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HD Treasury's premium clear out of Penfolds Grange
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Veteran liquor retailers are being offered steep discounts on Penfolds Grange for the first time in 35 years in what they say is a move by Treasury **Wine** Estates to clear out excess stock of Australia's iconic premium **wine**.

The Australian Financial Review spoke to numerous retailers across the country who confirmed they had been offered discounts of between 10 per cent and 30 per cent in the past few weeks to help move excess stock of the winemaker's 2009 Penfolds Grange.

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"It's a cash discount," said one of the country's largest independent retailers, who asked to remain anonymous.

Asked if the retailer, who has been in the industry for 35 years, has ever been given a discount on Penfolds' flagship Grange product he said: "Never".

Treasury **Wine** Estates managing director Mike Clarke strongly rejected that the winemaker was not offering cash discounts for its 2009 Grange. But he said the winemaker had increased marketing and advertising support to retailers.

"I can assure you there has been no discounting of Grange at all," Mr Clarke told The Australian Financial Review.

"We have provided additional marketing support to help sell through the May release of our Penfolds icon and luxury wines. This is not pricing support and allegations of Treasury offering 10 per cent and 20 per cent discount on the 2009 Grange are utterly false."

The increased marketing spending is to help retailers adjust to a decision by Treasury to bring forward by seven months the release of its 2010 Grange, which is viewed by critics as better than its 2009 stablemate. Rather than release Grange and its Penfolds Bin range in May next year, Treasury released the wines on October 16, allowing the **company** to better smooth out earnings and attract consumers during the festive season and **Chinese** New Year in February.

But it meant retailers had to adjust to two releases of Grange in the one year. Penfolds is crucial to Treasury's performance, accounting for 70 per cent of profits. Advertising and marketing incentives typically cover adverts and in-store displays and merchandise. Documents obtained by this newspaper show a senior Treasury **Wine** Estates executive has offered one retailer a 30 per cent "rebate" in the past fortnight for bottles of 2009 Grange.

The retailer was charged \$580 a bottle. But after paying for the bottle, the retailer receives a 30 per cent "rebate", which he said was a cash deposit in to his bank account that meant the average wholesale price he was paying for 2009 Grange was now \$406 a bottle.

Including GST, the cost price for Grange is typically \$638 a bottle. Penfolds recommends the **wine** to retail for \$785 a bottle. Woolworths' Dan Murphy's is selling Grange for \$679 a bottle. But some retailers said the **wine** had been **sold** for as low as \$500 a bottle in recent weeks.

One retailer, offered a similar deal, said the **company** structured the discount as a "rebate" in order to keep invoiced prices for Grange consistent around the country. "The discount will never appear on the invoice," the retailer said. "They protect the invoice price because if I get taken over by Woolworths, Woolworths looks at my accounts and goes back to Treasury and wants a 30 per cent discount for everything they have bought. So I send them a bill. It's a convoluted way of hiding a discount." The Financial Review spoke to retailers in Sydney, Melbourne, Perth and Adelaide. "In the last 25 years that I have been doing this is the first time they have offered money on Grange," one retailer said. The retailer said he was being offered "bonus stock" and money for marketing and promotion. "They can call it whatever they like. I call it a discount." Mr Clarke said most of the 2009 Grange and Bin wines released in May had been **sold**. But he said the winemaker was no longer trying to sell its entire production in the one year, instead holding on to stock that it could sell more profitably in future years. "We are not trying to sell everything in one year; even the current release," Mr Clarke said. "That's the big change. Historically we sell everything." "They are clever with how they do it," the retailer said. Despite Penfolds offering its biggest promotion in history in July - discounted **wine** fridges for consumers that bought any six bottles of Penfolds Bin series or luxury wines – retailers say excess stock remains. More than 12,000 fridges were **sold**. He said the winemaker had additional supplies of its luxury wines from 2008, 2009 and 2010. "I'm happy to carry that and release it at a later date."

CO trzwn : Treasury Wine Estates Ltd

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