prominent and containing several dozen SKUs), followed the clear signposting (mainly variety-led) and ended up very pleased with our Clare Valley Pinot Gris (AUS$18.99) and Western Australian Semillon/Sauvignon Blanc (AUS$14.99).

I had similar experiences at BWS (another Woolworths unit) and Vintage Cellars (an upmarket chain, part of the rival Coles supermarket empire). The positive feeling about wine retailing has been echoed among almost all the consumers we have interviewed over the past six weeks as part of our update to Portraits Australia, the Wine Intelligence consumer segmentation project.

As Wine Intelligence's Australia country manager Stephanie Duboudin says: "Australian consumers feel an enormous amount of love for their wine shop – the Dan Murphy's brand especially – and talk about it as an enjoyable part of their leisure experience."

So loved is the Dan Murphy's brand that respondents in a research group conducted in Melbourne in December 2010 called it "Uncle Dan's".

This may be to do with the fact that it is law in all states, bar Victoria, that these stores be standalone entities, rather than simply aisles within the main supermarket, and offer the retailer and customer the opportunity to build a relationship across the counter. However, there may be more pragmatic reasons, such as the fact that all white wines are stocked in big chiller cabinets, ready to drink, prices and varieties are clearly signposted, and while promotions are clearly present, the store doesn't orient itself around them. And then there's the intelligently designed and sensibly scheduled Saturday tastings, that are a popular social fixture in many stores.

The astute positioning of wine in the Australian market extends to the on premise. From lowly beach-side cafés through to chic restaurants, the by-the-glass offer is consistently superior to that of a typical UK establishment.

For a start you can guarantee it goes beyond the house wine and most of the time the selection has been carefully thought through. There is a slight oddity in that the serve size doesn't seem to be consistent. Typically your glass is about 150ml-175ml. What seems to be more consistent is the price, with a by-the-glass range typically running from AUS$5-AUS$10, which starts to look cheap when the main courses in the local bistro cost AUS$25.

> "Australian consumers feel an enormous amount of love for their wine shop

Domestic boost

For Australia's wine producers, this domestic boost couldn't come at a better time. The country's wine industry is fighting a desperate price war in several key export markets. For many producers, the domestic market is now a high priority.

Unfortunately for Australian producers, the recent acceleration in domestic consumption growth has so far mainly benefited producers in New Zealand. While conscious of being seen to be buying domestic, many Australian consumers make an exception for Kiwi products – it's seen as an acceptable import, with one respondent in a recent Portraits Australia focus group going as far as to say, jokingly: "New Zealand's basically part of Australia, isn't it, a bit like Tasmania?" ■

THE STATE OF A WINE-PRODUCING NATION: 2010 AND BEYOND

Although Australia has managed to avoid recession while most other western countries have been gripped by the global financial crisis, it has been a tough time for growers, wine producers and retailers; very low per-bottle prices are rife, along with an increase in the volume and density of discounts available.

Wine consumers not wine producers were the big winners in 2010 in Australia, and look set to be in 2011, as they experience tremendous value in pricing from both domestic and imported wines. Imports have also been more accessible; New Zealand's wine glut saw a flood of Kiwi Sauvignon Blanc come on to the market at ridiculous prices. Australian consumers embraced this wine style so much that it now occupies the same prominent shelf space as the dominant domestic wines.

Retail in Australia continues to be dominated by the chains led by Dan Murphy's, Coles and Woolworths. Low prices and discounting have given great choice for the consumers and led to an 8% drop in consumers who purchase wine from independent wine retailers.

Wine producers' profitability continues to be squeezed by the dominance of the chains, and to add insult to injury, one of the looming concerns for producers is the growth of private labels and buyers' own brands which are now becoming a significant player in the market.

There could, however, be changes ahead on the retail scene as Aldi continues to expand its alcohol offering and store numbers.

One to definitely keep an eye on is Costco, which opened its first Australian store in Melbourne in 2010 with major expansion plans under way for key states. Costco has a significant presence in the wine market in the US and one would imagine it would like to replicate that in Australia.

The prospects for the industry are brightening, the economy is strong, unemployment is falling and there are fewer wine producers with less wine produced than there were 12 months ago. But, states the Wine Restructuring Action Agenda, consisting of the national wine industry organisations, in a statement released in December 2010: "There are signs of adjustment in vineyard areas and wine stocks but these are by no means sufficient to suggest the 'oversupply problem' has passed".

It was stated by the WRAA back in November 2009 that "20% of bearing vines were surplus to requirements". And while water supply and allocations debates have dominated 2010, the recent high rains and rapidly filling reservoirs have led to short-term relief, but perhaps added further long-term complexity to the delicate state level negotiations.

China and Asia will continue to be key focus markets for Australian producers, as Australia positions itself to take advantage of the growth opportunities.

■ **By Lulie Halstead, chief executive of Wine Intelligence, and Stephanie Duboudin, country manager for Australia for Wine Intelligence**