition, however there is a fine line between honouring traditions and being stuck. If we are to be a sector of choice in the future, changes need to be made to adapt to current and future generations of workers. Whilst Wine Australia and sector associations are making some progress in this area, it is the responsibility of all in the sector - business owners, individuals, and educational institutions, to contribute. To become a sector of choice, we need to build a strong foundation of learning and development, be transparent regarding pay and conditions, focus on balance and flexibility, and promote innovation and embracement of technology in securing a low carbon future. These are elements that cannot be ignored if we are to recruit and maintain a sustainable workforce.

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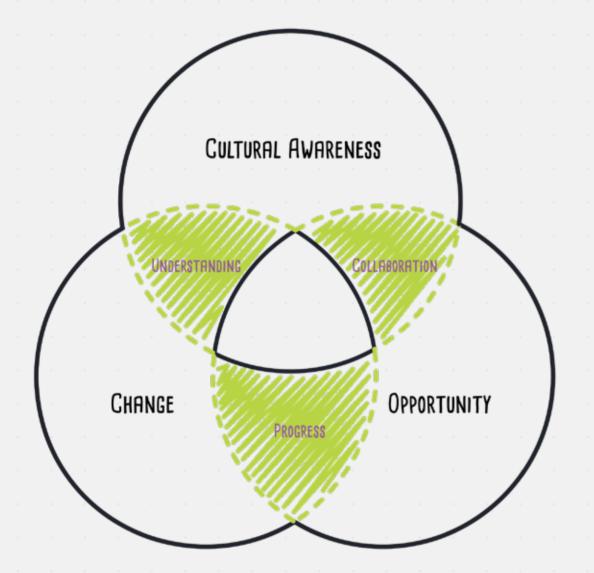




## WILL DIVERSITY, EQUITY & INCLUSION BECOME THE NEW GREENWASHING?

Meaningful change without the tokenism

by Belinda van Eyssen





he advantages of diversity, equity and inclusion (DEI) have always been obvious to me, due in part to my background. I believe that the wine sector stands only to gain from the knowledge and expertise of diverse individuals.

The lack of female leadership roles and the gender wage gap in Australia is in the spotlight, urging the industry to urgently tackle the issue and work towards a more inclusive and equitable working environment. However, it is essential to acknowledge that the lack of diversity in wine goes beyond gender disparity. Factors like social status, privilege, culture, and biases all contribute to this alarming homogeneity.

I vividly remember standing in a winery in Stellenbosch in South Africa's Cape Winelands in the early 2000s, the heady aromas of fermenting wines wafting through the air assigned to investigate the effects of malolactic fermentation on wine, I was

handed a glass of fermenting Chardonnay, a taste I had never experienced before. That day changed my world and set me on a trajectory of tastes, travel and discovery. I developed a deep love of science, nature and the art of winemaking. A world that had always seemed beyond my reach, was now absolutely intoxicating.

Born on the outskirts of Cape Town, South Africa, I grew up in a place with a melting pot of cultures and long history of wine production. My people are the indigenous peoples of the wine producing region in the Cape. My mother and generations of women in her family, worked as grape pickers. Our family was of little means, the pride of my late father's life was the academic scholarships my three siblings and I won, which meant that we had the opportunity to escape the factory jobs he had to do. I studied Chemical Engineering and Food Technology and diverted to winemaking as transformation in the aftermath of the fall of Apartheid which had previously relegated people like me to menial vineyard jobs only, began to take effect. In the early 2000s I broke that mould and became one of only a handful of indigenous female winemakers in South Africa.

The Oxford dictionary defines diversity as 'The practice of or quality of involving people from a range of ethnic backgrounds and of different genders, sexual orientation, etc'

The Diversity Council of Australia describes 'diversity' as being the mix of people in your organisation,' inclusion' is about creating a workplace environment that enables that mix to work – for organisations and employees and 'intersectionality' refers to the ways in which different aspects of a person's identity can expose them to overlapping forms of discrimination and marginalisation.'

Recently the global wine scene has come under scrutiny for its lack of DEI, highlighted in numerous

wine publications like *Wine Spectator*, *Wine Enthusiast* and *Jancis Robinson*, all advocating for change. This has led to an increase in scholarships and upliftment programs such as the *Gerard Basett Foundation*, - "mandated to fund educational and professional programmes focussed upon diversity & [sic] inclusivity in wine, spirits & hospitality globally" to address the imbalances...

This raises the question as to what the barriers to entering the wine sector are for individuals from diverse backgrounds and how the sector's homogeneity can be addressed. How can we make real progress, or will DEI simply become the sector's new greenwashing?

Entering a profession in wine, the devastating historical impacts of alcohol within marginalised communities were evident to me. The legacy and intergenerational trauma relating to policies like the *Dop System which involved compensating indigenous labourers in South Africa with alcohol*, weighing heavily on these communities, the effects still felt today<sup>2</sup>. Alcohol had a negative connotation in my community and pursuing a career in winemaking was unexpected. Despite this, I was drawn to the profession by my first winemaking mentor, who took an interest in my professional development.

My early career in wine came with a set of confronting challenges. It was commonplace for me to step into a tasting room or wine event and hear discriminatory remarks from winemaking peers based on my ethnicity or where I grew up. Confronting personal experiences that made me feel unwelcome in the world of wine.

In my first winemaking role in South Africa, I was confronted by my own people, I was told "We are not accustomed to taking directions from one of our own, especially a woman." Overcoming these barriers required resilience and mentorship. These very experiences propel me to advocate for change.

In 2010, I relocated to Australia after a winemaking internship in California, where I met my husband. Following diverse roles in the sector, we founded a wine label in the Barossa Valley. Australia offered a fresh perspective on my winemaking, but a question remained, why the lack of diversity in people?

This led me on a path of discovery led by curiosity of Australia's Indigenous peoples, a culture dating back more than 65,000 years<sup>3</sup>, the parallels to my own culture, undeniable.

The Australian wine sector is facing several challenges, including a global decline in wine consumption, a red wine glut, and the flow-on effect of trade tariffs imposed by China. In this context, it is important to consider the benefits of diverse leadership, which fosters varied perspectives, creativity, innovation and growth, impacting recruitment and creating an inclusive workplace.

Representation matters and can be a catalyst in driving global market expansion, engaging untapped consumers, and attracting and retaining the ethical consumer. It is time to reconsider the sector's leadership and invite diverse voices to the table to ensure an environmentally and socially sustainable sector better equipped to navigate the challenges.

In an interview with Crafted.enterprise resource planning, Robin McBride of McBride Sisters Wine Company - the largest black-owned wine company in the US, was asked what advice she would give any company engaging in DEI work – what does a company need to do to get started?

"Two of the things that nobody wants to do: one, do the work to understand your own biases and how to drop them. Which is continual work because we're humans, we're tribal, it's how our brains work. Through our own lens we assimilate data and make assumptions and, back in the cave days it helped us survive. Now it just helps us be mean to other people, mostly.

And the other thing is to do the work to get to know your customer, your consumer, your cohort, whoever it is that you are working with and understand those groups and understand their backgrounds and their needs, to serve them better. Both of those things, people don't want to do because it's hard and uncomfortable and weird. But it is a necessity."

#### Cultural Awareness

Acknowledgment of Country statements are increasingly appearing on wine labels and websites and Aboriginal Elders are invited to deliver Welcome to Country and other traditional ceremonies at various wine events. Some wineries are working with indigenous communities to adopt land management practices like cool burning to regenerate soils. We've taken the first steps, but we need more, particularly in the leadership space. Understanding our biases, conscious or unconscious is vital in developing a welcoming and inclusive sector. Introducing Reconciliation Action Plans (RAPs) in organisations can be a valuable tool in developing a pathway to change, opportunity and accountability, but without cultural awareness and understanding, our efforts are futile. By respectfully consulting indigenous communities, we can avoid the exercise becoming a mere tick box.

Three out of four (75 percent) of Diversity and Inclusion (D&I) practitioners report that D&I change management is never, rarely or only sometimes implemented effectively.<sup>4</sup>

#### Face ignorance

At a wine conference a couple of years ago, I struck up a conversation with the Aboriginal Elder invited to deliver a Welcome to Country. His words, 'You're the only fella that has come over to me for a yarn' struck a chord...

By embracing curiosity rather than being driven by fear of the unknown or the fear of saying the wrong thing, we can steer the conversation towards a mutually respectful and meaningful direction.

#### Change

#### Supported by collaboration

Australia's First Nations peoples are deeply connected and actively practice caring for country. Publications such as Bruce Pascoe's- Dark Emu, The First Knowledges series amongst others, provide evidence-based accounts of sustainable and ancient land management practices. Max Allen's book Intoxicating- Ten drinks that shaped Australia details some of the first fermented drinks made by indigenous peoples used for ceremonial purposes.

Grape growers and winemakers recognise the importance of land stewardship in our farming practices. By integrating the knowledge of the original custodians, the indigenous peoples, in collaboration with our existing sustainability initiatives we can create a uniquely Australian narrative. The flavours of native foods like the sweet, peppery Ruby Saltbush berry, akin to the flavours of cool climate Shiraz, becoming part of an Australian wine lexicon, wines which hold a true sense of place on these ancient soils.



#### Opportunity

#### Leads to progress and growth

Mentorship programs can bridge gaps by establishing connections between graduates from marginalised backgrounds and industry leaders driving advocacy and sector progress. Similar initiatives such as the *Wine Industry Mentor Program* can be tailored to focus on under-represented groups.

These three elements are interlinked. Cultural awareness promotes change and opens the door to opportunities. If one is implemented, without the other, our DEI efforts risk tokenism and we will stagnate as a sector.

Creating a diverse and inclusive wine sector is a complex journey and requires ongoing commitment and efforts. Embracing and advocating for meaningful change by inviting diversity into our wine communities, brings with it creativity, innovation and a shift in perspectives. Consumer engagement, sector growth, and sustainability are interwoven with the tapestry of diverse people and palates.

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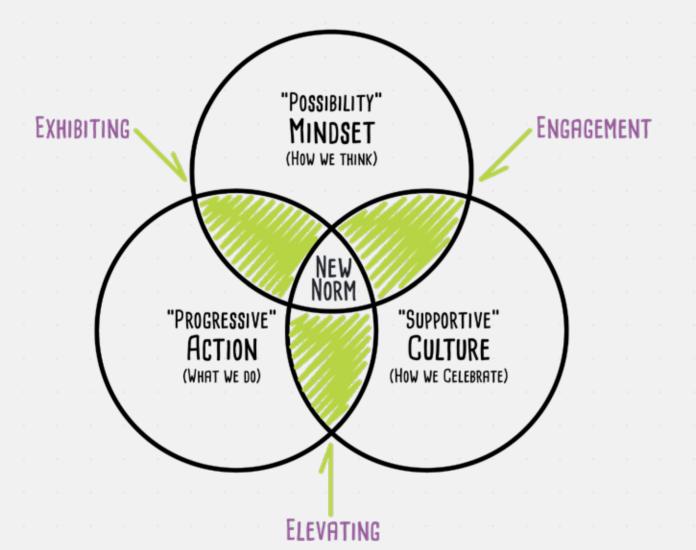
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# EMBRACING THE NEW NORM OF EQUITY & EQUALITY IN THE WINE SECTOR

By Kendall Clements-Virag



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While this piece focuses on the traditional gender model of women and men, it could apply beyond that to those in same sex relationships, transgender or non-binary.

nnovation and progress in our workforce requires more than just creating good policy, it requires us to think differently, act differently and recognise who we celebrate. Flexible work practices have been an essential component of organisations for decades, and yet the uptake of flexible work arrangements is generally not equitable, often leaving women to carry the load of work and home.

When both men and women utilise flexibility in their work, we **ALL** benefit. It solicits the question, why do we not see equal uptake between men and women with flexible work arrangements?

Potential challenges or hesitancy faced by men in taking advantage of flexible work arrangements are:

- Gender Stereotypes: societal pressure to conform to traditional gender roles and expectations that men should prioritise their careers over family responsibility in a similar way that expectations around raising children is women's work
- Stigma and Perception: potential fears in facing stigma or judgement from colleagues or society for prioritising work-life balance, a perception that these men are less committed or dedicated to their careers

- Lack of Support: men may feel there is a lack
  of support or resources specifically tailored
  to their needs when it comes to accessing
  flexible work arrangements. Workplace
  policies and practices may be geared towards
  supporting women in these areas, and
- Workplace Culture: Does the workplace culture value long hours, dedication and availability and is taking advantage of flexible work arrangements seen as a lack of commitment or dedication to work?

Addressing these concerns requires
the creation and maintenance of
a supportive and inclusive work
environment that encourages work-life
balance for all employees, regardless of
gender. It involves challenging gender
stereotypes, providing resources and
support for men, and fostering a culture
that values work-life integration.

Conversely, women face a range of challenges in advancing to leadership positions in the wine industry including:

- · Gender bias and stereotypes
- Lack of role models and under representation in certain roles
- · Lack of support and work-life balance
- · Pay inequity, and
- · Workplace culture

It can be argued that these challenges have led to women remaining underrepresented in leadership positions. In support, the 2022 Workplace Gender

Equality Agency (WGEA) Gender Equity scorecard highlighted, only one in four organisations have a gender balanced leadership team (40-60% females in senior leadership roles).

This leads to the question "what if a model existed that could positively impact both sides of the equation, namely **Equality** and **Equity**?"

We will explore this through three key pillars however to begin with let us clarify the distinction between **Equality** and **Equity**.

Equality is about giving everyone the same exact resources, equal access to policies and equal pay for equal work. Are our policies gender neutral and open to all? If the answer is yes, then why don't we see an equal uptake of flexible work arrangements by women and men.

Equity is about allocating those resources based on every individual's needs.

"Equality sets the foundation of creating an equal playing field, while equity levels out the playing field by identifying disparities to ensure everyone has what they need to achieve success."

Historically, we're coming from a culture of exclusion and a male dominated sector. Comprehensive effort by many individuals and businesses are seeking to create the conditions for a more diversified, equitable and inclusive workforce. Between 2011 and 2021 there has been an increase of 15% female participation in the wine manufacturing workforce, yet women still only represent 38% of the workforce.<sup>2</sup> And while it remains high on the agenda and moving in the right

direction, equally misrepresented are men who are genuinely accessing flexible work arrangements (including parental leave, carer's leave, part-time work, informal and formal flexibility).

The WGEA reported in 2022 that men only account for 12% of primary carers' leave utilisation in Australia. There is a huge gap to close in enabling and encouraging fathers to take leave. What is more important than the ongoing commitment and fathers support in the formative years of a child's life, yet when men have access to this arrangement, they are not using it.

There are three key reasons on a global scale why the Wine Industry should be promoting and safeguarding Equality and Equity:

#### Equity makes good business cents!

Proof is in the bottom line.<sup>3</sup> In an article examining efforts to Elevate Women in Wine and Spirits Tawnya Faulkner, the owner of French sparkling wine brand Le Grand Courtage explains "Managers who are successfully advancing equality and equity in their firms are taking a more inquisitive approach—rejecting old scripts, seeking an evidence-based understanding of how women/minorities experience the workplace, and then creating the conditions that increase prospects for success." This holds true in elevating and encouraging men taking up flexible work arrangements.

#### Help close the gender pay gap

A lack of workplace flexibility to accommodate care responsibilities impacts the gender pay gap, particularly if policies provide parental leave longer for women than men, meaning a longer time out of the workforce for women, or do not support superannuation payments on paid and unpaid leave entitlements. International evidence from countries that are leading on shared paid parental

leave demonstrates the power of fathers taking leave to support the redistribution of care work at home, to transform stereotypes, and support women's workforce participation.<sup>4</sup>

#### Improvement in overall wellbeing

There is risk of burnout from working long hours or not having enough time to recharge in what gives you energy.5 This could be family time, morning surf's, golf tournaments, a myriad of time-out activities that allows you to be you. Missing important family time and milestones can impact on relationships with parents, partners, and children and therefore the future generation and workforce, a perpetuating cycle. There is the potential to miss opportunities for leadership positions due to a lack of work-life balance. Men who do not prioritise work-life balance may experience negative impacts on their mental health such as stress, anxiety or depression and men constitute 75% of suicides.<sup>6</sup> In addition, the potential for missed opportunities for skill development and learning new things, may impact on long-term career prospects.

So, let us explore how we can optimise Equality and Equity in the wine industry through the lens of three essential pillars: MINDSET, ACTION, and CULTURE.

Mindset is around how we think and what are we challenging in our thought process and the language we use. What we tell ourselves "Is it fact or is it fiction"? A male might consider taking up flexible work arrangements or parental leave or a short-term career break as a "career limiting move" and the fears of a career setback. The change in language from "it's not possible for me" or "I can't do that," because it is only considered to be something return to work mums did. Shifting the dialogue will improve the possibility and a *possibility mindset* provides opportunity, conversation, and openness. Let us not consider "what are you giving up?" but rather "what

are you gaining, contributing, and sharing back for enrichment in the workforce"? As leaders we must be having the discussions with all our employees irrespective of gender, let's shift from "I can't" to "I might" and what is stopping you, to male's championing flexibility.

