



Sula Wines, CEO, Rajeev Samant, is not one to reflect on the past but to build on it. The trends that 2011 illuminated and the harvest that beckons in only a few months will only ensure he's too busy making the most of 2012.

*Interviewed by Bisham Mansukhani*

*Images courtesy: Sula Wines*

To the future

**How would you reflect on 2011?**

The last year was defined by two key points. Firstly, our market share has gone up further still, now pegged at 70%, which is indicative of the fact that despite being the largest wine producer, we've built on that position of strength rather than rested on it. While we did launch our premium red Rasa in 2011, the year was one of consolidation for us with sales of our mid-level and premium brands picking up even as our level ranges sold massively. There were challenges in the vineyard, where due to unseasonal rain in 2010 and early 2011, the crop was modest. Speaking of the



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industry at large, there wasn't a gush of new producers joining the field, which was the case through 2009, so the market was in a way moderated. This has allowed some of the existing producers to achieve critical mass and even witness enough growth to be encouraged to ramp-up operations, which is a healthy sign for the market as

a whole. The year 2011 will also be looked back on as a year when Indians didn't just drink more wine but have come to expect better quality, which is reflective in the resurgence of the premium wine segment.

**What is the focus for 2012?**

Continuing from the point at the end of the previous question, 2012

is a year to return to focusing on the premium wine segment. When Sula launched headlong into the entry level wine market in the price range of Rs 200 onwards, the domestic wine market was in serious decline due to the world economic crisis and price sensitivity was eroding sales in a big way. Hence, this strategy was imperative. Today, the view is different, illustrated best by our predicament of actually having run out of wine, especially our Sauvignon Blanc. So, we've already fundamentally restructured our portfolio of brands in terms of fruit

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allocation. All the fruit from the 700 hectares of which we own 100, will be used for our mid and premium segment wines for vintage 2012. The Riesling has been a stand-out success in the last three years for Sula and given that ours might be the only Riesling on the market for a few more years, we want to build on this by upping quality and availability. While it’s highly unlikely that we will launch any new wines this year, we might take a call on this halfway through the year, depending on how the market develops at that point. More than anything, I’m just excited about the 2012 vintage, as there was no unseasonal rain in the crucial month of November, the quality of the berries is excellent and we expect to pick close to 7,000 tonnes of grapes during harvest, which is 30% more than last year. Above all, the quality of the 2012 vintage could set the tone for better times for the industry.

**Where do you reckon, is the Indian wine industry poised at this point?**

The industry has weathered at least three ordinary years and continues to soldier on. The

emphasis on wine quality is higher and I’m encouraged by the fact that the other producers have finally taken the lead in introducing more international varietals such as Sangiovese and Tempranillo. As recently as five years ago, Sula had the de facto incumbence to add to the Indian varietal range, so the change is welcome. That said, let me elaborate on a trend we have cited despite Sula’s return to a premium focus. The demand for our entry-level wines remains high, so obviously we’re not going to let up on production of these brands, but we’ve in a way helped some of the ailing wineries by contracting them to produce wine for this category. The larger point however, is that there is this huge demand at a Rs 200-odd price point, which Sula still dominates, even though our focus is now premium.

**Why are average wine prices for most producers still hovering above the Rs 400 mark?**

I’m surprised they don’t see this



huge segment where Sula is still predominant. It is precisely such opportunities that the industry needs to build on, not simply to drain the wine lake that has filled up since 2008, but to grow the size of the market exponentially.

**What is the state of India’s wine retail market and how does it stand vis-à-vis the institutional market?**

This has been another revelation which has emerged over the past few years, which has put paid to many myths in the market. It’s a tribute to good marketing as well as the emergence of dedicated wine retail that for instance, markets like Goa were, five years ago, almost entirely contingent on the inflow of international tourists, so sales would plummet sharply during the off season. Today, we’re seeing consistently good wine sales throughout the year and the customer is mostly Indian. This trend augurs well because it means that a constant

wine tasting promotion drive is working and the inbound tourism season is not nearly as crucial to the industry anymore. So, the wine retail segment has come a long way but perversely, its growth has something to do with the decline of institutional sales. In the age of the internet where access to information and the sheer transparency of pricing is widely known, the mark-ups in hotels and restaurants simply won't wash anymore, at least for the Indian middle class, which is ironically the single largest driver of growth for any vertical, never mind wine. Marking up a Rs 450 wine bottle to Rs 1400 is only going to encourage consumption at home. So, our thrust will be in retail, though there is a project currently afoot, yet firmly under wraps, that will educate as well as make wine more accessible. On the retail front, we've committed to partly fund the air-conditioning of 60 of our distributors. This is a recognition of the importance of temperature control with regard to wine storage. I am also impressed by the commitment of retailers of the likes of Spencer's, Hyper City, Santé, Godrej Nature's Basket and Living Liquids.

### **Are you still investing in Santé?**

Not anymore, as there appeared to be a conflict of interest. Our wines are still available at Santé. And, Sula will always work alongside all its retail partners rather than compete with them. So, there's no mail order or online sales plans of any kind. Organised retail remains the best avenue.

### **Why the massive emphasis on imports of late?**

Well, given the current weakness of the rupee, exports should receive a lot of attention. That said, the investment that goes into international promotions is yet to justify a serious export focus. Coming back to imports strategy, which in light of a weaker Indian rupee poses another challenge altogether, it remains a long-term pursuit. It takes time to identify international wines that will work well in the domestic market and suit the Indian palate. And, Sula's advantageous combination of a seasoned marketing team and distributor network help build demand for imported wines locally. But, we've learnt from the past where we worked hard to build the reputation of an international wine

in India, only to have the relationship end when the results were achieved. So, our position as an importer is very clear—we are in it for the long haul irrespective of changing market conditions but also, we deserve due credit for our effort. For instance, we've recently added Chilean wine producer Cono Sur to our import portfolio. Cono Sur lays a lot of emphasis on organic viticulture, which lend the wines a distinct and exuberant character. While Indians aren't widely familiar with Chilean wines, I am confident these wines will do well in the Indian market.

### **Does your growing import portfolio put paid to the notion that domestic wine producers such as yourself, have lobbied for a steep duty and tax regime to stymie the imported wines segment?**

I was never against the growth of the imported wine segment, not even when I wasn't importing all that much. Principally, I am for lower duties on medium to high priced imported wine. It is the cheap bulk wine, a lot of which is dumped on Indian wine drinkers, which needs to be taxed in order to put things in proper context. I don't speak for other producers and if in fact some of them had in the past pushed for higher import duties, I, on the other hand, contributed to a fall in duty rates two years ago. My belief stems from the feedback I have received from overseas wine producers who were candid enough to say that the domestic wine producers do not threaten them, but create a community of wine drinkers who will eventually drink Indian and international wine. That is the historic trend witnessed in many developing wine markets, and India is no exception. 🍷

