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HD **Penfolds aims for top of the liquor cabinet**
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Luxury Treasury undergoing shake-up to realign brands.

Louis Vuitton, Christian Dior, Gucci, Prada, Cartier, Moët & Chandon, Penfolds. Is there an odd one out?

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The venerable Penfolds, which has a history stretching back to 1844, is preparing to make a concerted push to elevate itself to join the ranks of the world's luxury goods brands. It is vying for the same increased status as Australian boot maker R.M. Williams, which itself has grand plans to become a global heavyweight now that a private **equity firm** backed by luxury goods giant LVMH Moët Hennessy Louis Vuitton holds a 49.9 per cent **stake**.

One part of Penfolds is already in this rarefied air: the \$785-per-bottle Penfolds Grange, which has earned its spot as a luxury item around the world and is Australia's most famous **wine**. But those wanting a cheap and cheerful bottle of red to go with their chops and steak on the barbecue only have to pay around \$12.80 for a Penfolds Koonunga Hill shiraz.

The gulf between the top and bottom of the Penfolds range is one of the great conundrums for the **brand**, which makes up 75 per cent of the total profits generated by Treasury **Wine** Estates.

Treasury's new chief executive Mike Clarke is trying to overhaul the **company** to act more like the custodian of fine **wine** brands and less like a grocery **business** stuffing its product onto shelves in a rush towards the end of each financial year to make sure it meets its profit targets. Mike Clarke, CEO Treasury Wines Photo: Arsineh Houspian

Clarke, a British food executive who joined Treasury on March 31, is implementing the biggest shake-up at Penfolds in 20 years. He's shifting the release date of high-end Penfolds wines each year to mid-October, away from the usual March and May. The obsession with Penfolds Grange among fine **wine** buffs reaches fever pitch each year on May 1 when the latest drop is released, so it requires a substantial shift in consumer behaviour.

A plus for Treasury is the 2010 Penfolds Grange, which will come out of the blocks in October, eight months before its previously slated release date, is from a harvest that produced high-quality wines. Top scores from those in the know

Peter Gago, who has been Penfolds chief winemaker for the past 12 years and has been with Penfolds for 25 years, is absolutely convinced of the merits of the 2010. His 2008 Penfolds Grange received 100 points out of 100 from esteemed US **wine** publication the **Wine** Spectator, and a similar perfect score from noted US **wine** critic Robert Parker.

Mr Gago already struts the international stage conducting **wine** tastings and master classes with the elite, and only last week was in Monaco holding court at a gathering of hedge funds and investment firms eager to taste the top-tier Penfolds wines. "Grange has cachet. It has crowd appeal. It's real currency," he said.

He has a vested interest, but Mr Gago said the shift to later in the calendar year has been championed by the winemaking staff for years but had been resisted by corporate executives until Mr Clarke came along. "This has been something the winemakers at Penfolds have been pushing for since I've been here," he said.

Luxury goods sales generally are growing at a quicker rate than other retail staples around the world. A report last year by consulting **firm** Bain & Co estimated that luxury goods would grow 50 per cent faster than world GDP and break through the €250 **billion** (\$361 **billion**) mark by 2015. This is being driven by higher consumption by increasingly mobile tourists, the rise of the middle class in emerging countries like **China** and India and growth in a strand of society that Bain & Co termed "HENRYs" – High Earnings, Not Rich Yet – who like to splash their cash around.

So how will Penfolds fare as it pushes to move up the ranks? Mr Clarke is undertaking a structural separation inside Treasury where the luxury brands such as Penfolds will be overseen by a separate unit away from more commercial brands such as Rosemount and Lindemans.

Professor Mark Ritson, a retailing expert from the Melbourne **Business** School said the definition of what is a luxury item keeps changing and there is no hard and fast rule. "In Australia 40 years ago having a colour television was deemed to be a luxury good," he said.

He believes Mr Clarke is heading in the right direction with his plans, but there are question marks about having the **brand** selling at relatively low prices for some labels, right up to the top-tier Grange. "The question you should ask is whether the **brand** architecture can take it?" Professor Ritson said.

He compares that approach to the Volkswagen **Group** in the automotive **group** which has different brands for different price points. It owns Audi at the upper end, Volkswagen at the mid-tier and Skoda as a cheaper **brand**.

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