

Victorian distillery industry export report

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Summary report



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Introduction

The Australian craft distillery sector has grown rapidly over the past decade from a dozen producers primarily making whisky to now over 350 distillers making a broad range of spirits. Victoria's distillery sector alone has grown to 188 distilleries from none in just over fifteen years.

Sapere has been asked to identify a set of priority markets with demonstrated export potential for Victorian distilled products, including the development of market entry strategies for each market identified. From these, Sapere would then develop recommendations for the Victorian Government and industry to support producers to develop export capability and send products to the identified priority markets.

A full version of this report with more detailed analysis of key markets has been distributed through industry channels.

The sources of information used in this report include:

- UN Comtrade data on distilled spirit exports into each market
- Market information and sales statistics for selected markets
- Distilled spirits industry commentary and analysis from industry websites including The IWSR (International Wines and Spirits Record), The Spirits Business, Whisky Invest Direct and SevenFifty Daily
- Published analysis on the global distilled spirits sector such as from government agencies such as the United States Department of Agriculture and New Zealand Trade and Enterprise
- Articles and reports from mainstream news publications on distilled spirits markets in identified key markets
- Government websites in each market on requirements for exporting distilled spirits into the market, and summaries provided from sources such as AusTrade and the US International Trade Administration
- Consultations with Victorian distilled spirit industry stakeholders
- Professor Kym Anderson from the University of Adelaide has provided analysis and information on sales data, trends and analysis of market dynamics in the selected markets.

Overview of the distillery sector and export markets

The Victorian distillery sector

Overview

The Victorian distillery industry is a diverse sector that experienced rapid growth over the last decade and is now estimated to generate nearly A\$3 billion in economic activity.¹

As of November 2023, there were an estimated **188 distilleries** operating in Victoria based on analysis for Agriculture Victoria and the Australian Distillers Association (ADA).² Together, they create over 1,300 FTE jobs.³

Victorian distillers produced over **2.65 million litres** of pure alcohol, across a variety of spirits.⁴ There were 230,000 visitors (other than local residents) visitors to Victorian distilleries in 2022.⁵

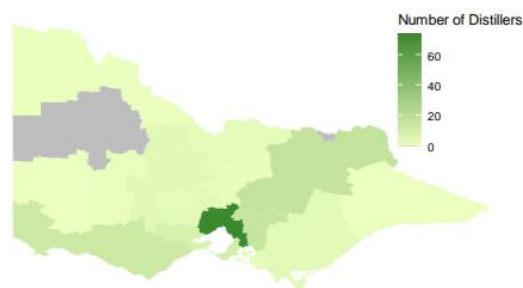
Spirit	% VIC total revenue	% of VIC total volume	Proportion of distilleries making spirit
Gin	60.1%	44.2%	87%
Whisky	23.2%	32.6%	44%
Vodka	7.5%	14.0%	50%
Liqueurs	4.0%	0.8%	43%
RTDs/ pre-mixed	2.8%	5.5%	19%
Rum	0.5%	0.9%	25%
Brandy	0.4%	0.1%	19%
Low/non-alcoholic spirits	0.7%	0.1%	4%
Agave	0.0%	0.0%	1%

Source: Deloitte Access Economics

Location of distilleries

46 per cent of distilleries are located outside of Greater Melbourne.⁶ The location of distilleries by region can be seen below.

Map of Victorian distilleries by region (2023)



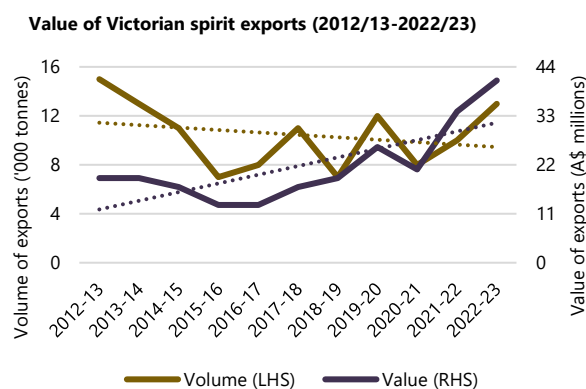
Source: Deloitte Access Economics, using Agriculture Victoria and ADA data

Exports

In 2022-23 according to the Victorian Food and Fibre Export Performance Report, the state exported **A\$41 million** in value of spirits (up 116% from 2018-19). By volume, exports totalled around **13,000 tonnes** (up 86% from 2018-19).⁷

Exports on average contributed 16% of the average share of distillery revenue in 2022-23.⁸ Only 14% of distilleries in Victoria currently export.

