Winning Strategies in the Wine Industry – Benchmarking for Success

A joint project of the Winemakers' Federation of Australia and Deloitte Touche Tohmatsu

The fourth annual benchmarking study of Australian Winemakers conducted by Deloitte Touche Tohmatsu in conjunction with the Winemakers Federation of Australia, examines the financial performance of wineries located across Australia. The survey provides a valuable insight into the relative performance of different sized wineries across the Australian wine industry.

Profitability

The 2002 survey has shown that small and medium sized wineries ($0-$1m, $1m-$5m and $5-$10m of revenue) in Australia are suffering from low profitability, demonstrating the difficulty of starting up and participating in a very competitive Australian wine market.

With profit levels for small and medium-sized wineries decreasing compared to last year's survey, competition within the industry continues to challenge Australian wineries at the smaller end of the market.

In contrast, wineries in the $10 - $20m revenue category are performing very well, with earnings before tax and interest (EBIT) approaching 25%, a strong increase on last year's performance.

Wineries with sales in excess of $20m have reported a decline in profitability against last year's survey. This is significant, as it is a sign of a tougher market for wineries that must compete both internationally and domestically against the big wine conglomerates.

Listed wineries showed a much lower return than in previous years. This was most likely due to significant write-downs of vine assets, bulk wine and other inventories

Other key findings from this year's survey include:

- Grape / wine cost varied significantly based on the size of the winery, as did labour, packaging and advertising costs.
- Survey respondents in the $0-1m, $1-5m and $5-10m categories export around 15 percent of their wine in comparison to around 40 percent by the larger wineries. This implies that if wineries are to expand then they will need to consider expanding exports.
- For those wineries that did provide data on water usage the range of water used was significant.
  - Water used in the vineyard ranged from 48 KL per tonne of grapes for large wineries to 442 KL for small wineries
  - Water used per hectare ranged from 431 KL per hectare to 5,492KL per hectare
- Website / online channels represent a small sales channel for the larger wineries, but small wineries are generating 6 per cent of sales through this channel.
- Red wine makes up the majority of inventory for all wineries, particularly wineries in the $10 – $20m range where red wine made up 77% of inventory.

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