Action is what we do and how we behave. Are we questioning the disparity between male and female uptake in flexible work arrangements, parental leave entitlements, or carer's leave entitlements. Do we even care? Absolutely we do. Do we have the right policies in place to start with? If not, why not, there is no excuse. It is time to take progressive action and shift the dial. Should we have targets in men's engagement in flexible work because 'what gets measured gets done'. Working in a large corporate with policies focused on best practice and being the first Australian wine business certified by the WGEA as an Employer of Choice for Gender Equality, in 2021, while maintaining this certification for a second time, it is an ongoing commitment and involves working on areas where we still need to improve. 7 The evidence and business benefits are clear. It does not matter what size your organisation is, better retention of top talent, balanced workforce, improved wellbeing with less recruitment costs far outweigh the costs of having the equitable and flexible policies in place.

Culture can be considered as a business' personality. It drives how we go about doing business, how we interact with each other. Culture at an organisation originates from leadership, but all levels within a company, from hiring to crafting policies to interacting with each other and the community plays a role in defining it, built from a business' mission, values, and ethical conduct. A *supportive culture* that values equity and equality and supports its employees to work how they want or need, improves productivity and outcomes.

When we change our way of thinking and change what we do we are **Exhibiting** and modelling equitable



behaviours. This involves reviewing and changing our policies, to ensure they are gender neutral. It is having open conversations and collaborating with our employees. It is allowing the same parental leave entitlements whether male or female and considered as a family unit (removing labels of primary and secondary carers). It is listening and asking employees what they want, being ready to say "yes, let's find a way to make it work" and experiment, rather than say "No" upfront, and it is educating ourselves and others as leaders in understanding what is best practice and the economic benefits to our communities.

When we change our behaviour and who and what we celebrate we are **Elevating**. This represents communicating the progress made, being loud and proud of the progress and sharing employee stories of flexible arrangements within the business and out to the broader community through social channels elevating those employees and successes and the benefits experienced by both the employee and employer. It is celebrating all stories, the females taking up flexible arrangements to encourage the men that this is what success can look like and celebrating the male pioneers to counteract the lack of role model theory (you cannot be what you cannot see). Success is unique and different for everyone and can only be defined by you. Real stories resonate, they allow for connection, validity, transparency, and adoption.

When we are thinking differently and celebrating stories, we have true workforce **Engagement**. Employees are genuinely happy and productive, and we are removing stereotypical barriers and societal pressures previously holding us back; turning on its head myths that men should be the primary breadwinners and less involved in caregiving responsibilities.

When all three pillars are in play and aligned, we have the "New Norm" of a genuine, engaged,

high performing workforce with equitable uptake of flexible work practices, and equitable access to leadership roles.

Tackling men's adoption of flexible work arrangements in the wine sector and levelling the playing field gives rise to a new generation; a balanced workforce taking on equal share of family and financial duties removes pressure from one member of the household and improves equity and equal opportunity in the wine sector and it focuses on overall improved wellbeing.

Let us be the sector of choice through innovative thinking and progressive action.

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## ANATOMY OF A RESILIENT LEADERSHIP

How it feels to fail: building resilient teams through leading with vulnerability and empowerment

by George Taylor



#### VULNERABILITY

LEADER COMMUNICATES
OBJECTIVES WITH VULERNABILITY,
OPTIMISM AND INCLUSION



#### **EDUCATION**

INDIVIDUALS LEARN BY EXAMPLE,
BECOME MORE CONNECTED WITH TEAM AND
OUTCOMES AND KNOW WHEN TO SEEK HELP



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#### MATURITY

TEAM SUCCESSION/PROMOTION
TO NEW OR INTERNAL LEADERSHIP
ROLES, NEW LEADERS EMPOWERED



#### ALIGNMENT

TEAM SUCCESS IS THE RESULT OF AN ALL-IN APPROACH TO THE WORK WITH CRITICAL UNDERSTANDING OF THE BUSINESS



e are in this together...

What does it mean to be vulnerable?
Writing a thought leadership piece
for the industry on vulnerability is, for me, perhaps
the very definition of vulnerability. The need for
greater resilience in our teams at a time of significant
challenge across the wine industry has inspired me to
overcome my own anxieties and write a piece on the
importance of leading with vulnerability.

Having been involved in operational viticulture for 25 years, as well as observing my friends and family run and pass down farms for over 40 years, means that I have noticed various elements around leadership and resilience. During that time, I have also seen some amazing advances in technology and advancing research to practice. Agriculture is an incredibly fulfilling field with the potential to progress from farm hand to CEO and to truly feel connected to a piece of land which, if you've been lucky enough to experience it, is a genuine privilege.

Technology, ownership, growing food, making high value products like Australian wine. Agriculture has a lot going for it...

but... (why is there always a "but?")

Farmers are 94% more likely to die from suicide than non-farmers <sup>1</sup>

There are many more statistics out there, but this is the one that shocked me the most. There is a problem, we know there is a problem, and finding solutions is critical for our industry, the wider agricultural sector, and a responsibility for us all.

My question is:

Are we preparing our young leaders of tomorrow adequately for the challenges and emotional rollercoaster of farming?

- Technically (agri chemistry, irrigation/ plant & soil health monitoring and measurement)
- Financially (agribusiness acumen, financial literacy),
- **✓** Emotionally....?

We are seeing more dialogue around emotional wellbeing, work-life balance, awareness of anxiety and depression and the issues of isolation for farming families. Some good examples that I am aware of are Mary O'Brien's "Are you Bogged Mate"<sup>2</sup>, Mental Health First Aid<sup>3</sup>, Beyond Blue<sup>4</sup> - the links to these programs are provided at the end of this piece, and there are many more.

The point is, the statistics are persistently horrific.

#### People learn by example

Particularly from someone they trust and can see is successful. Farming families often idolise their head of family. Team members certainly seek to replicate the success of their leaders. How can we as leaders demonstrate better emotional awareness and acknowledge that what we do in agriculture is hard; physically, mentally, and emotionally and empower our teams with that knowledge? And what if when we do, we help not only help ourselves but the generation of industry leaders to come?

Imagine two scenarios:

#### Scenario 1

Old School Manager: Lead by doing, take all the responsibility, little to no communication about emotion.

Picture a vineyard manager who has learned from the school of hard knocks, is tough and has faced more wet seasons/droughts/market downturns than he can remember. They are the centre of their family and business and 'make all the tough calls', seem to be an expert on everything and nothing seems to get them down, they plough ahead. A very capable manager, but is this a good way to lead a team? What about the things that are not communicated, what's happened on their journey?

- As a new manager of a young vineyard, they pushed too hard trying to get high fruit quality from the first pick, the vines defoliated, and the fruit was barely worth harvesting.
- Our manager took responsibility and vowed it wouldn't happen again.
- A heat wave event in 2013 where fruit condition declined in one weekend after not predicting the impact of 3 days over 35 degrees.
- Our manager accepted responsibility and put measures in to be better prepared for the next heat wave.

Fast forward 20 years and our manager has retired, one of the team has worked their way up; well educated in agronomy or agribusiness from university, highly technically and financially competent and understands risk versus reward of decision-making.

 The first season in charge where something goes wrong e.g., a pump fails ahead of a heatwave and a significant yield loss event occurs.

- How well has our new manager been prepared for the feelings associated with the event?
- · What questions are they asking?
- How did my manager handle it, how did he feel?
- Is it ok to feel humiliated? Will I be the laughing stock?
- Have I let my family down?
- Is this the event that leads to me losing my job/the generational farm being sold to cover its debt?

Can you picture the young manager sitting in their ute, looking out over a failed crop having these feelings? I can relate to this and I'm sure many vineyard managers right now in the wine industry can too

We can better prepare our people and empower them with knowledge about when to seek help.

#### Scenario 2

Lead by example, involve team in decisions, acknowledge and manage 'uncomfortable emotions', be proactive about mental health.

A new manager that leads by spelling out the aims of the business, where calculated risks are taken, what decisions are being made and where the challenges lie.

- "We're aiming to grow A grade from Shiraz block 1 so we'll run it lean but we need to ensure it doesn't fall over, if we need to get water on ahead of a hot spell, we will need two days to water it and not risk our other blocks."
- "For two of the last five seasons we've pushed it too far, I'm anxious that we'll do it again if we're not careful".
- Now the whole team is aware of the risk and can keep an eye out.

Further communication via simple tools <sup>5</sup>

- "On a 10:1 scale this week I'm rating myself a 5; here's why:"
- There's a lot happening: fungicide, herbicide, trimming, slashing and we still must keep a close eye on the weather/irrigation probes and irrigation schedules (Vulnerability)
- I'm glad to have this team around me keeping an eye on things; please sing out if you have any concerns. (Optimism)
- "Where do you rate yourself on a scale of 10:1 and why?"
- The team participate and share their ratings and feelings.

Where there is a failure, it is discussed openly e.g.

The team took a risk that they wouldn't get a downy event and had an outbreak loosing significant crop and income

- Team debriefs and discusses learnings, the New Manager may express feelings of failure and letting the team down (vulnerability) and steps taken to move forward e.g. A discussion with their next line manager, maybe a counselling session to understand feelings and mechanisms to engage the team and consultants to improve strategies for next season (optimism /recognition of the role for professional help)
- Rinse and repeat for 10 years, one of the team members has now gained a manager role in a new region, new climate different varieties etc.
- The young manager is not only prepared and put systems in place to mitigate failure, but also ready and informed of the potentially extreme emotions that could follow failure and to build the emotional intelligence and resilience of their own team.

Can you picture a young Manager not immune from failure, but much better prepared for the challenge and with an understanding of when to seek help?

A far simpler example happens across our dinner table with our children most nights, we all share a HIGH, a LOW and a BUFFALO (anything else of note during the day). We're not only investing in our children's ability to communicate about their emotions, but also understand some of the issues that impact the emotions of their parents.

Australian agriculture in all corners is highly regarded and rightly celebrated for innovative problem solving. However, reaching people and encouraging them to seek help for mental health issues has its challenges.

I recall a conversation with a team member, 30 years my senior, whose father had passed. I didn't feel qualified to preach to him from a position of greater experience. With the ambition of encouraging him to seek counselling I used the example of when my father passed and the unexpected feelings I encountered, how subconsciously I linked my own work ethic and ambition to a desire to impress my father, it was a surprising emotion that came up for me and something I reconciled over time. I also discussed the benefits of talking to someone outside of your circle, so you can be honest about how you feel without being worried about unintentionally upsetting a loved one. I thought I had reached him and that he would use the counselling service that I had organised. When I checked in two weeks later, he stated "no I didn't go to the counsellor, I really enjoyed our chat and appreciated you sharing your story, it really helped!" Originally, I took this as a failure, had I helped? However, on reflection it did resonate with me the power of using your own story and experience to reach someone and help them acknowledge their own feelings and work through them. (I still wish he'd seen a counsellor)



As leaders in the wine industry, we all understand the challenges will continue to come and to some degree that is part of the attraction to the industry. I hope we all share the ambition of building resilience in our people and start to appreciate that leading by example is the most effective way of building resilience in your team. Sometimes it's difficult to know where to start, perhaps ask yourself these questions:

- What do I wish my manager told me about how it felt to fail at what we do?
- How could that have better prepared me for a challenge that I faced?
- How can I apply this knowledge to better inform my team to be prepared for their own challenge and seek help when needed?

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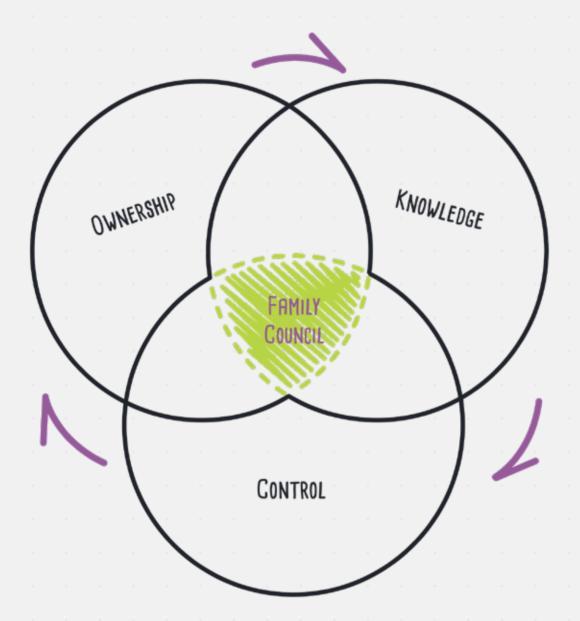
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## PLAN FOR SUCCESS(ION)

by Jamie Pike





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'd like to start by casting the readers mind back to the 80s, a boomtime for the Australian wine sector. At the beginning of the 80s Australia was the 18th largest wine exporting country in the world, by the end of 1989, it was 6th. National production grew from 8 million litres to 39 million litres in less than 10 years. The numbers are astonishing. This success led to investment pouring into the industry and a flurry of new wine brands being birthed. A new generation of educated and experienced young wine professionals put down their own roots in these very fertile soils. Now, some 40 - 50 years later, many of the pioneering founders and owners of these companies are approaching (or have passed!) retirement age. The passing of the baton to the next generation is not only a matter of personal and financial significance for the families involved but also has far-reaching implications for the industry at a time where it seems there are more grey skies than blue.

This thought leadership paper seeks to provide some context as to the critical importance that family business and their succession plays in the future of the Australian wine sector, outline some of the common challenges, as well as providing a practical tool or model by which businesses can approach succession as a continual process that benefits businesses who plan for it early.

#### Why is Family business so important for the wine sector?

Our sector is one best characterised by its long-term nature, with significant capital investment tied up in vineyards and winery equipment for many months, years or even decades before the benefits are fully realised. As well as the extended return on investment timeline, both the pace and results of change are slow, again being measured in years or decades. As a result, it's an industry inherently suited to family-owned and operated businesses that are in it for the long haul, with many being founded with a specific goal of providing security and opportunity for the next generation.

When family businesses fail at succession, not only does the industry lose another piece of the patchwork that makes up the rich tapestry of stories, but there is also a risk of further industry consolidation. The results of over-consolidation are already all around us with large wineries and brands up for sale, and swathes of vineyards being mothballed or placed on the market. To demonstrate the scale of consolidation, consider that in 2022 approximately half of the national grape crush was accounted for by the top five companies, four of which are publicly listed entities<sup>1</sup>.

Companies owned by shareholders that are looking for a faster return in either capital growth or dividend payments. When those benefits don't eventuate shareholders sell, driving companies to make changes. Due to the scale of these companies, both the size and speed of changes they can make have far reaching impacts for the broader wine industry and the local communities that they work in.

#### Challenges of successful succession

Successfully planning for succession in family businesses within the wine sector is no easy task and is fraught with a multitude of challenges.

Here are a few:

#### Miscommunication or mis-understanding

The unique dynamics of family businesses can often and easily lead to unspoken expectations, unclear communication, and assumptions that can hinder the smooth transition of the business. For example, one party may be of the belief that the business will be handed down via an inheritance whereas the other party is expecting the business to change hands as a business transaction. There may be differing opinions as to the roles that each party ought to play post transition. Additionally, there is the ageold generational gap to consider, where each party will likely have varying values, visions, and goals for the business and their personal lives which makes alignment difficult.

#### Balance of tradition and innovation

Family-owned wineries often boast rich traditions and unique winemaking techniques that have been passed down through generations. Preserving and honouring these traditions can be an essential aspect of the succession plan. However, it is equally vital for the successors to embrace innovation and new technologies to stay competitive in the ever-evolving wine sector Striking a balance between maintaining tradition and adopting innovation is a delicate task that requires careful consideration and collaboration among family members.

#### Complexity and cost

Legal and Tax Implications play a significant role in the succession planning process. The chosen legal structure for the succession can have far-reaching implications for the business and its stakeholders. Options include outright ownership transfer, equity sharing, or phased ownership transitions. Engaging legal experts can help navigate complex legal matters and ensure a smooth and legally compliant transition of ownership. It is also essential to consider the tax implications of the succession plan, such as capital gains tax and estate taxes. Utilising taxefficient strategies can help minimize the tax burden on both the retiring and incoming generations, ensuring a more financially sustainable transition. In many cases, this might be the first generational succession for the business, leaving family members without prior experience to navigate the process. The cost of succession (both planning and executing) can also be an expensive process. The business may need to appoint a consultant to assist with the creation of a transition plan, particularly when it involves complex company structures or self-managed superannuation funds.