New Zealand (32% of Victorian spirit exports by value), China (20%), the United States (15%) and Singapore (5%) were some of Victoria's largest destinations for spirit exports.⁹ New Zealand (46%) and the United States (15%) also accounted for some of Victoria's largest spirit export destinations by volume.



Source: Victorian Government (DJSIR and DEECA)

Recent trends

Several trends have been taking place that have relevance for the Victorian distillery sector. These include:

Premiumisation – A trend seen amongst drinkers globally, consumers are drinking less but better, and are willing to pay more for higher quality

Reduced consumption of alcohol – The proportion of Victorians drinking has been trending downward, with an estimated 76.4% of the legal drinking age population in 2019 who reported that they drank, 6.3% lower than the proportion reported in 2007.¹⁰

Excise tax burden – Increasing excise taxes, indexed to CPI movements twice annually, have led to spirit prices continuing to increase in price over time. In 2023, the ABS estimated the price of spirits in Australia went up 5.6%.

^{1,2,3,4,5,6,8} Deloitte Access Economics. (2023). *Victorian distilled spirits industry analysis*.

^{7,9} Victorian Government. (2024). *Victorian Food and Fibre Export Performance 2022-23*.

¹⁰ AIHW (2023). *Alcohol, tobacco and other drug use in Australia*. <https://www.aihw.gov.au/reports/alcohol/alcohol-tobacco-other-drugs-australia/data>

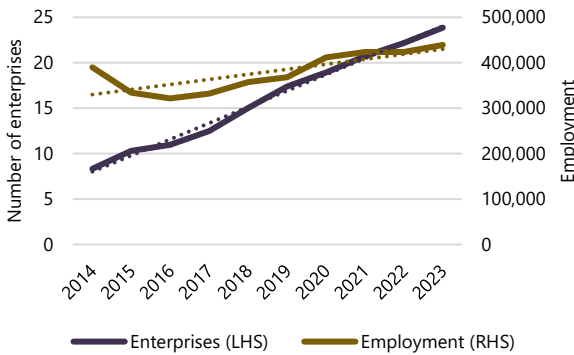
The global spirits market

Overview

The global spirits industry is a A\$210 billion industry. Large multinational companies dominate most markets – particularly exports – but there is a long tail of craft distillers.

According to IBISWorld data, the number of spirit manufacturing enterprises increased 187% between 2014 and 2023, to 23,846. This appears to primarily be smaller businesses, as employment only rose 13% during the same period despite the sizeable increase in count of businesses.

Global spirit manufacturing enterprises and employment (2014-2023)



Source: IBISWorld

Global revenue has remained flat in the period since 2014, only up 0.3% despite the growing number of distillers.

Major players

The global spirits industry is highly disaggregated, with the three largest companies – Diageo PLC, Pernod Ricard SA and Bacardi Limited – accounting for only 25.5% of the global market. The rest of the market is made of several other multinational companies (e.g. Suntory) and a very long tail of craft distilleries from around the world.

Global market share of spirit manufacturers (2023)

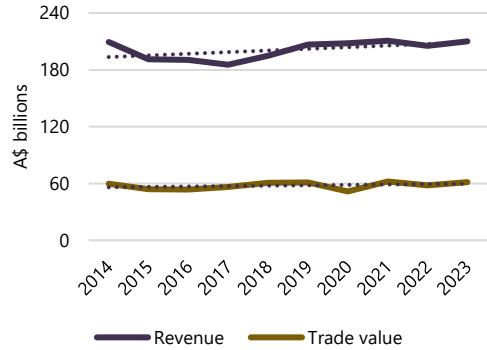


Source: IBISWorld

Trade

Trade of spirits globally has grown slowly since 2014, up 2.5% between 2014-2023, and only 1.0% since 2018.

