

Strategy and responsiveness key to growing SA wine industry in difficult times

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Professionals in viticulture, oenology and wine business marketing will need special management skills to survive tough economic times and claim a share of the global industry worth \$230 billion a year.

For wine business professionals in South Africa - the eighth biggest wine producer in the world - potential yields have never been as great, nor the pitfalls as plenty.

Researcher and Insight Analyst, Q.D. Truong, in the 2012 Global AgriVestment report, says that investors should be aware of two developing trends in the industry that may have drastic effects on the future of wine. The first is the emergence of China and India's new super economies and their developing tastes for wine. In China, consumption rose 65% between 2005 and 2008, and quadrupled between 1990 and today.

"The potential for growth in the wine industry is huge. China and India are expanding and adjusting their consumption patterns, and this means fledglings in the wine industry have the potential to change the global wine trade entirely," says Christ du Toit, CEO of Graham Beck Enterprises.

But, Truong cautions that these opportunities will be tempered by the second trend: the potential for global climate change to affect both the quality and viability of existing vineyards tremendously sensitive to conditions of temperature and humidity, growing in a very narrow 'goldilocks zone', between 30 and 50 degrees of latitude. March 2006 saw the first ever conference on Wine and Global Warming in Spain, where vintners from across the world met to voice their concerns about the future of their craft in the face of global warming.

Leading the way with ethical trade

South African producers are also likely to feel the heat of global warming. And, according to industry data are additionally at risk from rising energy prices and over regulation. The South African Wine Industry Insights Survey of 2012 says that the heavily regulated environment in which wine businesses operate in South Africa continues to challenge managers to keep up with changing regulations. The new Companies Act (No 71 of 2008) came into effect in May 2011, requiring companies to align their memorandums of incorporation (MOI) with the new requirements.

The upside of regulation is that South Africa is leading the way in promoting ethical trade in the wine industry. The establishment of the Wine and Agricultural Industry Ethical Trade Association (WIETA) 10 years ago, enables local wine producers to assess their compliance, through technical assessments and audits, with WIETA's code of good conduct, based on the International Labour Conventions Ethical Trading Initiative. Fully compliant producers are entitled to carry the certified WIETA ethical seal on their wines. With consumers taking a closer look at the origins of their wines, this will in the long run benefit South African producers.

Global outlook

Du Toit says that all of this means that South African wine businesses are in a good position to take advantage of global conditions for growth in the medium to long term - but that they need to hone their strategies and be responsive to change.

Viticulturist, Richard Rose, general manager of Elgin Vintners says professionals in the wine business need to continuously keep abreast of developments in the industry. "There is continuous change and evolution in an industry that involves lengthy and expensive processes from soil to shelf. It is critical that wine business managers understand each and every process

and are able to deal effectively with the many stakeholders involved in a brand."

And given the recent spate of labour unrest, cellars will need to focus more on strategic human resource activities like creating promising career paths and offering market-related remuneration in order to retain staff. This will require attention to succession planning at an operational/technical level and performance management systems, including incentives for high performers.

The democratisation of wine

Rose says there are further opportunities for the South African wine industry to grow local consumption by increasing consumer wine knowledge. "Wine should not be seen as an elitist pursuit but one that can be enjoyed by all South Africans. Consumer education is key to getting rid of wine's stuffy label and introducing developing markets to fresh, new age brands," he says.

Although cost reduction in South African cellars served its purpose by increasing profitability during the economic downturn, and should of course continue to be monitored, in the medium and long term this is not the way to grow a wine business.

"Focusing on the development of both new and existing markets is key to growing local wine business in the foreseeable future," says Linda Buckley, Executive Education Director at UCT's Graduate School of Business (GSB), one of the few institutions in South Africa to offer a management programme for wine business managers.

"To take advantage of the opportunities, and avoid the pitfalls, it is important to strategically integrate all of the interfacing elements between wine, people, business and marketing management as these relate to the 'real-world' wine industry of today and build key operational and strategic plans for the issues challenging wine business managers," she says.

"One thing is certain though; the future of wine in South Africa will no doubt prove as riveting a story as its extraordinary past."

The Wine Business Management Diploma is a modular programme and runs from 27 July to 8 September 2013. For more information please contact Celeste Wilson at celeste.wilson@gsb.uct.ac.za, on 021 406 1238 or visit www.gsb.uct.ac.za.

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