#### Emotional connection and family harmony

The personal lives of family members are often intertwined with the business. Emotions can run high, with founders having put so much of themselves into the business, change can feel like a personal attack. Additional complicating factors could be that the family home is situated on the property, adding yet another layer of complexity to the succession planning process. There may be siblings, cousins or grandchildren to consider. Maintaining family harmony is a critical factor in the success of succession planning.

The Success(ion) model provides a template by which a family business can both think and execute a successful family succession.

#### Family Council

Formalise a family council, with regular planned and minuted meetings. The Family Council should meet at least once per year, and more regularly in times of significant change or need.

The purpose of the Family Council is multifaceted.

#### It is a platform to:

- Have honest, open, and respectful dialogue about the role that each member wants to play in the business now and into the future
- · Resolve disputes
- To discuss wills and intentions of where business shares/ownership should be directed
- Discuss and agree upon the core values and direction of the family business
- · Discuss shareholding changes
- Decide on entering new industries/ opportunities outside of the primary business
- Decide on sale of core assets and/or the business

- Deciding and agreeing family members remuneration and the division of dividends
- To set debt and return expectations for the Board and Business Management to aim for, and
- Agree upon and then monitor progress of a succession plan.

It is important that this group includes both current and future shareholders as well as their spouses so that all parties have the opportunity to both be heard and have the same understanding. Depending on the family and business identity, past shareholders may also be included in the council, especially if tradition and legacy is important. An agreed benchmark ought to be set and agreed as to when family members are invited to join the family council, this could be age, or permanent employment in the company, or completion of studies, or number of years of experience in the industry, or a combination. Importantly, it must be agreed on. Similarly, it must be agreed as to what would constitute expulsion from the family council. Things like criminal activity, bringing the family name into disrepute, using resources of family company without prior consent etc may all be considered. This body sits in the centre of the model and is critical to maintaining family harmony whilst wading through the murky waters of generational change.

### Three stages of Succession Transfer - Knowledge, Control, Ownership

Depending on the size of the company, the number of, and ages of family members, it is possible and likely that both the company and the individual family members are sitting at different stages of succession simultaneously. For simplicity, let's consider and describe these three stages in chronological order.



#### Transfer of Knowledge

This is where to set the bedrock, where future generations are encouraged and supported to gain the knowledge and experience required to play a role in the business. Where current owners (or employees) are tasked with sharing and educating the next generation in the values, skills, and knowledge relevant to aspects of the business. The family council may decide upon providing funding of further education or experience opportunities for future generations. It is also in this stage that future shareholders are introduced to the inner workings of the ownership structures, and financial results are both shared and explained.

This stage may last several years depending on the experience, capability, and performance of family members. It is also possible that family members working in the business have neither the capability or desire to move past this stage.

#### Transfer of Control

This relates to the operational control of the company. Who will take over the running of the company and the various divisions within it when the current owners decide to retire or step back from running the business? Appointment of non-family employees to key leadership roles must be considered if there is not yet an appropriate family member willing and able to take the role at the time.

For the outgoing generation, this this may look like semi-retirement with reduced responsibilities or oversight, Chairing the Board of Directors or the family council, 'gradually' stepping back over an agreed time frame, or a complete and official retirement from all operational aspects of the business. For the incoming generation it's important that their promotion is clearly shared and endorsed by the former generation, that they are 'put forward'

as the company leader and that all parties are clear on the KPI's, Position Description, and reporting lines of the role.

It is critical that both incoming and outgoing regimes are clear as to what is expected of one another and themselves during this period.

#### Transfer of Ownership

In order to tackle this stage, the current owners ought to plan several years (or decades!) in advance. In a perfect scenario, the plan to transfer the business should come as soon as there is a business to transfer, however this is rarely the case. It is important for the current owners to communicate openly and frequently as what their plans are to transfer ownership of the business. There is not a one-size-fits all model, and it may take years to determine the best strategy. Additionally, there may be multiple children in the next generation to consider, some of which do not play an active role in the business. How this part of the transition unfolds is critical for family harmony.

#### Conclusion

At a time when there are more headwinds than many care to remember, we are entering a turbulent era for the Australian wine sector. This model can help provide a blueprint for family businesses to approach succession, ensuring that one of most enduring and sustainable pillars of the industry can continue to thrive for generations to come.

Source: Winetitles Media: Australia's largest wine companies by winegrape intake and Wine Australia Vintage Report 2022: Australian winegrape crush returns to near-average size in vintage 2022

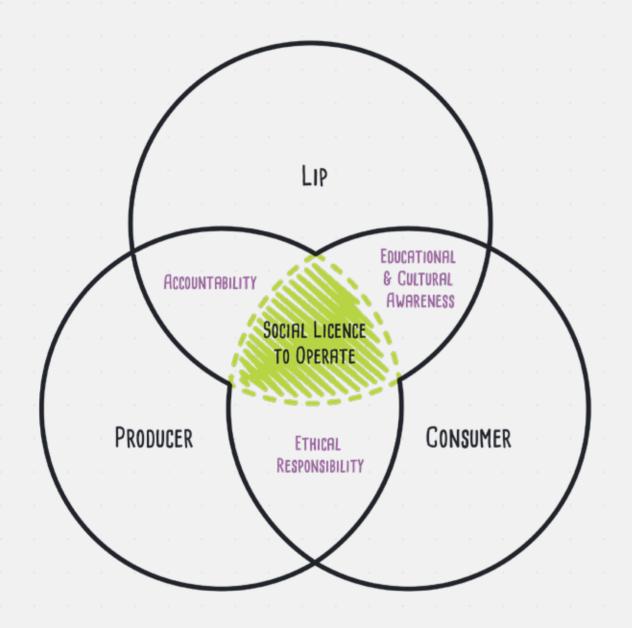




## LABEL EVOLUTION IN AUSTRALIA

Enhancing identity, heritage and the social licence to operate

by Andrew Duff

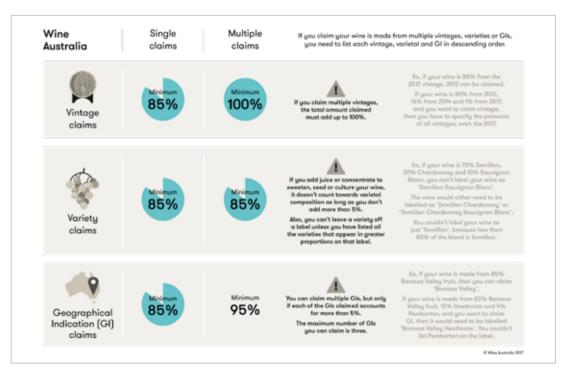




lobally speaking, a wine label more often than not, is the first point of contact we as an industry have to our consumer. Its purpose is multifaceted; designed to entice, establish and promote trust in our brand, adhere to compliance of label regulations and mandatories and in many cases, to educate and romance the more intrepid of characters in the world of wine, all the while giving a nod to a wine's 'sense of place'. Not to mention, help generate sales!

Domestically, with respect to non-industry consumers, it's no secret to specific age groups that our labels have evolved, however the "why" is often elusive. The European Union wine agreement that sought to establish protection of Geographical Indicators (GIs), in the author's experience, is still often a surprise to some when the "why" is communicated. It evokes a feeling, a macro factor that even younger consumers or those new to category are intrigued by.

Australia embraced and evolved to simplify its labels, seeking to call out wines based on Variety/Vintage/Region within a common structure that goes further than the standards set out by the International Organisation of Vine and Wine (OIV) International Standard of Labelling Wines and in accordance with the OIV Vine Varieties Database.



However, with recent developments in the naming of Prosecco (Glera) here in Australia and Vermentino (Rolle) in France, even our simplified Label Integrity Program (LIP) could be on track for a considered reproach domestically, as it seems to be hitherto internationally. Whether you, the reader, sees this as protectionist measures being imposed by the European Union or advocacy of cultural heritage and traditional practices is of opinion, either way it is imminent, and precedence will be set.

Is it time for a labelling evolution in Australia? And, if so, how can we consider bestowing our labelling a better sense of place, highlighting our own heritage and Australia's unique identity to then protect and take to the world stage? Can we value add to a label based on a sense of place, rather than just based on a producer's name?

The intention behind this thought piece is to theoretically advocate for a structural advancement within our existing LIP, placing significant focus on enhancing the value of a wine within a tiered system. This enhancement aims to ensure Australian wine competitiveness within a global environment that has progressively been aligning itself with that of the Fast-Moving Consumer Goods (FMCG) category. The idea is simple, create a model within Australia that enhances perceived value in line with a producer's Social Licence to Operate (SLO), measured against a wine's geographical composition summary.

#### Traditional Land Claims

The evolution of significance for our Traditional Landholders, reconciliation and understanding has taken a long time and currently awareness is at an all time high. Welcome to country and smoking ceremonies have become common place, with more and more customs and traditions being recognised within nearly every facet of Australian day to day life, even Traditional Land names (TLs) now appear widely on wine labels.

Having seen the school system firsthand in New Zealand and the emphasis it has placed on Māori culture and traditions, not being exposed at home here in Australia has only diminished the development of a stronger cultural intelligence for generations of Australians with respect to First Nations People (FNP), culture and traditions. A regulated approach to TLs appearing on Australian wine labels has the potential to educate consumers on a cultural journey and provide FNP acknowledgement to country through overlapping our current GIs with TLs.

Internationally the appeal of TLs on Australian wine has endless potential! As the oldest continuing living culture on earth, our FNP would enrich the story telling of the wine's origin, fostering reconciliation domestically and recognition internationally. Regulating TLs under the LIP simply makes producers accountable and promotes ethical responsibility toward the consumer.

#### Single Multiple If you claim your wine is made from multiple vintages, varieties, Gls, vineyards or traditional lands you need to list each claims claims vintage, varietal, GI and traditional lands in descending order. So, if your wine is 91% Wonnarua Country you can label your wine as <u>A</u> "Wonnarua" You can claim multiple TLs, but If your wine is made from 87% only if each of the TLs claimed Peramanak, 13% Ngarrindieri ounts for more than 5%. Traditional land and you want to claim TLs, then The maximum number of TLs it would need to be identified as claims you can claim is two. "Peramangk and Ngarrindjeri".

#### Single Vineyard Claims

Single Vineyard names (SVs) regularly appear on Australian wine labels, but unlike Variety/Vintage/Region these label claims are not held accountable through the LIP, instead they fall under Australian Consumer Law. Promoted and supported heavily at wine shows throughout Australia, SVs form the origins for the ideals of this thought piece. Promoted to show a wine's true sense of place, it is a macro factor that we as producers and intrepid consumers seek out internationally, often paying higher prices for the wines from producers who inherently have access to these premium SVs, but domestically, arguably less interest is shown toward the site, than it is toward the producer.

Schedules of regulations surrounding SVs Wine Shows/Classes, offer explanations that to be classified as SVs the wine entered must come from a vineyard with a single, continuous boundary and be easily identifiable. Depending on the Wine Show, site

composition can vary from 100% to 95%, the latter being somewhat contradictory if in fact a second vineyard was shown in a wine's vineyard composition summary and not the same vineyard and variety with varying vintages, or alternatively concentrate. 100% may also be somewhat impossible in an extremely wet year if greater than 5% concentrate is required (roughly a 2.3-2.4 Baume correction equivalent) or an extremely hot year where water is needed.

Could we, as an industry, go one step further in a tiered Australian Wine LIP approach, after that of Traditional Land Claims, to emphasise in even greater detail the sense of place of a wine from a single site and allow this regulated transparency to further accentuate our industries SLO? As our climate continues to change, the occurrences of these extreme vintages will no doubt continue to challenge producers Australia wide, so some flexibility to the true SVs statement will be offered within the proposed percentage claims.





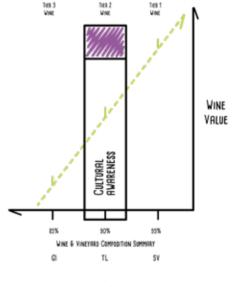
#### Label Mandatories

With the forementioned ideologies advocating for structural advancement in our LIP to greatly sharpen our industries SLO, a long overdue conversational prompt about the tightening of label mandatories would be remiss if not mentioned. Consideration to alcohol and residual sugar in a market that is continually deemed to be moving ever increasingly toward moderation is paramount. Set by Food Standards Australia New Zealand (FSANZ), a statutory authority in the Australian Government Health portfolio and monitored by Wine Australia for export, it becomes embarrassingly clear that Australia is well behind the rest of the world for alcohol tolerances. Equal second with New Zealand at +/- 1.5% for wines above 6.5% alc/vol and just behind Indonesia at a 2% variation, all our major export markets are at a 1% variation or less. By tightening alcohol variances based on aging methods of analysis from +/- 1.5% to standards of 0.5% variation (currently rule of thumb for export) we not only meet mostly every export market, but as an industry we can improve transparency, avoid confusion and cater more responsibly to health concerns. Additionally, introducing if not a mandatory, but perhaps a movement toward common practice that specifies the amount of residual sugar (in g/L1) clearly on a wine label would not only guide a consumer when selecting a wine off shelf for personal or stylistic preference, it would also provide clarity for more diabetes-friendly choices and provide market differentiation within the alcohol category.

The Australian LIP is crucial for fostering ethical practices and responsible engagement with stakeholders. But such a detailed structural overhaul as outlined here would need wider support from Government financially, if it were to follow the current process for the Australian Governments 'applications for the determination of new GIs', as theoretically speaking, each additional TL and

SV claim would require an application under this determination process. This idealised tiered approach, in combination with the tightening of label mandatories through FSANZ amendments, would see our industry greatly enhance its SLO.

Creating more community engagement overall is a key to our industry staying relevant, transparency and authenticity ensures this relevance. Improved cultural quotient (CQ) for all industry stakeholders could be greatly assisted though the inclusion of TLs in harmony with cultural recognition for our FNP and their connection to the land. Inclusion of TLs and SVs into the LIP means that these practices are recognised and supported by official regulations, adding increased credibility and authority to a theoretical initiative that is designed purely to provoke thought towards how we label wine in Australia.





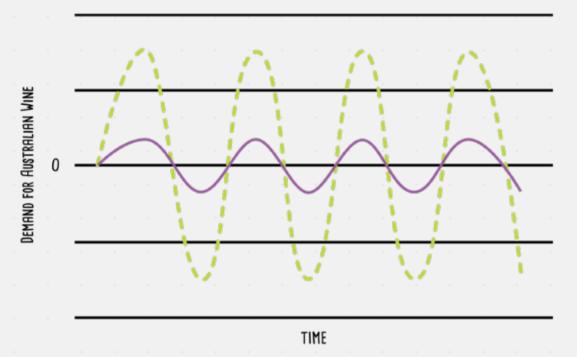


# THE ECONOMIC AND HUMAN COST OF INACTION IN THE FACE OF STRUCTURAL OVERSUPPLY

by Caitlin Davies



### REDUCING ECONOMIC SHOCK IN SUPPLY AND DEMAND CYCLES



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globally; anti-dumping duties in China, increasing health awareness, competition from beer and spirits, and costs of living pressures are just a few of the factors contributing to decreased demand. According to Wine Australia's Production, Sales and Inventory survey, current inventory levels of wine are estimated to have increased by 8% to a total of 2.3 billion litres, a figure 23% above the 10-year average. Meanwhile, total sales are down 10% to 1.06 billion litres, resulting in a stock to sales ratio of 2.77 to 1 for red wine. Industry and business control over demand for wine is limited; at best we can look for new markets, innovate new products, and market brand Australia as a sustainable, premium product to be enjoyed globally. These approaches have held our wines in high regard for many years, but they cannot find a home for this volume of product in a market of decreasing demand.

In June 1996, the Australian Wine Foundation released Strategy 2025, outlining ambitious growth targets for production, export, and domestic sales. From 1991 to 2007 the Australian wine sector more than tripled production from 400 million litres to 1.2 billion litres, while the value of exports and total revenues also increased. In June 2020, peak advocacy body, Australian Grape & Wine (AGW) released Vision 2050, a strategy document which looked to continue to increase these numbers, while maintaining a profitable, resilient, and sustainable industry. According to the National Vintage Report

2023, we have seen a decline in average value for reds from the warm inland regions of 28% from 2022, while on the export market, volumes have declined for the fourth successive year. The International Wine and Spirits Record (IWSR) estimates consumption of Australian wine has also declined, falling by a total of 15% between 2017 and 2021. Oversupply puts us in the position of needing to move product, often at low prices and of low quality. This will likely result in negative consumer perception of Australian wines, something Wine Australia has worked hard to address over decades of marketing and regulatory efforts.

Though our sector leaders, peak bodies, and individual businesses have minimal control over global demand for Australian wine, there is another lever we could pull to bring our sector back into profitable and sustainable balance, and that is through decreasing supply.

