



With a compound annual sales growth rate of 6.1 percent, the luxury sector is looking resilient during otherwise challenging economic times (Deloitte Global Powers of Luxury Goods 2016). Australia is part of this trend, with luxury goods now worth \$2 billion a year to the Australian economy and forecast to grow annually at 8.6 percent through to 2020 (IBIS World report).

At a domestic level, the luxury automobile industry has seen record sales in recent years and doesn't look to be slowing down any time soon. "In the past two years, Porsche Cars Australia has been the strongest growth market for Porsche worldwide, exceeding markets like China and

other emerging markets," said PCA managing director Sam Curtis in a recent *Drive* article.

CBRE head of retail brokerage leasing, Australia, Leif Olson confirms that global brands are lining up to open stores across the country. Louis Vuitton has expanded its presence in Melbourne to address growing demand and is also looking for premises in other Australian capital cities.

Tourism has also been part of Australia's luxury renaissance with visitors from mainland China set to reach a record one million holiday-makers this year. The latest Luxury Retail 2015 report states that 70 percent of all Chinese-led luxury purchases are now transacted overseas, resulting in increased sales across the world, including Australian

markets. Chinese demand is therefore likely to drive growth in Australian luxury goods and has enormous future potential, given that visitors to Australia from mainland China represent less than one percent of the more than 100 million Chinese overseas travellers each year (based on Australian Bureau of Statistics figures).

Despite proven capability for quality winemaking, when it comes to luxury the Australian wine industry struggles to position itself at a worldwide scale. We are stuck in the middle between the established tradition and reputation of Old World wine producers and the emergence of new countries like China. Australia's high-end products are currently often trying to compete with the Old World in areas where the Old World has the

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upper hand – age and tradition. When it comes to buying a \$500 or \$5,000 bottle, consumers often turn to producers with widely recognised reputations for prestige, and therefore choose Old World fine wine. Unfortunately, the drivers behind this situation will be tough to overcome within the next 10 to 20 years.

However, there is another important point to consider. Any innovation that goes into Australian fine wines is often not visible to consumers. The majority of fine wine products coming out of the cellars are highly traditional and conformist across the globe. Similar to the LVMH model, where creativity and innovation are synonymous with success in the fashion business, there is an opportunity for a renaissance of the Australian high-end wine industry to

recreate what Bernard Arnault, LVMH chairman, qualifies as the “wow effect”. This approach has potential to capture consumers’ attention in the way the iPhone created massive hype for mobile technology nearly a decade ago.

This movement has already started with some early movers in Australia, but there is still a long way to go, and Primary Industries and Regions South Australia (PIRSA) and the AWRI are taking a role in fostering this new mindset. A workshop at July’s Australian Wine Industry Technical Conference will bring together experts to educate attendees in the use of luxury and design thinking tools for creation of product premiums. The workshop will also include outcomes from PIRSA’s recently completed Functional and Luxury Food project identifying potential business opportunities for the

South Australian wine industry. It is hoped that this will kick off a new journey for Australian producers, increasing the appeal of Australian fine wines to global consumers and generating additional profits.

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