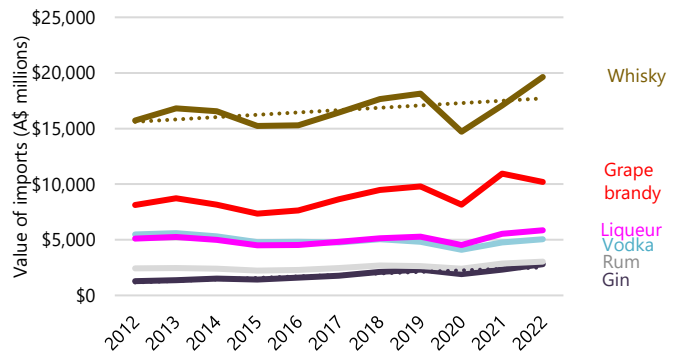
Global revenue and trade value of spirit manufacturing (2014-2023)



Source: IBISWorld

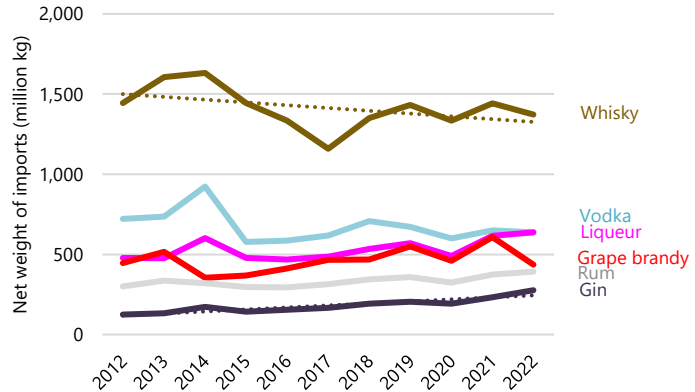
Whisky is the most traded spirit type in the world by both value and net weight.

Global spirit imports by value and category (2012-22)



Source: UN Comtrade

Global spirit imports by net weight and category (2012-22)



Source: UN Comtrade

Trends in the global spirits market

Globally, some common trends noted across different markets and spirits.



Premiumisation

Consumers are drinking less but better, and are willing to pay more for higher quality, including a greater interest in the provenance and story behind drinks. This has in turn led to consumers becoming more knowledgeable and discerning about the spirits they consume.



A resurgence of cocktail culture

Consumers are seeking out new and different cocktail experiences and are looking to bartenders and mixologists for recommendations. In many markets where cocktail culture is becoming increasingly popular, bartenders are becoming increasingly important conduits for introducing new spirits and cocktails to consumers.



Cost-of-living pressures

Inflationary pressures have tightened household budgets, leading some consumers to drink less - but this impact on consumer patterns appears to lessen as you move up the premium chain, with sales volumes of ultra premium products largely unaffected



Health and wellbeing

A greater focus on health and wellbeing has driven interest and growth in no-lo alternatives. Consumers in some markets are also increasingly interested in sustainable packages and processes.



A changing consumer base

The demographics of the consumers of spirits is changing, with growth being driven by younger consumers and more women. For many traditional markets, this has created a shift in the types and styles of drinks that are being demanded by new consumers.



The rise of craft distilleries

Greater interest in new and unique experiences has led to the rise of craft distilleries in most markets, often using local ingredients and flavours. These craft distilleries usually make small batches of products, often tailored for local tastes and preferences – with some achieving global success.



A shift to home consumption

COVID-19 created a shift towards home mixology and premium at-home consumption that has continued even with the lifting of restrictions. This has created increased demand for a more diverse range of spirits (both product and price bands) that are being consumed at home.



