

SE **Business**

HD **Brown's Woolies deal offers boost**

BY Eli Greenblat, **Wine**

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THE 125-year-old family owned winemaker Brown Brothers believes supplying the supermarket giants with exclusive labels could emerge as an exciting new growth platform for the sector as some shoppers drift away from private label wines to brands they recognise and trust.

The latest financial documents lodged with the regulator show Brown Brothers, one of Australia's biggest family owned **wine** groups, recorded a full-year net profit of \$5.04 **million** for fiscal 2014, up sharply from the \$2.1m profit recorded last year. Revenue was flat at \$84.4m. The profit jump was given a boost from a reduction in costs.

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Brown Brothers chief executive Roland Wahlquist told The Australian the **company** had begun supplying an exclusive product to Woolworths, a two-litre Moscato cask in the shape of a handbag, which had proved very popular, and the winemaker was keen to also forge exclusive deals with rival Coles.

Mr Wahlquist said there was demand from supermarkets for exclusive products from winemakers such as Brown Brothers as they sought a middle ground between the proliferation of private label, or supermarket-owned brands, and independent labels.

"They are moving away a little bit from pure private label, buyers' own label, to exclusive brands, exclusive labels, and I think that's an improvement where they (supermarkets) trust the **brand** and management of the **brand** to a winery, but it's just **sold** through a single channel," Mr Wahlquist said. "And it's a way of actually meeting the needs of retailers because they want products that are exclusive to them so they have a unique offer to their consumers, and then don't have to compete head to head on price with the other chains." The trend comes as Woolworths and Coles have invested **millions** of dollars in creating in-house **wine** brands, which have seized shelf space from outside wines. The proliferation of private label wines owned by the supermarkets has proved a headache for the sector.

In 2012, Ross Brown, a former boss of Brown Brothers and currently its executive director, criticised retailers for flooding stores with private label wines, which he said were "hollow", "copycats" and "masquerading as real brands".

But a middle ground could be forming where supermarkets are forging deals with winemakers to supply them with exclusive product such as Brown Brothers' Moscato handbag cask. Treasury **Wine** Estates, owners of Penfolds, Wolf Blass and Lindeman's, recently launched an exclusive label for Woolworths under its Pepperjack **brand**.

"They (supermarkets) like to have an exclusive range of product and we are tempting to meet their needs with that," Mr Wahlquist said.

Turning to the rest of the **business**, Mr Wahlquist said the strong Australian dollar had constricted export sales while an oversupply of **wine** locally had produced difficult trading conditions at home.

He said Brown Brothers was still generating growth in **China** despite the austerity drive, which had hurt many **wine** brands and other luxury products. "**China** is actually doing quite well for us. We have growth

there, off a relatively low base, because in **China** we have really focused on wines people drink rather than the 'trophy' end of the market and so the austerity program in **China** hasn't really affected us."

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