### How did we get to structural oversupply?

Winegrape growing, like other agricultural commodities, operates in a cyclical environment. The argument could be made that the supply imbalance may resolve itself in time, and that the market may see another boom in demand for Australian wine in the next few years. However, if we look more critically at the historical cycles of demand, we can see that the current operating environment has changed drastically.

In the nascent days of Australian wine, demand was bolstered domestically by tariffs, and on the export market by strategies that favoured import of Australian wines into the UK market.

Following World War 1, land and infrastructure was given to families in the inland regions as part of the Soldier Settlement Scheme. Many of these families chose to plant winegrapes. Subsequently, during the 1960s and 1970s, Australia had a huge influx of European immigration favouring changing tastes away from beer, towards the production of premium white and red table wines.

In the later part of the 20th century, Managed Investment Schemes (MIS) and asset depreciation tax deductions offered by the Australian government made the planting of vineyards attractive. During the 1990s Australia's reputation as "sunshine in a bottle" in the UK was cemented with a favourable exchange rate. Shortly after, in 2016 the Australian government signed a trade agreement with China (ChAFTA) who began to take on vast quantities of our wine, peaking at 160 million litres in 2018 before falling drastically soon afterwards, due to Chinese anti-dumping laws and tariff impositions.

When we talk about structural oversupply, as opposed to a cyclical downward trend, it is important to recognise several factors that point to this oversupply enduring, rather than a natural part of the cycle. Firstly, there will be no further waves of immigration into Australia of wine drinking cultures as there was throughout the 20th century. With regard to our trading partners, when China does come back online, the export landscape will be drastically different as wine consumption by Chinese consumers has decreased significantly in the past few years. While some point to recent trade agreements with India as a market large enough to absorb a decent volume of Australian wine, the Indian market is largely immature and internal trade barriers, remain prohibitive. Further, Australia should consider any one country as a dominant export market for wine with caution following the China experience.

Critically, Australia will not be able to compete on the world stage as a low-cost producer. Many of the New

World countries who copied our successful export model produce wine at far lower costs compared with our high input and labour costs.

Simply, the aspirational growth targets of Vision 2050 are too lofty for the global market conditions that we now operate under, and given our surplus bulk wine position, they are certainly too high for Australian wine to continue to be regarded as a premium product. Given that around 70% of our national crush comes from 3 inland regions, the Riverina, Riverland, and Murray Valley the oversupply issue is disproportionately affecting these growers and their regional communities.

### We are facing a looming public health emergency in our inland regions

The Australian wine sector currently contributes \$45 billion to the economy and employs more than 160,000 people in mostly rural and regional areas. In addition, regional Australia accounts for around 45% of the national economic output and employs around one-third of Australia's workforce. Given the amount of farming in regional areas and the reliance of agriculture on climate and external market forces, the state of the economy can be used as a key indicator of mental health in regional communities. In tandem with Charles Sturt University, the Riverina has recently undertaken a profitability report for its vineyards. This report goes further than assessing the financial sustainability of Riverina growers, delving into the status of grower's mental health, their attitudes towards industry and region, and succession planning for their businesses. Briefly, many growers reported a sense of pessimism surrounding their businesses, but an attachment to their region. A sense of stress, worry, and low mood was also pervasive throughout responses.

In 2020 the Productivity Commission released a report finding that the direct economic costs of

mental ill health in Australia fell between \$43 and \$73 billion dollars. It can be inferred that declining mental health in regional areas results in contracting populations, the flow on effects of which result in the loss of services, employment opportunities and withdrawal of government and non-government services to these areas.

### Where do we go from here?

Since the Whitlam government dismantled protectionism in Australian agriculture during the 1970s, the government no longer actively intervenes in industry to mediate in times of supply and demand imbalance, preferring instead to leave these instances to the free market to regulate. It should be stated, though, that many of the factors outlined earlier in this paper (tariffs, trade agreements, and tax depreciation) whether it was their intention or not, distorted the market favouring the supply side. Therefore, the industry is in position to reasonably substantiate a case for federal government assistance to mediate supply, with a view to avoiding a larger financial burden to government down the line.

No matter what the industry, unprofitable businesses won't survive in a free market economy. One option that would solve the oversupply issue is to let the market run its course and wait for those unprofitable businesses to fail naturally. This option will take a while, and it will hurt. The danger in a pure free market approach is that it fails to address the longer term economic and human cost of the potential mental health crisis in regional centres, and the flow on effects to regional economies.

Vine removal as a solution to oversupply has been used in the past. Historically, this has not been successful when it has been implemented *in isolation*.

There is no doubt that there will be families and communities that hurt from actions suggested to mediate the structural oversupply now, but the cost of inaction at this point has the potential to be devastating. As our peak advocacy body, AGW, has both the remit and the opportunity to approach the federal government seeking funding for the following. Mental health and financial support for growers in warm inland regions who wish to exit the sector with dignity.

Programs need to be both fit for purpose and holistic, requiring collaboration and funding between advocacy bodies, regional bodies, and government departments. Some suggested deliverables are in the table below, though this list is non-exhaustive and other factors such as water licensing may require consideration.

Strategy	Cost	Total Cost	Responsible Entity	Assumptions
Support person in Region. Provision of advice, support, information about the sector	\$250,000/Region over 5 years	\$3,750,000	Federal Government	\$250,000 per support person in 3 Regions over 5 years
Mental health support in Region	\$250/session 10 sessions	\$1,957,500	Federal Government	50% of growers in inland Regions access this package
Succession planning for farms Seminars or courses delivered at discretion of the Region	\$2000/person	\$1,566,000	Federal Government	50% of growers in inland Regions access this package
Removal of unprofitable vines with an agreement that vines will not be planted on site for 20 years following removal	\$7000/hectare	\$35,000,000	Grower to match half cost	5000 hectares across 3 Regions per year for 3 years



Accurately calculating the cost of inaction is difficult given the scope of economic consequence. We need to consider a loss of Gross Regional Product (GRP) from these regions, plus the longer-term consequences of a reduction of services to the areas, and loss of human capital. To put this in terms that may be easier to empathise with, many of us would recall the feeling during the Millennium Drought. Though this was a natural disaster, and not caused by a supply demand imbalance, the parallel is worth drawing as the mental and economic health of several regional communities declined significantly at that time, and the South Australian government alone spent in the vicinity of \$60 million on community support programs over the 3 years through its State Drought Response. Accepting that it is ultimately government that foot the responsibility during times of crisis, surely a more proactive, ultimately cheaper proposition is preferred to a reactive one.

The model in this piece demonstrates how a proactive response to oversupply can reduce shocks in the system where line zero represents perfect supply demand balance, and the green line indicates historic extreme swings in demand for Australian wine. The flatter purple line represents a scenario where supply remains in closer proximity to demand, resulting in faster recovery to balance and less shock to economy and communities.

### Future outcome for the Australian wine sector and communities in inland regions

Our sector is a resilient one, used to navigating challenges and responding to trends. The current, and by all accounts enduring, decrease in consumption should give us all pause to consider how we navigate the number of vines in the ground with the volume of wine being consumed. There is simply too much fruit available, and those growers in regions that are less in demand are seeing the market render them unprofitable. There is an opportunity here for a cohesive plan to be made to government through our peak advocacy body, AGW, to provide these growers and their communities with the opportunity to exit with dignity, should they want the option.

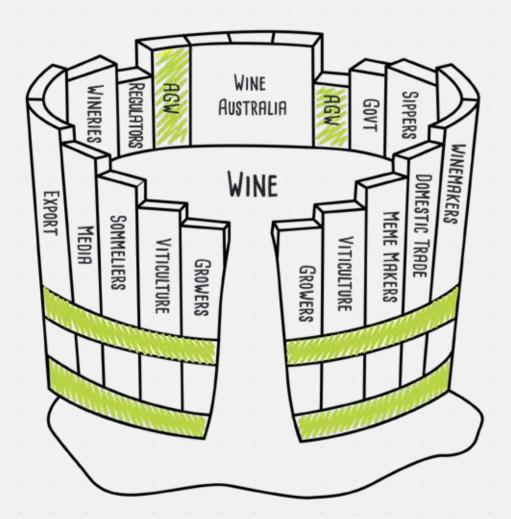
Though the proposed measures will decrease the size of our sector, it is time that we recognise that continuing growth for growth's sake does not necessarily align with increased profitability, and it certainly does not ensure sustainability. Our sector is already contracting, we are now faced with the choice to intervene on the human outcome, to assist in the provision of funding for human services resulting in thriving communities in regional and rural areas.



### GROWERS OVER A BARREL

by Lucy Etheridge





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obust and difficult conversations need to be had about power imbalances within the Australian wine sector. Ensuring wine carries a story from the vine to the table is crucial in particular giving grapegrowers a voice and place in that story alongside the winemakers, marketers, sommeliers, sellers and sippers. It's a whole sector working together, with no us and them mentality, particularly while the Australian wine sector is being impacted by challenging climate, sustainability and economic conditions. There is an opportunity to rally stakeholders to collaborate and participate in establishing the future direction of the sector and shaping how that might be done efficiently, urgently and, most importantly, inclusively.

As a sector we have a responsibility to ensure our grower community is supported, or even better, celebrated and included in order to maintain mutually beneficial relationships between grapegrowers and winemakers. The Australian wine sector was subject to Australian Competition and Consumer Commission (ACCC) attention (2019), due to a significant bargaining power imbalance between large winemakers and grapegrowers. Reflected in many wine grape supply agreements, our growers continue to carry substantial agricultural risk with unfair contracts, price exploitation and an unequal distribution of wealth. It doesn't reflect well. While the Australian Wine Industry Code of Conduct (2021) begins to address some of the ACCC

recommendations, there is still a lot of work to be done! With over 6000 winegrape growers, managing more than 135,000 hectares of wine grapes, we need to prompt a shift in poor corporate citizen behaviours to protect those assets. Engagement drives performance, reduces risk and ultimately saves money. A small investment for big return.

The Australian wine sector owes a good chunk of its success and reputation to the diligent efforts of its grapegrowers; agricultural artisans who work tirelessly to cultivate and nurture the vines that produce our world-renowned wines. It is time to identify more strongly with our agricultural roots if we are to maintain overall quality and sustainability of our offering. If we want to see a change in environmental, social and governance (ESG) habits, and a sector-wide preparedness to pitch in, we must change the culture in our sector to be more inclusive of grapegrowers. Growers possess extensive knowledge, of land, of soil, of sustainability, of climate patterns and of the story of where wine begins. Growers hold the visual vineyard candy for consumers to better understand our sector. Growers help us stay transparent and proud of our practises and innovations from the ground up. Growers are a driving force behind our Australian wine sector and an important voice for the people working within it.

The Australian wine sector is open to change, keen to innovate and enjoys being watched by global markets for its ability to produce many varieties and styles of the delicious, luxury beverage that is wine. We are very fortunate to be part of a sector that is generous with information and loves a face-to-face gathering! Making time to chat and learn from growers, about our regions and where viticulture work sits in the fabric of the Australian wine sector is incredibly valuable. Asking questions and seeking knowledge spurs learning and innovation and is an opportunity for the sector to reimagine its future. Peer-to-peer knowledge-share is very a powerful thing. Reinstating

open, collaborative, forums that are inclusive of grapegrowers both within and across regions, will allow the sector to take informed and calculated risks through research and development and shore up a resilient wine sector into the future. We need to rebuild a culture of trust, respect and inclusion between grapegrowers and the rest of the sector if we are to lead the way, and meet expectations, in helping to mitigate climate change in our corner of agriculture, as well as meet the ever-growing list of ESG credentials required to trade.

Having a strong grower presence through each level of the wine sector will ensure integrity and the ability to respond to ESG requirements. 'Is skin in the game lacking when it comes to those who represent the wine sector on the various boards, committees and subcommittees?' (WBM, 2023). Include growers at sector events, invite growers to attend tastings, encourage State and Regional wine bodies to better involve growers through inclusive membership structures with grower centric initiatives and incentives. Allow consumers, media and trade to talk with growers. Be just as proud of our grapegrowers as we are of the bottled wine. Creating trust, transparency and tone from the vine is achieved by empowering grapegrowers with a sense of ownership and pride in their story, as well as in the sector they supply.

To feel included with information flow, knowledge-share and advocacy is incredibly important in any sector for productivity and for mental health. Growers have to push for information on grape pricing, plead for assistance with navigating large corporate contracts, seek advice in adverse seasons such as that we've just experienced, and organise own social events to ensure peer to peer catch-ups and mental health support. The National Farmer Wellbeing Report (2023) showed that mental health issues among farmers are on the rise and that farmers feel under pressure and undervalued. Our grapegrowers are farmers. The Report revealed that

nearly half of Australian farmers, have felt depressed, almost two-thirds experiencing anxiety and more than a quarter saying loneliness or isolation combined with limited access to mental health services have had the biggest impact on their mental health in the past five years. The same Report showed the top three factors impacting farmer mental health were natural disasters, financial stress and inflation/ cost pressures. These factors have been deeply felt by the grapegrowing fraternity in recent times, with grassroots sector groups, such as Viticulture Australia, shedding light on the many struggling through floods, drought, other natural disasters, redundancies, lack of labour, increased work hours, increased input costs and financial pressure. Those same grassroots groups also show the deep pride of their grower members and a desire to problem solve and be involved in a sector they love and work hard

We all acknowledge that ESG is ultimately the social licence and ticket to trade. It is, however, riddled with constantly evolving parameters, an alphabet soup of acronyms, and carries an increased risk of greenwashing, discrimination and unfair practices if not managed thoughtfully. The integration of ESG as a sector can play a crucial role in either addressing or further amplifying the alienation of grapegrowers.

### **Environmental Perspective**

Integrating environmental considerations into the wine sector can contribute to addressing grower alienation. Sustainable farming practises and environmental stewardship by our growers can help the Australian wine sector protect and conserve the planet's natural resources; bolster resilience, mitigate climate risks and allow access to markets for the entire wine sector. The International Organisation of Vine and Wine (2023) acknowledges the impact of climate change on the sector and the importance of growers, 'viticulture can be poster boy of intensive monoculture or sustainable production'. There is a thirst by global investors to be involved in the agribusiness and farming space but our growers are doing "free" work so that big companies can be good corporate citizens. This is not fair nor sustainable. Programs such as Sustainable Winegrowing Australia (SWA) and EcoVineyards allow each part of the sector to contribute to and benefit from benchmarking data, access to resources and the street cred that such programs offer. The SWA strategic plan (2023) highlights the need to connect with grapegrowers as critical. It is also a great way for growers to better understand how to apply ESG and other compliance aspects to their businesses and a great opportunity for growers to share their land and climate management experience with the broader sector.

### Social Perspective

Addressing the social dimension of alienation involves fostering fair and equitable relationships within the wine sector supply chain. It is how we care for our people, community and consumers. The wellbeing and freedom of association of our growers is part of that perspective. Australia is a vast country with many States and Regions confounding the grower puzzle. The Australian Grape and Wine Code of Conduct (2021) promotes fair trading practises, transparency,

and dispute resolution. It seeks to empower growers and enhance social cohesion. Checks and balances for its application must be upheld more strongly within sector if we intend to invest in equality, inclusion and workforce development of sector ESG priorities (Wine Australia, 2023). It is difficult to understand the granular data of who our growers, and the communities they live and work in, if we are not connecting directly with them.

### Governance Perspective

Transparency, accountability and sector profitability are integral to good grower relations. Whilst every intention is made to include growers, the development of regulatory red tape does not allow the grower direct and timely access to information nor sector events. Information is often drip fed by a third-party representative. The Wine Australia Grape Levy, for example, is paid by growers but remitted and managed by the winery. Our internal policies and procedures need a tidy-up. Influential players in the sector acknowledge the need to be 'supporting our suppliers through these never-beforeseen circumstances and [we] recognise the economic challenges faced' (Drinks Digest, 2022), yet there are sector murmurings of standover tactics; ESG being weaponised to revoke contracts or placing unnecessary workload on growers with the exigency of compliance. Governance reforms, such as sector codes of conduct and levy structures, play a vital role in reducing power imbalances and improving grower relationships. These reforms must create more inclusive decision-making processes and ensure benefits are equitable throughout the whole Australian wine sector. If it can't be done within the sector then it may be time for Government intervention to clean up and tighten up the shortfalls instead.



There is no need to reinforce a culture within our sector that puts growers at the bottom of the supply chain. A chain is only as strong as its weakest link. A barrel only has as much capacity as its shortest stave. A wine is only as good as its grapes. Our grapegrowers are stewards of the land and masters in the art of adaption, perseverance and resilience in the face of challenges.

There is a need to stop, collaborate and listen to ensure a thriving, resilient and inclusive wine sector into the future; a sector that allows growers to stay firmly nestled in the wine ecosystem that they have helped shape.

