

WOSA Plans to Increase Volume of Wine to Russia



STELLENBOSCH, South Africa, August 18, 2014 (Business Africa) -- Russia's market has become one of the newest destinations for different brands of wine from many exporting countries across the world including South Africa. As it's popularly known, Wines of South Africa (WOSA) is a not-for-profit industry organisation which promotes the exports of all South African wine in key international markets. It (WOSA) has the mandate to promote the value growth for the South African wine industry abroad. In this interview,

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Representative in the Russian Federation, Vladimir Gorodkov, discusses with Kester Kenn Klomegah from Business Africa Media Group

about Russia's market competitiveness, profitability and challenges as well as the emerging perspectives of the wine industry.

Read below interview excerpts:

Q:In the first place, how would you describe specifically the wines market in Russia and why it has become necessary to export South Africa wines there?

A:Wine market in Russia is one of the biggest in the world. Between one quarter and one third of Russians are wine consumers. This amounts to more than 40 million consumers. And while most of the wine currently sold in the country is in the lower price segments, Russia is a major market for the French champagne with more than a million bottles purchased annually. As Russia's middle class expands, a larger market for quality wines can be expected to emerge. Tastes and social attitudes will change as better quality becomes available, even though the transformation might take a considerable time.

At the same time, Russian market presents a lot of problems. The cost of doing business on the market is high, red tape and import procedures are very complex. The rules and regulations on the market are constantly changing, a lot of legislation is in grey areas, and that presents a serious problem to both foreign exporters and importers.

South Africa is actively diversifying its wine export. The share of the main export destination - the United Kingdom - has been reduced from over 60% to about 30% over the past 10-15 years. The share of Russia has grown substantially, but unfortunately remains very unstable from one year to another.

Russia is also a part of BRICS. Ties between Russia and South Africa are strengthening. If any preferential trade agreements are negotiated within the bloc South African wine might enjoy advantages on the market. Taking into account the unspoilt image which SA wine enjoys among the industry professionals in Russia, this might provide an opportunity for the substantial growth of sales.

Q:As we can see, the wine market has grown so large that South Africa companies exporting wines must be facing keen competition. Is competition and gaining market share getting harder for South Africa brands?

A:As a matter of fact, it is becoming easier now. We have started active promotions in Russia in 2010 and we have started reaping the rewards. We see that every year more Russian consumers do realize that South African wines present extraordinary value for money on all quality levels.

The competition from the old world countries remains strong, of course. European countries such as France, Italy and Spain still have strong intrinsic value with Russian consumers associated with cultural traditions and heritage. It is well supported by fast developing tourism to European countries by Russians. It is expected, however, that following the trends in Europe, and especially – northern Europe, Russians will be looking into buying more wines from the new world in the years to come.

New world competitors, such as Chile, Argentina and so forth that came to the Russian market earlier than us, also fight aggressively for their market share. Wines of the new world do appeal to Russian consumers because of the rich fruity character, accessibility and (often) higher alcohol levels.

It is also worth noting that our major competitors enjoy very strong government support of their respective countries and are able to allocate much bigger budgets to promoting their products in Russia. We have to be very careful and smart in addressing all the challenges on the market with relatively modest funds available.

Q:What strategies you have adopted to promote various South African brands that are equally visible in supermarkets and shops in the Russian Federation?

A:Due to the restricted funds, our actions on the Russian market are fairly limited. We focus on providing and distributing information about the South African wine industry and its wine in Russia. This includes the website, regularly updated and fully translated into Russian; bi-monthly newsletter and supply of information to Russian wine journalists and experts. Since the middle of last year we have started our activity in social networks in Russia. There is still a long way to go, but we receive frequent positive comments on the quality and quantity of information we provide.

We also organise several events in Russia. The major one is the Festival of South African Wines in Moscow. This year, we ran the 5th festival and it was held in the renowned Metropol Hotel in the very heart of Moscow. The festival is growing bigger and more interesting every year. Since last year we have started spreading our activities to other cities. For example, The Day of SA Wines & Braai in St. Petersburg, The presentation of SA Wines in Yekaterinburg. We have been participating in Prodexpo Exhibition since 2006, and our pavilion at the show is becoming bigger each year.

Since our mandate is to promote the South African wine as a category, we run generic promotional events. Our main goal is to increase awareness about and raise the image of wines "Made in South Africa." That's why the BTL promotions in supermarkets and shops are normally conducted by Russian importers of specific SA brands.

Q:Do you enjoy some export incentives from the South Africa side and do you also have some import preferential from the Russian side? In your view, what other requirements are unfavorable in this business?

A:Most of our activities are done in close cooperation with the Embassy of South Africa in Moscow and the Department of Trade and Industry. Over the years, we developed good understanding that we can achieve much better results by concerting our efforts and resources. The Department of Trade and Industry runs a number of events, which include wine among other products, focusing mostly on assistance to previously disadvantaged entities.

As I mentioned earlier, our budget is considerably smaller than our competitors. Of course, we understand the existing limitations and are grateful for what we have. This forces us to be more creative and agile. There are no preferential treatment to South African wines in Russia. Any trade agreement within the BRICS framework would definitely benefit our industry.

Q:What challenges still remain in this business and what are your vision or future plans for South Africa wines?

A:Being a form of art, wine is subject to winds of fashion. To create a fashion requires a lot of money. Unless it happens by chance when the conditions are right. We don't have enough money, so we are working hard to make sure that all the requisites, such as our wine quality, value for money offering, environmental practices, social responsibility, integrity of production, image and motives are right, and then we are hoping for the best.

Talking specifically about Russia, our major challenge is that most of our wine imported into the country is in bulk. It is not even bottled as South African wines but goes into production of the popular in Russia sparkling wines. So, it does not do much for strengthening the Brand South Africa. This export is also very volatile. Thus, our goal is to increase the volumes of bottled wines exported to Russia, which gives us the possibility to add value and to guarantee the quality. As I mentioned before, we are very happy to see that the volume of our bottled wine import into Russia is growing at a healthy rate. **(Source: Business Africa)**