Convenience

Convenience has become an increasingly important factor impacting consumption patterns, particularly amongst young people. This has driven substantial growth in RTDs (ready-to-drink) and for the sale of spirits through e-commerce and home delivery services.

Identifying prospective export markets

Key domains for assessing markets

To identify prospective markets for Victorian distillery businesses, Sapere collated information from a range of sources on a long list of markets to determine the advantages and disadvantages of each market for Victoria's distillery sector. Notably, information was assessed in seven key areas important to consider for potential exporters. The extent to which any of these factors varied across different types of spirits, particularly in terms of demand or consumer preferences, was also considered.

Area	Definition
Demand and market size	What has been the sales and import trend for different types of spirits over the past 5-10 years (based on available data)?
Consumer profile	Are consumer preferences in this market supportive of the spirit?
Competition	What is the level of competition in the market?
Regulatory and market access	Do current regulations support export growth for the spirit?
Trade promotion	Are there existing trade promotion activities that could be leveraged?
Market structure	How simple or complex are the distribution channels for spirits in the market?
Ease of doing business	Are there cultural or market factors that impact ease of doing business in the market?
Other	Are there any other factors that could support/hinder exports into this market?

Considering market structure

While an initial assessment can help identify which markets might be favourable, the nature of the distilled spirits market makes an absolute ranking of export markets challenging. The distillery market in nearly every jurisdiction is highly competitive, and nearly every jurisdiction's spirit markets can be better thought of as being made up of two segments

- Large international producers such as Diageo and Pernod Ricard, who tend to dominate market share. These products are usually well-known global brands, have been in the market for longer, are more readily and widely available and trade significant volumes
- A long tail of the market that is made up of many smaller and craft brands, both domestic and imported, which collectively contribute to significant volumes of sales, but which can vary significantly in product and brand composition from market to market.

Most industry stakeholders agreed that Victorian distilled products would likely form part of the long tail of any spirits market, and successful exports for businesses in this segment of the market are more likely to be influenced by things such as a distiller's choice of import partner or tastes in a particular market, as opposed to prospective market size or demographics. For most Victorian distillers, successful entry into a market would likely entail establishing a foothold in a city or region and building consistent demand from on-trade premises such as bars, restaurants or resorts in the first instance, rather than being able to successfully wrestle any major market share from large multinationals.

Classifying prospective markets

Given the structure of the spirits market and the current size and scale of Victorian distillers, how prospective a market may be for an exporter will heavily depend on factors such as how well their spirit's niche fits a market as well as any relationships and connections they may have in market. Based on this, markets can broadly be classified into two types:

1. Markets that appear to have positive market conditions for potential first-time exporters to consider
2. More complicated or longer-term markets that present more challenges for exporters, but with the potential for larger returns

Type of export markets	Markets of this type analysed in this report	Other markets that could be classified as this type
Markets for first-time exporters	Singapore, Taiwan, China	New Zealand, Hong Kong, Malaysia
Markets for more mature exporters to consider	India, United States of America	United Kingdom, UAE

Prospective markets for
potential first time exporters

There are several markets that first-time exporters could consider

There are several markets in the Asia-Pacific region that could have potential for first-time exporters. Several of these markets have growing cocktail scenes and have shown positive trends in sales and imports of premium and craft spirits.

China

- Growing interest in whisky. Is 6th largest importer of whisky in the world
- Whisky is expected to continue growing in value and volume
- Gin does not have a strong consumer profile and is a small market

Malaysia

- 21st largest importer of spirits in the world
- Burgeoning cocktail scene and tourism demand
- Minimal domestic production of conventional spirits

Singapore

- 3rd largest importer of whisky in the world and strong demand for gin
- Vibrant bar and cocktail market
- One of Asia's largest re-export hubs

Taiwan

- Baijiu and whisky are the dominant spirits in market
- Interest in other spirits has been growing strongly
- Cocktails have become increasingly popular including growth in specialist bars

Hong Kong

- 37th largest importer of spirits in the world
- Major trade and tourism destination
- Mature and established whisky market
- Established cocktail and bar scene

New Zealand

- Established export destination for Victorian spirits
- Comparative ease of doing business
- Similar consumption trends to Australia
- Proximal to Victoria

Singapore

Singapore is the 3rd largest importer of whisky in the world and is also one of Asia's largest re-export hubs as well as on the world's busiest traveller retail (duty free) markets. A vibrant bar and cocktail market drives much of the consumption of gin, although home mixology is gaining momentum and driving growth in the off-trade market.