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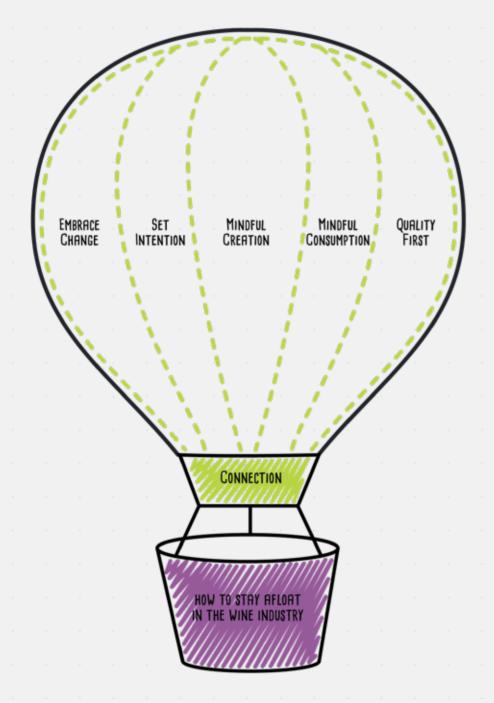
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## THE (DRUNK) ELEPHANT IN THE ROOM

by Katie Spain





n a sector saturated by alcohol, is mindful creation and conscious drinking the key to great leadership?

Let's talk about alcohol. It's not a comfortable conversation, the most important ones often aren't.

Anyone working in the wine industry is surrounded by booze. We grow it, make it, package it, market it, sell it, write about it, talk about it constantly, encourage others to consume it, and occasionally some of us abuse it.

The Australian 'piss fit' mentality has to shift. We wear it like a badge of honour but the pyschological and physical effects of alcohol tolerance are cumulative.

According to the Australian Government's Australian Institute of Health and Welfare, approximately one in three Australians drink to risky levels regularly. The results can be devastating. Excessive drinking can increase the risk of cancer, liver disease, and high blood pressure. It's grim and difficult to think about, especially when you make a living off it.

During a conversation with respected Barossa winemaker Charlie Melton in July 2023, he voiced an underlying concern familiar to, but hidden away by many.

"I'm careful how I say this but we do make a moodaltering substance,' he said in the piece that appeared in *Australia's Wine Business Magazine (WBM)*. "There's no question about it. If you don't do it with a degree of genuine passion for it, or if you're just making alcohol, you're only one step off from a crack lab. We think about that a lot. Unless there is nobility in what you're doing, you're just making a mood-altering substance."

Most wine industry folk can't imagine a world without wine. Nor should we.

Treated mindfully and with respect, it can be a wonderful tool for conviviality, creativity and connection. Treated mindlessly and the wheels fall off quickly.

"Obviously, I have a vested interest but it would be a weird place if you couldn't have a glass of wine, whisky or beer," Charlie says. "We are mindful of how we approach our business and just want to be of the size where we have a connection to most of the people who are consuming our product."

I didn't want to write this piece. It meant digging deep and holding a mirror to a reality that is uncomfortable to see.

I am no poster child for moderation. Quite the opposite in fact. As a beverage writer, alcohol is at the core of what I do. It doesn't matter how you package it, the alcohol by volume (ABV) is there. No great life decisions are made after far too many drinks. Conversations are rarely recalled, and pre-existing problems are heightened. On 31 March 2023, I took a tumble after too many wines. Yes, the shoes were high, but it wouldn't have happened sans alcohol. A snapped bone, surgery, and months of rehabilitation

later, there was a choice to be made. Turn my back on the industry I adore and ditch alcohol all together in pursuit of health, or learn to navigate the fine line between pleasure and excess. How do you maintain a long, successful and creative career without burning out before your time? How do you drink and lead mindfully; swapping piss-fit for career-fit, where a connection to what's in the glass leads to greater respect for ourselves and the wider community?

### Mindfulness versus mindlessness

When UK-based writer, researcher and author Dru Jaeger co-founded Club Soda (joinclubsoda.com), the aim was to support a global network of people to drink more mindfully and live well. Part of the offering is the online 'How to Be a Mindful Drinker' course, which helps people cut down and build a better relationship with alcohol. In this context, mindfulness comes in many forms; from paying attention to the situations in which you are drinking to excess, switching off the internal autopilot, discovering triggers and motivation for over-consumption, to your motivation for change. There is also a course on how to run a mindful beverage venue. This is a step in the right direction. Small bar owner Jacob Barter is on this path. During service at South Australian watering hole Noori, he calls for silence in the bar, and makes a speech of gratitude to something or someone; staff, the community, or the producers who make the wine he serves. It is a small moment but it shifts the tone.

When we are mindful, we think and act with intent. How do you want to feel tomorrow morning? What meaningful conversations do you want to have tonight? How will this serve the life you want to live?

### Connection versus disconnection

What are you making and why? What are you drinking and why? Are you actually thinking at all? Pause a moment to ask this question. Do you favour

that producer or beverage because of their growing practices, approach to sustainability, the brand's history, its back story, the creativity with which it was made, or the wine's flavour? For Charlie Melton, family is an important part of that story. "We recently had lunch with some Chinese people who were part of the Barossa wine auction and own land here – big wine people – and to them family is absolutely a key," he says. "They want to deal with people who have a family aspect to the business, because it's important to them."

Conviviality and ceremony are also useful tools. Throughout history, Japanese, Haitian, Tibetan, Pagan and Taoist rituals have long accompanied beverage consumption, and in much of Europe, wine is consumed with food, surrounded by friends and family. It is a moment of reflection against a convivial backdrop. We could learn much from this. Is ceremony and acknowledgement of mindfulness something we can incorporate at the start of every wine event – much like a welcome to country ceremony. Can we provide a 'welcome to self'?

### Quality over quantity

After more than 40 years in the wine writing game, Philip 'Whitey' White is not one to mince his words. "Alcoholism is not the elephant in the room, it is the room,' he said during a chat on his McLaren Vale porch in January 2022. "People don't talk about it when they write about alcohol. I was probably the first person to do that."

For his efforts, he received hate mail. "It was daring to say, 'Hang on, how much of Australia's best agricultural land is devoted to creating cheap alcohol?" If it was marijuana, it'd be a different conversation."

Nearly two years later, the nation is swimming in wine. According to Rabobank associate analyst, Pia Piggott, Australia has the equivalent of 859 Olympic-sized pools worth of wine in storage. We are surrounded by it and obsessed by how to shift it, but at what cost?

### Set boundaries in order to push them

The word 'no' is a powerful tool. It's also difficult to say. Wine show judging (and the fun but often excessive dinners that go with them), wine tasting, late night networking, lengthy overseas trade trips, long lunches... the list is endless and each one takes its toll. Energy abuse can be just as destructive as alcohol abuse and the two often go hand-in-hand. This was enough for Los Angeles-based Rebecca Hopkins to found A Balanced Glass (abalancedglass. com) in 2018. After many years in the wine industry across Australia and the US, Rebecca and her likeminded industry peers aim to provide guidance, access to networks, and connections for global wine professionals. The online forum offers insight into maintaining wellness while navigating a wine career. Balance comes in many forms; it could be art, sport, reading, yoga, meditation, or going to a sweat lodge. "I always say the top one per-cent of our industry don't drink that much," Rebecca says. "Awareness, mindfulness, moderation and longevity... the middle path is what gets you there. As an industry, we give a lot away. The reason so many of us are bad at taking care of ourselves is because we're essentially in hospitality and constantly take care of others. We say yes to so much because there's a fear of missing out on opportunities."

What can you say no to today, that opens doors and headspace for tomorrow?

### Embrace the NoLo scene

NoLo is here to stay. A 'them and us' attitude serves no-one. Wine sector folk seem to fall into two categories; those resistant and fearful of what is a burgeoning scene, and those who embrace the opportunity to jump on board. With the anti-alcohol lobby occupying increasing airspace and the no and low market gathering momentum, embrace it, or you will fail. If you're resisting, ask yourself why.

Is it money? Is it fear? "People in the NoLo space are forming trade groups and getting funding from outside sources," Rebecca says. "It's not alcohol so they're well-funded and they have strong DTC (direct to customer) models, because they can ship with no alcohol. Because it's such a nascent space, they're more creative, they're more adventurous, and they're pushing more boundaries. You don't have to make a product that is non-alc. We're not asking you to go out and change your [wine] style. We're asking you to understand the language, the demographic, the behaviours and the purchasing intent."

It is our personal and social responsibility to support and strive to produce, consume, and talk about the best quality low alcohol options out there.

### Do the work

'Do the work,' is a Future Leaders program message with undeniable power. The scar on my right ankle is a reminder of how hard mindfulness can be but how beneficial it is if you press pause and put the work in.



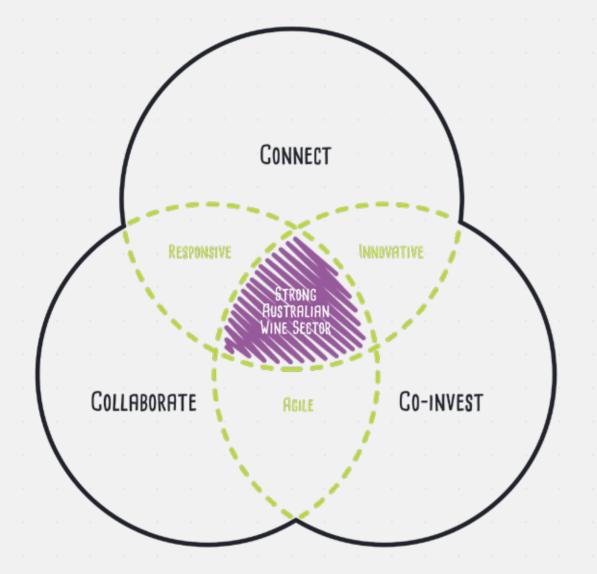




## THE PATHWAY TO A STRONG AUSTRALIAN WINE SECTOR

Connect, Collaborate and Co-invest

By Bodhi Edwards



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ot for the first time, the Australian wine sector is at a crossroads. A global oversupply of commercial red wine is depressing fruit prices, suppressing market growth, and impacting regional communities. Grape growers and winemakers are facing challenges to their profitability, and in many cases, their viability.

The current situation is a perfect storm. Challenging market conditions, fewer people drinking wine and people drinking less wine, increased freight prices, and the disruption caused by COVID-19 have left the wine sector seeking opportunities in new and emerging markets. Easier said than done.

We cannot compete with our rivals on price alone. We need to differentiate ourselves by offering wines that are high quality, sustainable, and responsibly produced. We need to demonstrate to consumers that Australian wine is a premium product worth paying a premium price for. We need to work together.

There are three pillars that should be considered in lockstep to ensure we have a strong Australian wine sector, now and into the future:

Connection: It is imperative that in tough times we look to each other for support. Connection is when two or more people, businesses or organisations

interact with each other and each participant feels valued, seen, and heard. If small, medium, and large wine businesses in Australia can connect, the Australian wine sector will find itself in a stronger position to confront these challenges.

Collaborate: Collaboration is essential. If the combined wisdom of Australia's most significant, best, and most innovative wine producers cannot come together to enable solutions for the sector, then no one else will be able to. The kind of precompetitive collaboration required involves the sector uniting to address shared problems that don't affect direct business competition or contribute to unfair advantages. Instead, it creates solutions that benefit all businesses, showcasing the sector's agility.

Co-Invest: Research and Development levies paid to Wine Australia can only go so far and can't provide sufficient investment to ensure adequate resources for the necessary innovation. Co-investment is crucial to ensure that the heavy lifting is not left to a single business and that the industry will have the resources needed to achieve its collective goals.

While the three pillars of connect, collaborate and co-invest can be used to address many challenges, the first place to start is how we are managing the demonstration of our innovative and sustainable packaging solutions, domestically and abroad. The three priorities I have identified are as follows:

. Environment: The wine sector is under increasing pressure to become more sustainable, and to ensure it can demonstrate its sustainable credentials. Companies across the value chain are now having to consider, report on, and act to ensure that their operations do not have a negative impact on the environment or the communities they serve. As a sector we need to reduce our environmental impact and become more sustainable producers.



This means using less water, energy, and chemicals in our vineyards and wineries. It also means reducing our carbon footprint by using renewable energy and sustainable packaging. We can't just match our competitors either, it won't be enough as our key markets are mostly over 10,000 km away.

 Sustainable packaging: The domain with the greatest potential for improvement is within sustainable wine packaging. To a limited extent, the industry has already made some progress in terms of sustainability in packaging, closures, and cartons.

Australia are leading global innovators when it comes to packaging. Bag in box and the screw cap closure to name two products that changed the wine world. The next generation of customers, and consumers is demanding we use packaging that is recyclable, compostable, or reusable. This will help us to reduce our environmental impact and improve our image with consumers.

3. Work together for all: To successfully adapt our wine packaging to meet the market access requirements in new and emerging markets, a cohesive approach driven by collaboration, cooperation, and co-investment is imperative. This entails working together to reach a consensus on the most effective solution/s, pooling resources to drive innovation, providing unified consumer education, and ultimately partnering with the government to facilitate local manufacturing in Australia.

By implementing these measures, we will unequivocally demonstrate our leadership in wine innovation, fortify our competitive edge, successfully produce and market wine to the next generation, and secure a long-term sustainable future for the Australian wine industry.

### Sustainable Packaging

Australian wineries exporting to Europe are expected to face an increasing number of packaging standards over the next decade. Access to these markets will be dependent on meeting these standards.

While a key change coming in late 2023 is the requirement for all wines to list nutrition, allergens, and energy information, it is suggested that wine producers may also face the following:

- · Maximum (empty) bottle weight
- An empty space ratio limit for cartons, a maximum of 40%
- Reduction of void fills cardboard, foam, wraps used to protect bottles
- · All packaging to be recyclable or reusable, and
- · Minimum recycled glass content in glass bottles.

South Australia produces 56% of Australia's wine but only consumes 9% which means glass is being manufactured here and exported, either to another state or internationally. This puts immense pressure on the glass manufacturers to source enough recycled glass to meet this coming market access requirement. A report by the South Australian Wine Industry Association shows that even the introduction of a domestic Container Deposit Scheme for wine bottles will not provide enough recycled glass to meet these demands.

Wineries will need to invest and innovate to find packaging and vessel solutions that meet, and exceed, these requirements, as well as being fit for purpose and appealing to customers and consumers.

The new packaging standards are a major challenge for the wine sector, but they also represent an opportunity for innovation. Wineries that can develop innovative and sustainable packaging solutions will be well-positioned to succeed in the years to come.

Here are some of the ways that the wine sector can innovate to meet the new packaging requirements:

- Develop innovative packaging solutions that are both sustainable and attractive to existing and new consumers
- Partner with packaging manufacturers to develop better solutions to current products, and novel solutions for this and the next generation, and
- Invest in research and development to stay ahead of the curve.

The wine sector is facing a changing landscape, but it is also a community with a long history of innovation. By embracing the new packaging standards and finding creative ways to meet them, wineries can ensure their long-term success.

When Australian wine wins, we all win.

According to the 'Sector at a Glance' report by Wine Australia, the wine sector value chain in 2021-22 provided employment for more than 160,000 Australians. This sector holds significant importance for the nation's economy, the livelihoods of countless families, as well as the well-being of approximately 160 diverse regional and rural communities across the country that depend on the wine sector for their identity and prosperity.

There are some very real challenges facing the sector and I would like to call on the decision makers that guide and inspire this fine industry to face them together. By using the three co's model I believe there will be a much stronger chance of a favourable outcome for all.

Ok, so what do we need to do?

- Produce greener, lighter, and cleaner glass for both domestic and international markets. This will fulfill market access requirements while also aligning with our commitment to sustainability
- We require a packaging solution for wines that are not intended for aging, as well as those in the NOLO category designed for immediate consumption. It is widely acknowledged that over 90% of wine is consumed within 48 hours of purchase
- This solution should be lightweight, have a reduced carbon footprint, possibly be plantbased and compostable, and ideally made from sustainable fibres. Are we willing to collectively invest in this endeavour to ensure its feasibility, viability, and long-term success, and
- Forge partnerships with industry groups, major wine producers, regulatory bodies, research and development institutes, and state and federal governments to distribute both the costs and benefits of this muchneeded innovative collaboration.

One of the most inspiring transformations in this sector in my lifetime has been the introduction of the screw cap closure by a group of Clare Valley winemakers for the 2002 vintage. While today's challenge is making packaging more sustainable for market access and customer demands, their challenge was the poor quality of the cork being sent to Australia, and the compounding issues of spoilage, inconsistent aging, and perhaps most importantly, the potential for reputation damage.

I wonder whether Clare Valley luminaries Taylor, Mitchell, Gramp, Pike, O'Toole, Grosset, and Hardy, et al, back in the year 2000, could have ever anticipated the seismic shift in Australian wine production and quality over the past 21 years. They chose quality over customer preference and

acceptance, and consumers followed suit. Now, as much as 98% of Australian still wine is bottled with screw cap closures.

