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Hotel F&B Executive

NOVEMBER/
DECEMBER 2005

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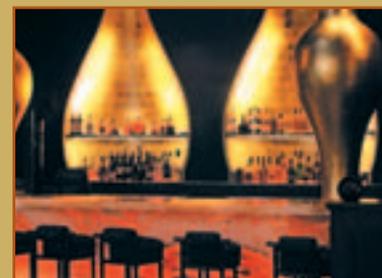
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(L-R) Wynn's Steve Weitman, Grant MacPherson, and Elizabeth Blau



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The World of Wine

BY FRED TIBBITTS

Color Us Yellow

Australia barrels ahead.

Yellow, you say? Why Yellow? For starters, Australia exports a wine brand called Yellow Tail to the United

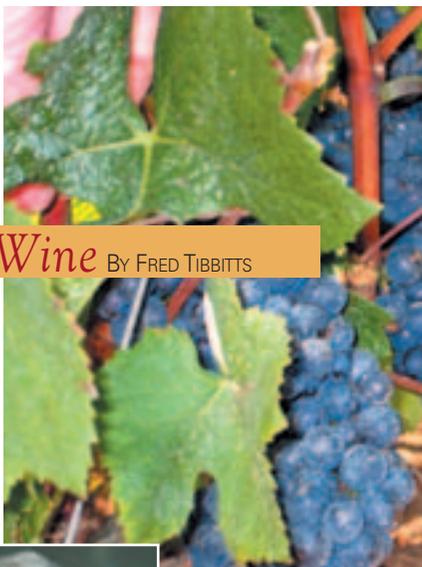
States at a tremendous rate—6.5 million cases in 2004, more than the combined volume of the next two Australian wine brands. In doing so, it controls 6 of the top 10 imported SKUs.

Just look at some of the infinite variety of Australian wines imported into the United States: Jacob's Creek, Wyndham Estate, Lindemans, Penfolds, Rosemount Estate, Hardys, Banrock Station, Alice White, Kelly's Promise, Black Swan, Wolf Blass, Black Opal, Reynold's, Evans & Tate, Turkey Flat, Yalumba, Oxford Landing, McWilliams, and all those fun labels like Little Penguin, Little Boomey, Sally's Paddock, Red Knot, White Knot, Koala Blue, Down Under, Boonaroo, Norman's, Innocent Bystander, Punter's Corner, Zonté's Footstep, Kangaroo Ridge, Thirsty Lizard, Mad Fish, Four Emus, Ghost Gum; Fair Dinkum, Dinky Do, Devil's Marbles and Blue Tongue. Soon, every restaurant and wine store in America will be flying the red, white, blue, and yellow.

Australia is hot, hot, hot. Italy may still export slightly more wine to the United States than Australia, but it won't be long before they are passed by Australia. Yellow Tail Shiraz is the number-one imported red wine in the United States. Yellow Tail Merlot replaced Blackstone Merlot as the top-selling Merlot, and Yellow Tail Chardonnay is now number two, outsold only by Kendall Jackson.

Australian wines are the top sellers in the United Kingdom, and with Australia about to surpass Italy for the number one spot in the United States, Australia has achieved what France and Italy would have found laughable 10 years ago. It all began in 1996 at the annual Wine Australia Conference at Sydney when Australia announced their "Vision 2025." Simply stated, it put the wine world on notice that by 2025 it intended to dominate the premium wine business.

At the time, although the Australians (and no doubt the New Zealanders) believed it would be done, the press release describing Vision 2025 was considered little more than fiction by the Old World wine-producing countries (France, Italy, Spain, Portugal, Germany) and very overly optimistic by the other New World wine-producing countries (Chile, Argentina and the rest of Latin



Fred Tibbitts, the Globetrotting Wine Guy

America, South Africa, the United States, and Canada). Guess what? In terms of plantings and by several other measures, Australia is ahead of schedule. Just why Australia has been so successful cannot be attributed to any single factor. But the fact that Australia has been able to create four million plus

case brands, a feat the French have yet to achieve after several hundred years, says it all. Revenue from these sales supplies brand owners with the resources to develop more sophisticated business plans, marketing strategies, global advertising campaigns, and to recruit the best and brightest talent to execute them.

It's ironic that a New World producer like Australia, whose citizens are for the most part descendents of criminals deported from England, would so convincingly bring the French to their knees. But it has happened.

FALL OF THE FRENCH

The French ignored the advances of New World exporters for as long as possible. Then, they admitted the successes but insisted they would prevail; then, they admitted they needed to assess what measures must be taken to meet the challenge; then, after repeating this message for about three years, they started to implement long overdue reforms; then, they argued among themselves as the vineyard workers rioted in the South, attacking wineries they thought were quietly hedging their bets by investing in New World vineyards; then, the government and industry created a Brand France advertising campaign, which promised wondrous developments. Finally, in the third quarter of 2004, they launched the campaign. And guess what one of the French government's strategic initiatives is to deplete hundreds of thousands of liters of bulk wine sitting in tanks and barrels across the countryside? They plan to convert it for use as an inexpensive gasoline alternative.

WHERE WILL IT END?

What does the future hold? Unless Australia sinks into the seas surrounding it, I predict Australia will dominate the global premium wine business by 2015, 10 years ahead of plan.

What about the other New World countries enjoying double-digit annual growth, in part, at the expense of their Old World competitors? No problem. Now that the world is one marketplace with globalization and the global wine market expanding rapidly, there's plenty of business to go around. They say if every adult in China drank just one glass of wine a day, at present production levels, the world's wine producing and exporting countries (including China) could not satisfy the demand.

We all know this is far from likely, right? Remember Vision 2025? Don't be too quick to dismiss any potential

development in terms of future global wine demand. In fact, the Chinese are now consuming more and better wine and they want to experience the best the world has to offer. The exponentially expanding Chinese middle and upper sectors are forcing the large Chinese wine producers to upgrade the quality of their wines, and the Chinese with disposable incomes are buying New World and Old World wines as never before.

By 2010, the top tourist destination in the world will be China. And, by 2010, the greatest number of tourists will be Chinese. Just as Americans began traveling around the world, experiencing wines they had never had, and when they returned home went straight to their favorite retailer to buy them, that's what the Chinese will do. And the importer-distributor infrastructure in China is already in place with three mega importers dividing up the world's top brands and hundreds of medium-to-small domestic Chinese wine distributors supplying the average consumer unable to afford higher-priced imports.

What do I therefore predict as to the future of Australian wines? What about Australia claiming the first 100 million case brand by 2025? Fiction, you say? Remember the skepticism of the Old World producers in 1996 to Vision 2025? I've got a dollar that says I'm right. G'day, mates. 🍷

Fred Tibbitts & Associates Inc., is the foremost global wine-by-the-glass consultant, working with on-premise chains around the world. fredbev@fredtibbitts.com

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