Positives	Challenges
<ul style="list-style-type: none"> • Existing free trade agreement (SAFTA) and signatory to the CPTPP. Close economic and cultural connections – Singapore is Australia's seventh largest export destination (and largest in SE Asia) • The value and volume of sales of gin have continued to grow of the past 5-10 years • Despite its small size, Singapore is the UK's third-largest market for whisky exports and Singaporean demand for imported whiskies continues to grow • Relative ease of business due to commonality of language, regulatory alignment and time zones. 	<ul style="list-style-type: none"> • The gin market is highly competitive with a wide range of gins imported from around the world as well as several emerging local distilleries offering unique product • Competition in the whisky market is also intense with the emergence of some local craft distillers. Japanese whiskies continue to increase in popularity at the premium end of the market.

Taiwan

Baijiu and whisky dominate the Taiwanese market accounting for 85% of total spirit sales. Beer is the most popular alcoholic beverage with spirits traditionally only being consumed at events. Gin is enjoying a boom in growth driven by a new wave of drinkers who are interested in new and novel flavours. This has led to a rise in of a wave of Taiwanese craft distillers, though Taiwanese consumers still tend to have a preference for imported brands. Taiwan is also the 4th largest whisky market in the world with a strong preference for single malt scotch whisky.

Positives	Challenges
<ul style="list-style-type: none"> • Taiwan has a strong free trade agenda and economic policies that promote foreign investment and entrepreneurship • Growing interest in gin and spirits more broadly driven by a new wave of young consumers of spirits driven by strong growth in cocktail culture • Sophisticated whisky consumers who are willing to pay extra for premium products. 	<ul style="list-style-type: none"> • Whilst competition in the gin market is moderate, the market is dominated by established UK brands • Boom in the Taiwanese craft gin sector bringing a range of local flavours • Competition in whisky market is high with strong global brand presence. Japanese whiskies are also popular as the 3rd largest whisky segment behind single malt and blended whisky. • Taiwanese whisky producers have grown both in scale and prestige over the past two decades winning a number of international awards.

There are several markets that first-time exporters could consider



China

China is the sixth largest importer of whisky in the world but gin is a relative newcomer to the Chinese beverage market. Whisky bars have proliferated across China in the last 20 years prompting investment in local distilleries. Volumes of gin have increased modestly compared to other segments and the trend to premiumisation has not yet materialised. Gin is still expected to grow as the spirit demonstrates its versatility and builds a luxury status.

Positives	Challenges
<ul style="list-style-type: none"> Gin sales have increased modestly over the past five years and is popular within the expat community and increasingly with younger drinkers Growing interest in gin may provide fertile ground for Victorian distillers even just based on sheer size of market. There is growing interest in whisky in China and as a brown liquor is easier to differentiate from local white spirit alternatives and appeals to young, middle class, urban, educated and increasingly female drinkers Positive association of Australian products with clean and green imagery. 	<ul style="list-style-type: none"> Gin is not “well understood” in the Chinese market and is not considered a luxury drink because it is difficult to distinguish from local white spirit alternatives The growth of whisky in China has spurred investment in local whisky production, including by major international players While Australia has a free trade agreement with China (ChAFTA), there are a very specific requirements for imported distilled products which can present lengthy delays if not complied with and may be subject to change.



New Zealand

New Zealand is currently Victoria’s largest export destinations for spirits, accounting for around 32% of all Victorian spirits exports in 2022-23. However, while several of the domains are supportive of New Zealand as a potential export market, conversations with stakeholders suggested that the country presents some challenges from a consumer preference and competition perspective that makes it a more difficult market to break into than what would initially appear. Prospective exporters need to have a clear sense of what differentiates their product in the New Zealand market.