To me, this is the type of pre-competitive connection, collaboration and co-investment that should inspire the current generation of custodians of Australian wine, work together to make a difference, and everyone benefits.

I understand this sounds grandiose and idealistic, and any number of commercial realities could, and perhaps should, get in the way.

That is why I am going to outline one simple thing you can all do work towards the common goal.

Wine Industry Sustainable Packaging Alliance, or the delightfully named WISPA for short, will be incorporated in 2023 to be a conduit between producers, retailers, innovators, manufacturers and suppliers to tackle packaging challenges facing our industry. That is the first place we need to start.

The group needs support from industry bodies to ensure appropriate governance and administrative support is in place, they need you to sign up as members, they need your best and most innovative solution driven people on the board, working groups and committees as they form. The wine industry needs you to empower those people to look beyond the priorities of now and into the future. And then, finally, they need you to be brave enough to put your funds, energy, brands and ultimately, delicious wine into the solutions that WISPA recommend.

Connect for common understanding and mutual benefit, collaborate to harness the power of combined wisdom, and co-invest to share the financial commitment required for innovation. These actions will encourage other key partners, such as federal and state governments, industry bodies, manufacturers, and, most importantly, customers, to join the industry in creating and adopting these solutions.

It might appear straightforward, and there's a possibility that it genuinely is.

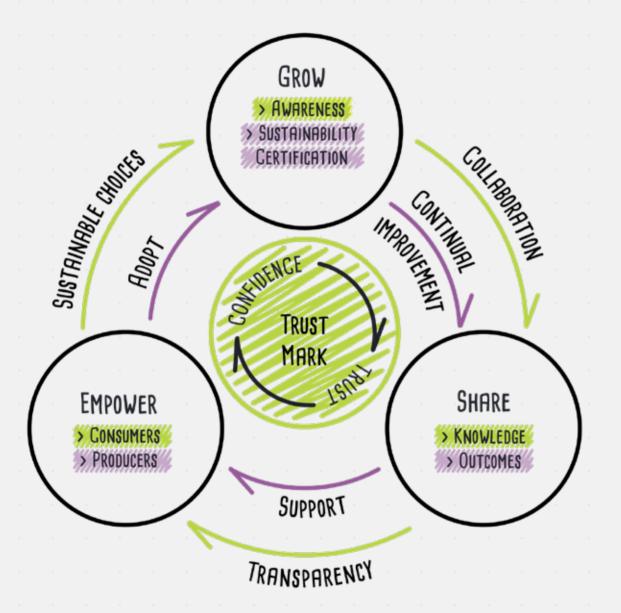




### SUSTAINABILITY

A mark of trust

by Eloise Jarvis





he wine sector is complex, with a diverse mix of stakeholders that includes grapegrowers, wine producers, governing bodies, investors, suppliers, distributors, and retailers. Customer satisfaction and relationships are at every stage, with complex relationships interconnected back to the grape source, but importantly, we produce wine for the ultimate customer, the consumer, whose opinion matters, with sustainability a pathway for customers to trust the products they are purchasing.

While all consumers are important, Millennials and Generation Z represent 39.7% of Australia's population¹ and are the future of our consumer base. Paying attention to what they value and what drives their spending patterns is key for our industry. As of 2022 their top two concerns were cost of living and climate change² and they did not believe governments and businesses were doing enough to address both. What motivates consumers to purchase, can and will create change, however greenwashing and misunderstanding what sustainable, organic, regenerative, and natural mean will undermine existing certification achievements and programs.³

How do we help consumers make informed and responsible purchasing decisions that will benefit us, especially grape growers, the backbone of our sector? How can we capture their decision-making impulses to better understand what is important and relevant to them? How do we encourage producers to adopt sustainability frameworks and continual improvement mindsets? How do we leverage this

information to build a more resilient sector and become the benchmark for environmental, social and governance (ESG) policy and practices globally?

Whilst this is a complex cross-sector issue, coming back to three core pillars helps drive change and continual improvement; specifically, how we GROW, SHARE and EMPOWER sustainability across our sector.

### **GROW**

Regardless of demographics, consumers are increasingly spending their money on products that reduce their impact on climate change and want greater choice when doing so.<sup>4</sup> When we grow the number of wine producers who are sustainably certified across all price points, then the sustainable offerings available to consumers will increase, benefitting our sector's sustainability footprint. Achieving sustainability certification will provide grapegrowers with leverage against their competitors when negotiating fruit contracts and wine producers to grow their consumer audience by meeting their expectations. For both, it is future-proofing their businesses.

For example, Sustainable Winegrowing Australia could play a significant role in shaping the Australian wine industry. The benchmarking metrics that form a centerpiece of the program, providing feedback to members regarding their continual improvement and ranking relative to other members, is only as good as the quantity, quality and breadth of the data collected, that is the breadth and depth of its members. Growth in membership that reflects small, medium, and large producers and grapegrowers from across all wine regions of Australia will improve the quality of metrics particularly when drawing like-for-like comparisons. Supporting regional associations is key to facilitating the uptake of sustainability standards. This has been clearly demonstrated through several regionally

lead programs (Langhorne Creek, Margaret River, McLaren Vale, Mornington Peninsula, Yarra Valley) in which growers and producers have been supported through the certification process resulting in significant increases in membership of Sustainable Winegrowing Australia during that time. When program funding ceases membership uptake slows however the in-kind contribution of associations continues due to sustainability being a strategic pillar. How can we enable them to implement appropriate education programs and support specific to their members' needs, ensuring momentum is maintained, and targets met with informed funding?

Action: Free regional association membership to Sustainable Winegrowing Australia providing access to metrics and benchmarking tools enabling Associations to develop targeted education and support programs demonstrating to members the benefit to their regional communities. \*

In addition, growing the Sustainable Winegrowing Australia program to enable certified members to tell their sustainability story is critical. Differentiating between those who have only just started their journey from those at the forefront of ESG practices and policies through a clearly graded system is an important communication tool and opportunity to maintain relevance in a competitive international certification market where this is already being met: International Wineries for Climate Action and B-Corp are two examples.

Action: Integrate a ranked star/coloured system in Sustainable Winegrowing Australia's certification program, linked to the continual improvement workbook metrics within the program, that is communicated through the trust mark. \*\*

As demand for sustainably certified wines increases, sales grow, encouraging wine producers and grape growers to adopt sustainable practices and engage certification, increasing the offerings retailers can provide to consumers of sustainably produced wine – it's a circular process of continual improvement.

### **SHARE**

How we share information and knowledge is critical to building a circular economy of growth.<sup>6</sup> Keeping it simple is key.

Differentiating between wine producers with authentic sustainability certification and those greenwashing is essential to building consumers' trust. Swedish Alcohol Retailing Monopoly Systembolaget have established a framework identifying criteria to qualify for 'Our most sustainable beverages' that clearly outlines approved certifications and their capacity to mitigate negative risk on humans and the environment against 17 indicators. 6 The research has been done for their consumers. It clearly highlights which certification programs meet all three environment, social and governance criteria and more importantly those that don't! Wine producers wishing to export to this market are motivated to attain an approved certification with its trust mark visible on their packaging. Customers (retailers and their consumers) have confidence in this system due to its transparency, helping simplify their decisionmaking processes down to "Which wine do I feel like with crayfish?".

Sustainability credentials should be clear to the consumer, for simplicity and trustworthiness. Wine Australia's strategic pillars<sup>8</sup> provide scope for benchmarking sustainability certification programs, ranking according to set criteria, substantiating integrity whilst building confidence from producers, grape growers and consumers alike.

Action: Wine Australia benchmarks Sustainable Winegrowing Australia's performance against global sustainability frameworks, sharing its outcomes through marketing opportunities and creating a cycle of continual improvement. \*\*\*

The outcomes are made available to market channels who in turn can share with customers the sustainability ratings of wine products they sell. With increased awareness and confidence regarding ESG claims consumers can be more sustainably responsible with their purchasing. The purchasing habits of consumers could then be mapped in response to this information, providing insights into its efficacy and impact on behavioral change in relation to purchasing habits and ESG credentials. Sharing consumer purchasing habits with our industry will inform what is important to consumers, where and how we need to improve our communications, and what we can do better to engage.

Shared knowledge empowers all to make effective change. Knowledge is only as strong as the information we have based on the data collected. Data bookends our sector with governing bodies collecting data about its members, grapegrowers and wine producers, while retailers collect information about their customers. Connecting all stakeholders through shared information adds depth to understanding our sector. As well as focusing investment needs to meet ESG targets, this feedback loop enables the continual improvement that is required to maintain consumers' ongoing trust.

### **EMPOWER**

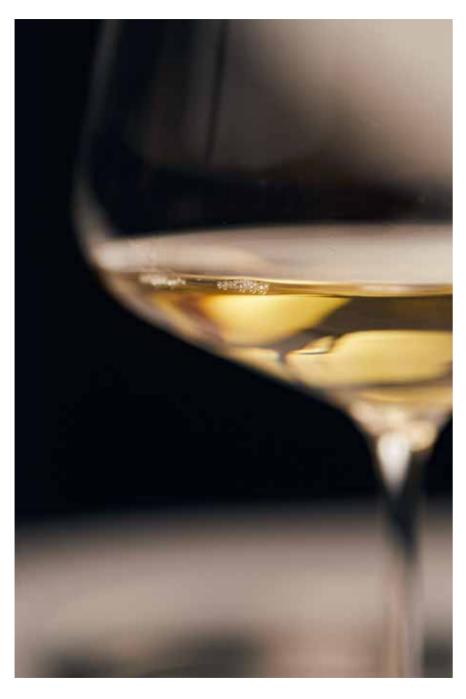
Education and transparency about our practices and the standards by which we monitor and measure them will grow trust. Consumers will spend their money on goods that align with their values. Empower consumers with clear messaging and information at their fingertips helps choosing sustainably produced wine easier. Retailers have a direct line to our consumers through their membership base and loyalty programs. Imagine if wine producers collaborated with retailers simplifying and tailoring ESG messaging for consumers increasing their choice while creating an experience of discovery? Outside of the top 20 wine producers<sup>10</sup> this would be a costly process for small to medium sized producers, however Wine Australia, as our representative, is

well positioned to share and market sustainability credentials of our industry that reflects all producers especially as membership grows. The value of information sharing will be realized when retailers in return provide information back to our industry regarding consumer preferences, answering questions such as: has the information consumers now have access to helped inform purchasing decisions and has it increased the number of consumers seeking wines made sustainably, which; certifications resonate with them; did we get our messaging right; and does it provide insight into where our industry needs to invest to ensure long term relevance in an ever-increasing and competitive beverage industry that ensures continual improvement, resilience and growth for all its members.

Action: Within retailers' loyalty membership Apps allow customers to search for sustainable wines, ranked on a traffic light / five-star system, within existing search capacities. \*\*\*\*

The circular nature of grow, share and empower reinforces that success is achieved when all three work fluidly, building on our learnings providing opportunity for continual improvement. The collaborative relationship between retailers and industry to keep consumers informed regarding ESG certified wine producers with clear simple messaging will grow consumer awareness, reinforcing their trust and meeting expectations. The ESG stewardship of retailers, governing bodies and wine producers alike will be championed because of this collaborative partnership.

We **empower** both consumers and producers to make sustainable choices through a simplicity and diversity of information. If we **share** our knowledge and information on practice, we add rigour to our sustainability credentials. We **grow** not only the number of producers and consumers interacting with sustainability frameworks, but also put the trust back into trust mark.



- \* Contributes to Investment area 1 Practical ESG support (1.1) of Wine Australia's ESG Investment Plan May 20235
- \*\* Being addressed in Investment area 2 Certification and market access
  (2.7) and contributes to 5 Marketing and market insights (5.1-5.3) of
  Wine Australia's ESG Investment Plan May 20235
- \*\*\*Contributes to Investment area 2 Certification and market access (2.5, 2.7) of Wine Australia's ESG Investment Plan May 20235
- \*\*\*\* Contributes to Investment area 2 Certification and market access
  (2.6) and 5 Marketing and market insights (5.1-5.3) of Wine Australia's ESG Investment Plan May 20235

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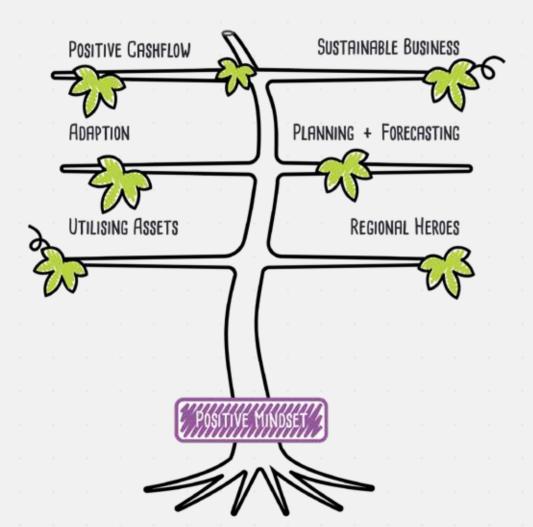




# EMBRACE CHANGE WITH A SOUND WINE STRATEGY

by Steven Paul





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stablished Australian wine businesses seem to successfully navigate the challenges of seasonal variation, increased competition, rising costs and the onset of global warming through incremental changes and adaptation. At the same time regionality and brand stories remain intact and, in some cases, strengthened. These challenges are buffered by the lengthy production lead time from vineyard establishment to bring wine to market.

However, how do we adapt our wine business when challenges are more immediate, as we have experienced over the past three years, and our long production lead times are exposed? Do we continue making the wines each region is known for, or do we start to look outward towards new opportunities? Maintaining a strong business and sustainable cashflow requires outward thinking and adaptability and can be achieved through utilising current vineyard assets and branding story.

In the 25 or so years I have spent working in the wine sector, I have been directly employed by family-owned businesses, with their own vineyard holdings, in the cool climate Victorian regions surrounding the city of Melbourne. During a chance lunch meeting in Melbourne in 2009, I was offered an opportunity to join the team at Oakdene and assist in building our business to where it is today. We currently have 40 hectares under vine, located in Geelong' coastal subregion the Bellarine Peninsula and crush 150 tonnes of fruit annually. Our regional heroes Pinot Noir,

Chardonnay and Shiraz remain our key focus, with the majority of wines sales directed through cellar door and the Greater Geelong area.

Australia's wine regions are built on varietal regional heroes. Due to their suitability for the production of fine wine, historic significance and consumer demand, hero varieties tend to represent the largest vineyard holdings and produce the most wine in each region. They are the wines consumers look for when they visit a wine region, and the wines successful wineries build their reputation on. Each Australian Geographical Indication is now attached to its heroes with these varieties representing the largest holdings across each region.

In each case these wineries tend to be the result of a vineyard established with grape varieties considered "Regional Heroes", with the aim to produce high quality wine, with a sense of place and a story about the people and region behind the wines.

### Utilising your assets.... Adaptation

Managing your own vineyard holdings and offering 100% estate grown wines may not be every wine business's dream, but it is mine. Tasting through a vertical set of wines from a single site, and discussing development, vintage conditions, winemaking, and viticultural decisions, is always a privileged experience. It provides a strong branding story (building sales), and an opportunity for wine growers to improve future production and knowledge of your site. It also offers complete control of your business direction, as businesses are not relying on growers. Protecting the premium wines in your portfolio is essential, as these wines form the basis of your portfolio and a direct link to your vineyard and given favourable growing conditions these wines should represent the pinnacle of production each year.

There are strong assets to consider, such as looking within your vineyard, beyond your premium wines.

This can provide opportunities to produce different wine styles, new stories and allow your business to adapt to change quicker, whilst maintaining a positive cash flow. Utilise your vineyard assets through maintaining and improving holdings of regional heroes. Establish smaller holdings of varieties suitable to the region, that are considered more multipurpose varieties, offering the ability to adapt and broaden your wine offering as markets continue to change.

In Geelong's cool climate, these include Pinot Gris, Pinot Meunier, Cabernet Franc, Gamay and to a lesser extent Sauvignon Blanc. These varieties offer a broad range of wines styles and can be blended with our regional heroes providing more options to bring to market.

Our vineyard holdings at Oakdene remain in a constant state of change. Assessing the performance of each block and the suitability for the wine styles our customers are demanding allows the vineyard team to focus on improvement projects outside the normal seasonal vineyard operations. This includes improving the clonal diversity, planting density or size and shape of existing vineyards. Removal of unproductive blocks or varietals no longer required for production, and trial rows of new multipurpose varietals. This not only empowers the viticultural team but also encourages both product buy-in and involvement in the final wines. Growing innovation and adaptation in action every year, not just at crisis times.

### Adopt a possibility mindset

If the past three years has taught us anything it's that change is inevitable, especially from a distribution point of view. Change was so dramatic and quick that I can't imagine any wine businesses were able to pivot (when they are asked to) and start finding new outlets for wine sales, when traditional channels were closed

off. However, looking back on this time, I can now see that continually evolving what we offer can assist us in the future, and our ability to adapt to change.

A possibility mindset is effectively dealing with the future and looking beyond the obvious. Leaders who believe they can evolve and develop their talents and skills through planning, strategizing, and looking forward tend to have a possibility mindset.

Possibility thinking focuses on the potential and opportunities in any situation, rather than the limitations or problems. It encourages creativity, optimism, and resilience, as well as a growth mindset that embraces learning and challenges. Lastly it can help people overcome obstacles, find solutions, and achieve their goals.

Opportunity to adapt to change for me, and our team at Oakdene, always starts in our vineyard. Comparing our vineyard assets to other producers in the Geelong region generally allows us to make decisions on what other styles of wines we can produce outside our focus on regional heroes. My most challenging time of the year is when our team begin to hold pre-production planning meetings late in the year and begin to look at crop estimates for each block for the following vintage. Much planning goes into these meetings and most of the decisions come to light after examining past sales reports for each wine, stock in production and stock in our warehouse. Pre-production figures take shape and are considered our dream numbers! What we need to ensure we don't run out of key wines, what we need to ensure that we can meet the needs of our customers. As the growing season progresses these figures become clearer and depending on the season, expose both an under supply and or a surplus for each grape variety. This is when the key decisions are made, opportunities are discussed, trends are forecast, and our vineyard assets are utilised using a possibility mindset.

As Ted Lasso says.... Believe!

### Early planning and forecasting... Positive results

Unlike our competitors in the fast-moving drinks industry wine production takes time and therefore requires much earlier planning and forecasting. I often marvel (with some jealousy) as I witness the somewhat instant change craft beer brewers and gin producers can achieve with short production cycles. These beverages can launch new products or update packaging in a very short space of time and if these changes are successful these brands or individual beverages grown significantly. On the other hand, if unsuccessful or trends change then remove these items from the market with ease. Lion Nathan's Furphy beer brand, launched in Geelong and Four Pillars Bloody Shiraz Gin are some of the best examples of successful planning, launch and growth.

Early planning and forecasting has allowed our business to identify wines in oversupply and potential future trends or opportunities. Using a possibility mindset, we are effectively hypothesising! If we do this, then what will be the result over the next few years. Leading into Oakdene's 2020 harvest we decided to work towards sustainably managing production from our Shiraz vineyards due to an oversupply in our region post the Covid closures and export interruptions. The aim is to use our entire Shiraz production whilst maintaining our core regional heroes and reduce the volume of shiraz in our warehouse. The key questions were focused on the suitability of Shiraz for other wine styles, which blocks will be allocated to which wines, production volumes and how soon will these wines be on the market. The result was the production of five wines. Premium Shiraz (our regional hero), Estate shiraz in a larger volume than the premium and a barrel allocation to traditional method sparkling Shiraz as a cellar door only wine. Following growth in wine trends we also produced

a light dry red from early harvested Shiraz blended with Pinot Noir and allocated one entire vineyard to the production of Rose.

We have applied this approach to our chardonnay, Pinot Noir and Pinot Gris production and find it encourages proactive thinking across our entire team in production meetings. It also shortens the production cycle of some wines such as Rose and our light dry red, reducing warehouse space and having a positive effect on cash flow. Whilst still working within our own vineyard assets the number of wines we offer can vary from seven to up to sixteen in some years. This flexible production has allowed us to adapt and service new markets, whilst offering more options to our cellar door visitors and empowering our sales team.

### Conclusion

Embracing change can allow us to see both short term and long-term goals, yet requires a sound strategy, careful planning, and a clear budget. Asking questions from your team your customers your suppliers and your competitors can assist in reaching your objectives and allow you to focus on the future.

The Australian wine sector will always have its challenges, and hopefully none more so than we have seen over the last three years. However, looking beyond the obvious can yield positive results and assist in working towards a sustainable wine business with the ability to adapt to change and embrace the future.



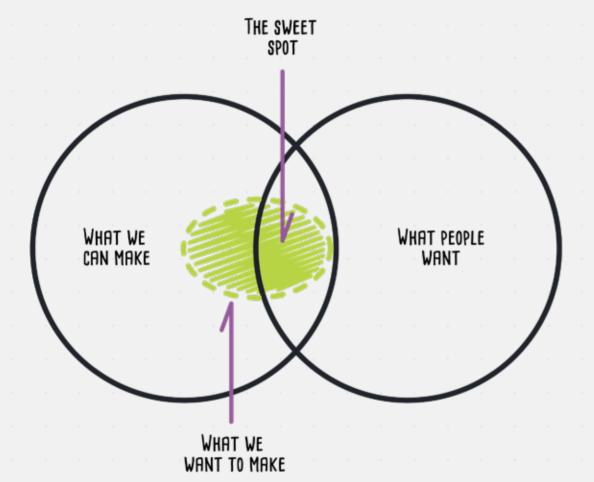




### MAKE A 'GRAPE' CHOICE

Give people what they want

by Amy Blackburn





t's a tough gig making and selling wine, and it's never been more challenging than now. Wineries are closing and consolidating, and those that haven't are facing many challenges to running a profitable business, such as inflationary pressure on fixed costs, selling wine at a reasonable price (or at all!), and climatic pressures that affect viticulture with less reliable weather patterns.

Paralleling all of this, there is a booming (and highly profitable) beverage industry, which is selling a plethora of different drinks that people can't seem to get enough of. There is an opportunity for the wine industry to tap into this changing consumer behaviour, rather than try to compete with it. When it comes down to it, people don't want to drink traditional wine on every occasion, so the future of the wine industry relies on us leading the way and giving customers great alternatives.

At the core of every wine business is our raw product – grapes – a natural product that is grown, not made. Wine is our value-added product; it's been enjoyed through the ages, and will continue to be. But, tastes change over time and if we wish to stay relevant (and profitable), it would be remiss of us to discount the tastes of those with thirst and cash in their hand. We need to offer more diversity of products as wine businesses, because our consumers are diverse!

The wine industry is a subset of the beverage industry. If we think of the beverage industry as a whole, producing "what people want to drink" and the wine industry as "what we can make", then the more overlap we can have between these two things, the more we can sell and the more profitable we can become as an

industry. We then come to another subset of the wine industry, "what we want to make", which represents what either gives us joy and reward or may be linked with history and provenance. "What we want to make" is not necessarily profitable, but still has its place. However, it can no longer be relied on as the basis for most businesses.

There is a sweet spot that develops when winemakers and the wine industry maximise the overlap between 'what we can make', 'what people want to drink', and 'what we want to make'. When we get this right, we are a magnet for consumers.

### How do we achieve more overlap?

To achieve more overlap we must first consider why some people choose not to drink wine. There are a multitude of reasons including:

- Alcohol content some may not wish to drink alcohol, or limit consumption for health or religious reasons
- Taste not everybody likes the taste of traditional wine (too acidic or bitter)
- Image wine doesn't fit with some people's self-image, or the image they wish to portray
- Packaging packaging may lack visual appeal, or may not suit the way in which people consume (accessibility/convenience for different activities and lifestyles).

When we consider all these things we can start to unpack and develop ideas around how we can make products that appeal to a wider range of consumers. As producers do we need to be more creative with making value added products from grapes that aren't necessarily wine (at least by code definitions), but may still be beverages?

There are also challenges to achieving a balanced approach to the overlap, to ensure we maintain the history and integrity of our industry, whilst still working toward a successful and profitable future. To do this we need to pay appropriate attention to each

segment of the diagram. For example, if we focus too heavily on making what we want to, we may end up with product which is difficult to sell; as we miss the customer behaviour. If we focus too much on what people want, then we may lose the art and legacy of the wine industry. And if we focus only on what we can make then we may end up with a myriad of products that are unprofitable and unsustainable. Therefore a measured, balanced and educated approach is the best way forward to a sustainable and productive future.

Some different ways we can adapt to provide a more widely appealing offering can be broken down into the following categories:

- 1. Wine production use grapes we already have to make different products
- 2. Viticulture planting different varieties, or changing viticultural practices on existing vineyards to suit a new product
- 3. Marketing using marketing tools to target different consumer groups (same product new image)
- 4. Packaging using different packaging types to make the products more convenient or desirable to different consumer groups.

Let's look at each of these categories in a bit more detail, and consider what some possibilities may be:

### Wine production

How can we use the grapes we already have to make a product which will appeal to a broader audience, or a different segment of consumers? We are all too aware that there is a current oversupply of certain grape varieties (even if grown in traditionally premium regions), so if we use this resource we already have, we can develop something new relatively quickly. Of course, as already discussed, the product may very well not meet the formal definition of wine and may not even look or taste like wine.

One category which is currently experiencing incredible growth and success is the "No-Low" category

of no or reduced alcohol wines and beverages. As an individual who has made traditional wines for most of my career, and recently changing to producing "No-Low" wines I can appreciate the shift that is occurring in the industry through necessity. The wonderful thing about this category, especially the no alcohol segment, is you instantly increase your consumer base; think people who are health conscious, alcohol moderating, pregnant, breastfeeding, below the legal drinking age, or those whose religion discourages alcohol consumption, and this is by no means exhaustive. The products these consumers are interested in will also vary; some will be looking for something that looks and tastes like wine (substitution), and others want something that is more beverage-like (alternative).

Another option is to play with wine styles (which has already been heavily explored by many companies producing more experimental type wines), but this can be pushed a step further by adding other ingredients to wine that may offer flavour or health benefits or give a unique marketing edge to the product. The innovative process is fun and interesting but should also be coupled with knowledge about consumer preferences and trends to ensure you are on the right track. We should also remember that products made from red grapes already contains the naturally occurring compound reservatrol, with well documented health benefits. While the Australian Alcohol Beverages Advertising Code does not permit claiming health or other wellbeing benefits for any alcohol-based product, imagine if a non-alcoholic red grape derived beverage could be produced and marketed as being good for your health. Perhaps it could be a single portion size no alcohol red 'wine' in a 200mL sustainably packaged bottle, with added herbs (like ginkgo, ginseng and sage), B vitamins, and some Australian native botanicals; low sugar, alcohol free, good for you, and delicious! Something a consumer can grab from a service station fridge and drink immediately, as a healthy and refreshing beverage. Could this be part of the future of the wine industry?

### Viticulture

As always is the case, viticulture comes before wine production. It takes longer to make major changes in a vineyard than it does in a winery, so you really want to be sure that the changes you make are going to be beneficial before going all in.

As has been widely practiced, one option is to look at different varieties that can be planted or grafted onto existing vineyards, in order to satisfy changing tastes and climate.

Another option is in conjunction with changed winemaking practices, targeting viticultural practices to better suit a new product that is being produced to support required quality, style, yield, taste, ethics or analytical parameters.

### Marketing

Marketing strategies are powerful tools to maximise the saleability of products and can involve selling the same product to multiple consumer groups by targeting what appeals to them. To maximise the impact, it is important to understand who the consumer groups are, and what is important to them when making decisions on what they will purchase. Is it most important to them that it is healthy, convenient, environmentally sustainable, ethical or delicious?

In many ways marketing needs to be looked at before all else; by understanding what it is that people want to drink, we can know what product to make to begin with. It would also be wise to look at not only what people want to drink, but how large these sub-groups of consumers are for different product types, and what the profitability of those products are. Potential longevity (how long it might be popular for) is also a consideration in this process.

### Packaging

Packaging, just like marketing is also a powerful tool – it is tempting to choose a book by its cover, and the same goes for wine and beverages. How many times have you grabbed a bottle of wine off the shelf because it had a cool label?

When it comes to packaging there are the typical options of glass bottle and bag in box, but there are endless other options that have been used extensively for other beverages and have been adopted for wine: cans, PET bottles, Tetra Pak, along with many others. Not all of these are suitable for storing wine for extended periods of time, but they may be suitable for products designed to be consumed either when purchased or soon after.

Another consideration may be portion size, as smaller format packages can improve convenience and portability, and is particularly suitable for onthe-go and drink on purchase (single portion). Just like changing over from the cork closure to a screw cap revolutionised the convenience of wine, changing other packaging on a product can improve the convenience of products by making them more transportable in travel or other situations where transport of glass is an issue, and may appeal to a broader market.

Environmental sustainability has also become increasingly important. Many consumers demand that the packaging is recyclable or biodegradable – in short, the smaller the carbon footprint the better. The more obvious the environmentally friendly credentials are at point of sale, the better.

### Conclusion

There are endless opportunities that exist for our industry as grape growers if we take the time to understand our diverse consumer base and think broadly enough to see the possibility of and beyond wine, there is a bright future ahead for us all.

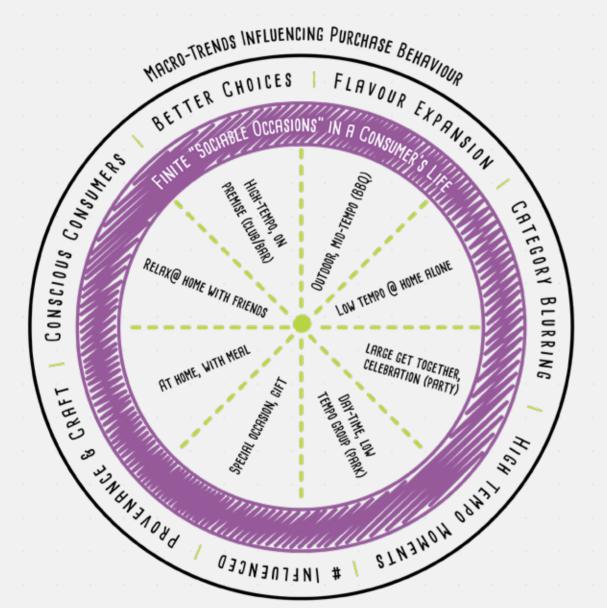
Many wine companies (both large and small) are now accepting and embracing that change and innovation, coupled with appropriate market research, are necessary for the future of both their own companies and the wine industry as a whole.

Drop any preconceptions, think big, and take a chance – you never know where we could end up! As long as people are choosing to buy something that is made from grapes as the basis, they've made a 'grape' choice.



# OCCASION THINKING: ENSURING WINE REMAINS RELEVANT TO TODAY'S CONSUMER

by Andrew Shedden



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t is not unreasonable to argue that the Australian wine sector is currently facing an existential crisis. As total supply continues to outpace demand, domestic and overseas consumption continues to retract, sophisticated competition from other alcoholic categories increases and the winds of societal, technological and geopolitical change blow faster than ever before, the role wine plays in the lives of Australian consumers has never been more challenged. It is in this context that we examine the way the average liquor consumer is behaving and the role wine plays (or in many cases does not play) in the lives of Australian customers.

It is the contention of this essay that, in a world where there is finite (and often shrinking) time for leisure and sociable activities, liquor consumers are making very deliberate choices on the discretionary consumables they pair with these occasions. Indeed "occasions" - as well as the key "macro-trends" that underpin the way we want to live our lives - are the primary drivers for consumer purchasing behaviour. The categories and the producers that are thinking this way and are building and marketing their products to meet these occasions and hit these macro-trends are the products that are increasingly the most relevant for Australian consumers.

Further, the specific occasions and the key macrotrends that are driving consumer behaviour have changed significantly in recent years. To date it has been categories other than wine that have been quicker and more sophisticated in their ability to identify and adjust to these changes. While this does present an existential challenge to wine as a category, a shift in focus to ensure wine is as relevant as possible to consumers' most important occasions and hits the key cues of the predominant macro-trends will ensure the ongoing, long-term growth and health of the Australian wine industry.

### Consumers shop by occasions

Given how finite 'discretionary time' is in our lives today, how we spend the most sociable occasions we do have is incredibly important and is the primary factor in decision making around the products we choose to pair with these occasions. Liquor consumers choose an occasion first (e.g. catch up with mates in the park) and then purchase a product (e.g. six pack of beer to share) second. This basic premise is so easily grasped but so often is not applied to the way we present wine as an option to customers.

The good news is that wine has long been relevant and, indeed, essential to many key customer occasions. Wine is the dominant category at "with meal" occasions; liquor consumers choose to pair their meals with wine more than most other options. Similarly, wine has played a dominant role in "celebratory" occasions (think the role of Champagne or Sparkling) and at "gifting" occasions (an occasion that the spirits category has increasingly encroached upon in recent years).

However, there are plenty of occasions where wine in its present form is not the most relevant option for consumers. "High-tempo out of home" occasions (e.g. night-clubs), "sporting events" (where beer and pre-mix are dominant), "low-tempo alone" occasions (inhibited by pack size) and "mid-tempo outdoor" occasions (park, picnic or BBO group occasions) are all examples of occasions that are growing in relevance for today's consumers, where wine doesn't present as the most obvious option and where wine has been beaten to primary relevancy by another category. Too often we as an industry present wine as a set proposition (e.g. 750ml bottle, labelled by variety, with heritage branding, sold based on the complex interplay of factors in the vineyard and the winery) that places the product first and asks the consumer to fit their lifestyle around what we are offering. Increasingly, other categories are doing the opposite and by recognising the primacy of occasion in consumer decision making, are creating / amending their product offerings to fit into emerging consumer lifestyles.