Positives	Challenges
<ul style="list-style-type: none"> Existing free trade agreement (ANZCER) Close economic and cultural connections Existing presence of Victorian spirits exports into the country (32% of Victorian spirits exports in 2022-23) Relative ease of business due to commonality of language, regulatory alignment and time zones Geographically close to Victoria. 	<ul style="list-style-type: none"> Highly competitive - New Zealand is home to its own nascent distillery industry, with many craft distilleries in most of its regions that would directly compete in the same niche as Victorian products One of Victoria’s biggest advantages in other global markets (Australia’s clean and green branding) has much less carriage in New Zealand New Zealand consumers can be highly parochial, with a strong preference for local products.



Hong Kong

Hong Kong is the 37th largest importer of spirits in the world by volume, with a well-established bar and cocktail scene, as well as a long history as a major whisky market. While it is no longer the singular powerhouse that it once was, Hong Kong remains a major tourism and trade hub, with a high concentration of hotels and resorts, as well as a significant (but declining) expatriate population. Cognac is the most popular international spirit in the city due to a historically high level of investment into the market from major brands. However, consumer preferences are beginning to diversify, with whisky, gin, vodka and white rum becoming increasingly popular amongst younger consumers. Hong Kong is also a significant travel retail market, particularly for whisky.

Positives	Challenges
<ul style="list-style-type: none"> Existing free-trade agreement (A-HKFTA) VGTI Office based in Hong Kong Resurgent cocktail and bar scene driving demand for premium spirits, particularly amongst younger consumers Mature market for whisky – 28th largest importer of whisky in the world by value Robust e-commerce channels (T-Mall, JD.com) support growing drink-at-home trend Home to major spirits expos such as Vinexpo Asia and the Hong Kong International Wine and Spirits Fair. 	<ul style="list-style-type: none"> Cost of living pressures have led to consumer becoming more value-centric Small scale but increasing competition from local distillers that utilise local flavours, particularly for gin Expatriate population is declining and population growth in Hong Kong has been on the downtrend.

There are several markets that first-time exporters could consider



Malaysia is the 21st largest importer of spirits in the world, Currently a small export market for Victorian distillers, having exported less than A\$0.5 million and less than 50,000 tonnes of spirits to Malaysia in 2022-23. Whisky and cognac are the most popular international spirits. Amongst its diverse population, alcohol tends to be popular with Chinese Malaysians and in East Malaysia (Borneo and surrounding islands).¹⁶

Positives	Challenges
<ul style="list-style-type: none">Existing free trade agreement (MAFTA)VGTI Office based in Kuala LumpurMature market for whisky – 17th largest importer of whisky in the world by value7th largest destination for Victorian food and fibre exports in 2022-23Close to Victoria – comparatively low shipping cost.	<ul style="list-style-type: none">Muslim majority country (63.5% of population). Muslims are prohibited in the country from drinking alcohol by Malaysian LawHigh rate of alcohol excise tax, although appears cheaper for spirits than for beer and wine.

¹⁶ Robert Lourdes, T. G., Abd Hamid, H. A., Riyadzi, M. R., Rodzlan Hasani, W. S., Abdul Mutalip, M. H., Abdul Jabbar, N., Mat Rifin, H., Saminathan, T. A., Ismail, H., & Mohd Yusoff, M. F. (2022). Findings from a Nationwide Study on Alcohol Consumption Patterns in an Upper Middle-Income Country. *International journal of environmental research and public health*, 19(14), 8851. <https://doi.org/10.3390/ijerph19148851>

Prospective markets for mature exporters

Prospective markets for mature exporters to consider

More mature exporters could consider several markets, depending on the desired level of investment allocated for a market entry strategy. This includes consideration of markets that have some higher or more challenging initial conditions, but whose market size and/or demographics have the potential for medium- or long-term rewards.