Wine as a category needs to take note and follow suit. Consumers make their purchase decisions based on the sociable occasions that they want to participate in. Identifying these key occasions and consciously ensuring wine is as relevant as possible to consumers in as many of these key occasions as possible is key to our sector's continued growth and relevance into the future.

### Macro-trends are also important

Just as important as occasions in a consumer's purchase decision process (but perhaps more subconscious) are the various social trends that underpin consumer behaviour. Like occasions, these trends can be disparate and impact on consumers very differently. However, also like occasions, these can be rolled up into key "macro-trends" that really drive the modern liquor consumer's purchase behaviour.

Some of the more impactful (but by no means holistic) and ascendant macro-trends currently underpinning consumer purchase behaviour include:

- **Better for You**: Consumers are increasingly looking to adjust their lifestyles and what they consume to be consciously more "healthy". This may include by moderating their total alcohol intake, consuming products with lower calories, increasingly choosing products with claims of being 'organic', 'bio-dynamic' etc
- Conscious Customers: Consumers are also far more aware of their impact on society and the planet more broadly. Increasingly, consumers are making purchase decisions based on sustainability or carbon-neutrality claims or by being made to feel like their actions are having a more positive impact
- Provenance and Craft: Never before have consumers been more interested in (or more easily able to find out) where a product is from. This is particularly true for consumable products. Buying local, buying smaller-make/boutique or buying products with a story consumers can engage with has never been more important
- #influenced: With the exponential rise in technology, and with it social media, consumer cues for quality validation have shifted. Celebrity endorsement have become big business and how a product shows up on Instragram (and whether it is 'Instragrammable' for consumers) is of genuine importance for some consumers.

While these are just a few of the many macro-trends impacting purchasing behaviour, understanding these trends and elevating the "cues" inherent within wine products is just as important as "occasions" in ensuring relevance with today's consumers.

### Other liquor categories are responding

At this point, many non-wine categories have been able to identify and adapt to the consumer changes incredibly well. There has never been more sophisticated competition to the wine category in the fight for finite customer occasions from other liquor categories (and indeed categories beyond liquor) than there is today. These non-wine categories have been able to better identify growing customer occasions and important macro-trends and create or redefine products that suit these occasions and have cues that hit these consumer trends

While the instances are plentiful, some of more recent examples include:

- Zero-alc and lighter in alcohol offerings across premix, spirit and beer categories hitting moderation trends and ensuring relevance to occasions where high-alcohol consumption is not possible / appropriate
- Pack variation (in terms of both size and material), particularly in beer and pre-mix, conveniently opening up more occasions (incl. alone occasions or out-ofhome group occasions) and often hitting environmental and sustainability cues
- Flavour expansion in the pre-mix, spirit and beer categories driving consumer choice and expanding to meet the breadth of consumer tastes
- Category-blurring offerings in the pre-mix category in particular that open up mid-tempo occasions and are built to fulfil expressed customer flavour preferences (as opposed to creating a flavour profile and trying to convince consumers to engage with it)
- The proliferation of celebrity endorsed or even owned products, particularly in the Spirits category, that provide validation, connection and relevancy for consumers

Again, this is by no means a holistic or exhaustive list but point to the way other categories are identifying and adapting to consumer occasions and trends, often in a more sophisticated and agile way than the wine category has managed over recent years.

### Wine needs to (and can!) respond

While there are many proof points that other liquor categories are performing well in the face of changing consumer occasions and trends, it's not all doom and gloom for the wine category. Wine does not need a complete overhaul or reinvention to be relevant to today's consumers. However, as a category we do need to shift from making and promoting an offering that we love and expecting customers to adjust their lives around it. As an industry, we need to flip the script and start adjusting the way we think about our offering and making it fit as seamlessly as possible to key occasions and trends of the modern consumer. Many great wine producers are already doing this, we just need to ensure it becomes far more consistent and widespread across the sector.

While this list is not holistic nor should be viewed as prescriptive, some of the ways in which wine could 'pivot' towards relevancy include:

Branding / Marketing: Too often wine is promoted in ways that are relevant only to a small subset of hyper-engaged consumers. Anchoring a broad-based consumer pitch on descriptions of soil type, elevation, clonal variation, oak contact, vine age or any other of a multitude of enigmatic wine concepts does little to make wine appealing or approachable. It would be far more relevant to lead with messaging around why wine is the ideal choice for the key occasions that dominate the modern Australian consumer lifestyle

Alternative packaging: Wine is too consistently held back by a dogmatic dedication to the



750ml glass bottle. This is appropriate for many occasions but not all and we need to broaden the appeal of wine through the pursuit of alternative, sustainable packaging alternatives

Lower alcohol options: Technological barriers have, to date, inhibited agricultural wine's ability to compete with manufactured beer, spirit and pre-mix's pursuit of zero alcohol offerings. However, lower in alcohol wine options are proliferating and proving popular with consumers, opening up opportunities for wine to better appeal to moderation occasions

Category blurring propositions: Too often we talk about wine as a product of the vineyard and the winery. While these elements are really important, we construct a liquid profile on these elements, attempt to explain it to consumers and expect them to adjust their occasions around what we've created. As a category, we need to be bolder in pursuits like Spritzers, Lo-Fi wines and other nonmainstream approaches that create products that are designed to fit into more occasions than wine does today. It is not that the entire wine category needs to move in this direction, but having some more consumer options in this space would broaden wine's appeal and provide a key gateway for consumers back into the more substantive traditional wine category.

### Conclusion

Consumers only have a finite amount of time for discretionary, sociable occasions in their lives. So when choosing products to pair with these occasions, relevance to those occasions and to modern macrotrends is the primary decision making factor. Any discretionary, consumable goods producer who recognises this and adjusts their offering accordingly has the best possible chance of being at the centre of consumers' most sociable occasions. Indeed, in recent years, many non-wine and even non-alcohol producers have recognised this and responded effectively which is increasingly putting pressure on the wine category and diminishing wine's relevancy in the eyes of the modern consumer. As a category, the wine industry must acknowledge this and rather than make wholesale change - consciously and deliberately re-frame the amazing offering we already have to ensure wine's ongoing long-term relevance and growth.

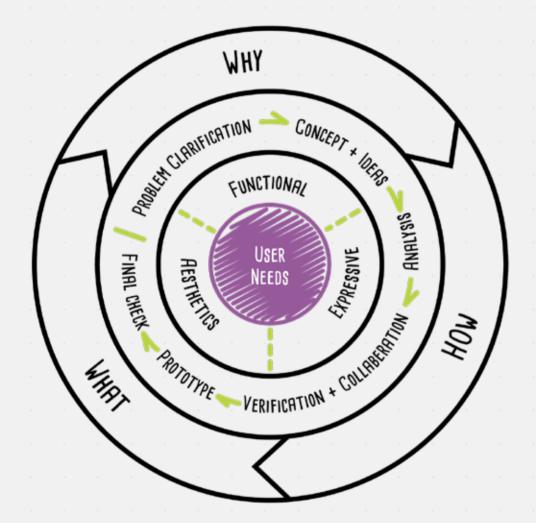




# PRODUCT DELIVERY THROUGH THE PROCESS OF DESIGN THINKING

Inside the drinking world of Mil Z

by Ray Chen





t is no secret the wine sector is grappling with a major challenge - attracting a new generation of drinkers. Recent tariffs, changes in global demand and supply and other factors have led to a surplus of wine, causing supply to outpace demand in the local market. While demand for ultra-premium brands remain stable, volume-driven brands are encountering obstacles of market saturation, limited brand distinctiveness, and consumer base. The rise of Millennial and Gen Z drinkers has introduced unique consumer needs and trends, heightening the market entry barrier for wine. Research consistently shows that millennials and Gen Z purchase wine below average levels. They perceive wine as sophisticated yet formal, finding it less accessible and enjoyable compared to beer and premixed drinks.

Other liquor categories are swiftly adapting towards these changes in needs. Ready-to-drink and premixed alcoholic beverages are experiencing a remarkable surge in popularity among this cohort, exemplified by the success of Suntory's 196 Double Lemon. These products are hailed as fashionable and innovative, offering an extensive array of flavours that deeply resonate with today's modern consumers. Their quest for new and thrilling taste experiences, coupled with a desire for ingredients, flavours and brands that align with their self-identities, personalities, and drinking occasions, has fuelled the appeal of these offerings.

On the other hand, the wine sector moves at a slower pace and encounters greater resistance stemming from a combination of compliance, regulatory challenges and sector traditions which are also crucial to maintain the reputation of Australian wines and the market access that comes with the reputation.

In our pursuit of engaging a new generation of wine drinkers, a crucial initial step involves breaking entry barriers. This fosters easier access to the category, prompting gradual movement towards premium experiences as these individuals begin their wine exploration. These insights form pivotal considerations in market research and strategies, emphasising the importance of recruitment. Yet, a vital question remains: How can we precisely customize products for this unique generation?

### Top-down vs bottom up

In many instances, when asked why a particular wine deserves appreciation, sommeliers and winemakers often speak ardently about the influence of terroir, specific grape varieties, vineyards, or regions, viticultural practices, winemaking philosophy etc. These aspects are undeniably crucial, however, as sector insiders, we may inadvertently overlook the fact that the factors we prioritize most might not necessarily align with the needs, motivations, and challenges faced by our consumers. When it comes to production, vintage and timing often takes precedence and rarely do we consider the channel of selling the wine until the wine itself has been crafted.

From a different perspective, when asked why other alcohols are chosen over wine when it comes to purchasing behaviours, the reasons behind become evident when we consider the feedback consistently expressed by Millennial and Gen Z drinkers based on Mintel insights:

- · The lack of relevance in drinking occasions
- Difficulty understanding labelling terminology
- · Challenges in navigating the category
- · Lack of clarity on flavours from packaging
- · Limited flexibility in serving size, and
- · Deemed as too sophisticated and less fun

So interestingly, the very priorities we hold dear often coincide with the entry barriers our target modern drinkers are currently grappling with. How can we bridge this gap effectively then?

Imagine shifting from a top-down product delivery approach to a ground-up mindset, where we look at the needs of our target audience first and foremost before anything else. And this shift forms the basis of the design thinking approach.

### Design thinking - a user-centric, problemsolving approach

The design thinking approach and its integration into new product development are not novel; they've been widely applied across industries. Initially rooted in design and marketing, this methodology is now adopted by tech companies, healthcare institutions, and more. This is also employed within my current workplace, serving as a method for shaping innovation strategy, substantiating concepts, and refining new product development through valuable insights.

At the core of this problem-solving methodology lies a profound focus on the consumers, making them the central figure in the creative process. By delving deep into consumers' insights, needs, motivations and obstacles, it encourages a departure from the conventional top-down approach, and businesses can harness the power of this methodology to ideate, prototype, and test solutions that truly resonate with the end users, to deliver meaningful value.

Numerous captivating case studies highlight how tech giants harness this process to seamlessly blend modern technologies (Airbnb, Uber Eats, Apple etc.). For a closer-to-home illustration, Pepsi Co. serves as an excellent case in point.

Design thinking debuted at Pepsi Co. in 2012 under CEO Indra Nooyi, addressing declining sales amid competition. This prioritized User-experience,

driving innovative products like interactive Pepsi Spire fountain machines and a women's snack line. The machine extended Pepsi's impact across the product-customer experience, inspiring intelligent vending machines.

So how does it actually work? The below model captures the whole process of the design thinking approach in a simplified, circled workflow.

### Why, How and What

- 1. Why: At the start of the workflow, the 'Why' component centres on defining the purpose and values driving a particular project or product. This phase focuses on addressing the specific needs, motivation, or challenges faced by the end user, identified through comprehensive market insights and research. These needs can be broadly categorized into three segments: functional, aesthetics and expressive. For instance, it could involve enhancing communication of flavour for a particular wine (functional); or to create a wine with captivating packaging that resonates better with modern consumers (aesthetics and expressive).
- 2. How: The 'How' component comprises several stages that together form the process or approach to achieve the final outcome. This can be further delineated as follows:
- a. Conceptualization and ideation based on the insights from the 'Why' component.
- b. Analysis stage, which involves identifying and conceptualizing the processes of individual elements (of a product). For instance, in developing a new wine brand, this may include logistics, packaging, viticulture, winemaking, finance, sourcing, supply, and marketing, among others.

- verification and collaboration stage, where cross-functional teams and elements are integrated and streamlined into a cohesive endto-end process.
- 3. What: The 'What' component represents the culmination of the approach in the 'outcome' stage. This stage involves validating and testing prototypes or mock-ups, collecting feedback, and fine-tuning the product if necessary. This may entail limited releases, testing in small market groups, or regional/state launches, ultimately culminating in the final product launch.

Together with the 'Why', 'How' and 'What' components, this approach forms a comprehensive workflow that strategically addresses the purpose, process, and outcome of a project or product, encompassing user needs, cross-functional collaboration, and iterative refinement.

With this mindset in focus, and looking back at the priority challenges identified by Millennial and Gen Z drinkers in their wine purchasing and consumption experiences, they reveal a fresh spectrum of opportunities for us to embrace and address.

### Design thinking beyond end product delivery

Beyond end product delivery, the design thinking approach has also found extensive applications across various business facets. Research reveals that adopting this process not only fosters organisational innovation by engaging diverse stakeholders and encouraging abductive reasoning, but also addresses the sector-wide need for sustainability initiatives, a significant yet challenging goal. Beyond focusing solely on end-products, the design thinking process intertwines with both product and process innovation in every sector of the wine sector, from AI integration

in vineyard management to recyclable targets for raw material manufacturers. Its versatility allows it to fit into any scenario, presenting boundless potential.

In the landscape of product innovation, the surge in popularity of low/no alcohol wines stands as a testament to the user-centric approach of novel solutions and technologies, to address the evolving preferences of consumers who seek moderation and 'better for you' options. It also highlights an ongoing, adaptive journey. Despite significant progress, notable opportunities persist in perfecting the liquid profiles of these wines. To bridge these gaps, ongoing endeavours explore the use of hybrid grape varieties, blending techniques, and tailored vineyard management practices to refine these products.

Another instance is the emergence of the Integrated Viticulture Data System (e.g., Scion by Earth SOL). These digital platforms aim to serve as an allencompassing data aggregation tool, facilitating the input of field observations, sensor data, external information, and the generation of seasonal reports, crop estimates, comparative analyses, etc. The significance of data collection, its integrity, and its effective utilization for informed decision-making for growers are undeniable, especially given the current lack of uniformity and widespread implementation within the sector. With the integration of modern technology and artificial intelligence, these platforms hold the potential to revolutionize resource allocation, labour efficiency, and data precision, ushering in a new era of advancement.

Although not always at the forefront of our minds in our daily work in vineyards and wineries, this thought piece aims to inspire greater conscious awareness of the design thinking process and its adaptability for overcoming diverse challenges that may lie ahead.



























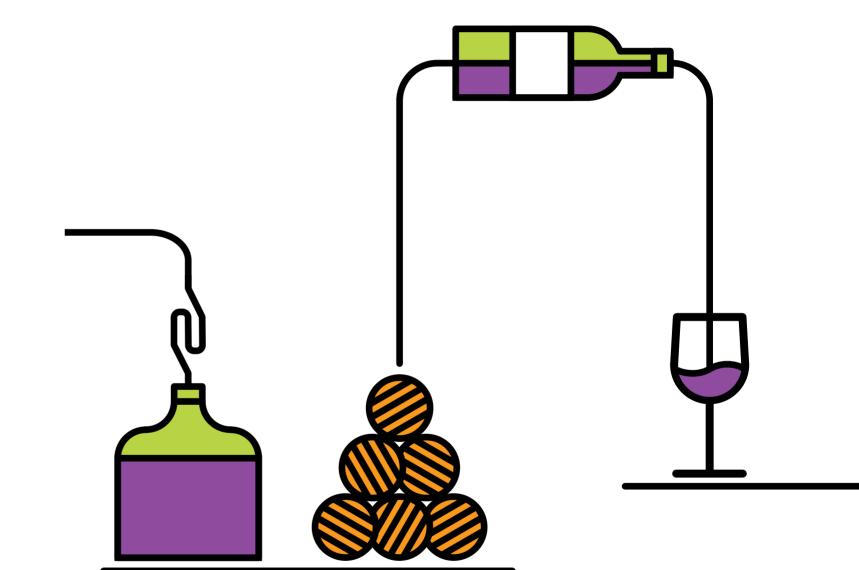








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