United States of America

- Largest importer of spirits in the world characterised by the broadest range of brands and products of any market
- Vodka is the leading spirit followed by whisky and tequila
- Significant variation in consumer preferences across states

United Kingdom

- 6th largest importer of spirits in the world
- One of the largest consumers and producers of gin and whisky in the world
- Large Australian expatriate, diaspora and tourist population

India

- One of the largest and fastest growing alcoholic beverage markets in the world
- Whisky is overwhelmingly the most popular spirit
- Strong trend to premiumisation underpin by a burgeoning cocktail sector
- Gin starting to increase in popularity over the last 10 years

United Arab Emirates

- 15th largest importer of spirits in the world
- Potential FTA between UAE and Australia being negotiated
- High no. of luxury resorts, bars and clubs
- Recent liberalisation of consumption of alcohol beverages signals growth opportunities



India

India is one of the largest and fastest growing alcoholic beverages market in the world. Whilst demand for gin has historically been modest, a boom in Indian craft distillers producing high quality premium gin from local botanicals had seen gin emerged as one of the fastest growing distilled spirit segments in India. While India is one of the world's largest consumers of whisky and comfortably the most popular spirit, over 95% of whisky sold in India is classified as Indian-Made Foreign Liquor (IMFL) made to emulate the style of conventional whiskies but made with a neutral spirit from molasses rather than grains or malt.

Positives	Challenges
<ul style="list-style-type: none"> • India's gin market is undergoing a boom with young consumers expressing strong demand for novel premium gins in cocktails and for home mixology • Strong demographics for spirit consumption, with a young population showing greater interest in premium spirits and cocktails • For businesses that can gain access to the Indian gin market, the expected growth momentum means those prospects could be highly lucrative. 	<ul style="list-style-type: none"> • Will need a clear point of differentiation, the right state and price point (notable, given the high taxes) and a reliable and effective import partner • Competition in the whisky market is intense with the market dominated by local subsidiaries of large international players who produce IMFL • While India's whisky market is the biggest in the world, a complex and highly variable regulatory landscape, combined with high tariffs and excise duties, currently makes market entry a very challenging proposition.



United States of America

The United States is the largest importer of spirits in the world. Vodka is the most popular spirit followed by whisky and tequila which combined account for over 70% of all spirits sold in the US market. Spirit sales have experienced relatively strong growth over the past 5 years compared to alcoholic beverages more broadly. Consumption varies geographically reinforcing that the US rather than being a single market, is 50 markets. The US is also one of the world's largest manufacturers and exporters of alcoholic beverages and also home to a wide range of craft distillers.

Positives	Challenges
<ul style="list-style-type: none"> • The sheer size and diversity of consumers means even niche products can still be successful • Gin has always had a key role in the American cocktail scene and present a significant potential market and , the spirit has seen a resurgence in recent years, driven by an explosion in the craft distillery sector • Whiles the US market for whisky is highly competitive and dominated by domestic whiskies such as bourbon and Tennessee whiskies, there is also appetite for more scotch and new world whiskies. 	<ul style="list-style-type: none"> • Arguably the most competitive spirit market in the world • Critical to identify which markets have the right consumer base, bar scene, distribution channels and import partners that align with your niche • Given a pre-established preference for domestic whisky types, Victorian distillers would need a very strong differentiation to stand out amongst the many imported offerings, even in a market with big potential.

Prospective markets for mature exporters to consider

More mature exporters could consider several markets, depending on the desired level of investment allocated for a market entry strategy. This includes consideration of markets that have some higher or more challenging initial conditions, but whose market size and/or demographics have the potential for medium- or long-term rewards.

United Arab Emirates

The UAE is the 15th largest importer of spirits in the world, although this could potentially increase with the recent liberalisation of consumption of alcohol beverages, such as changes to laws requiring expatriates to have a licence to buy alcohol. Australia and the UAE are currently in negotiations to discuss the terms of the Australia-UAE Comprehensive Economic Partnership Agreement (CEPA). It is unclear if this will include the removal of tariffs for spirits

Positives	Challenges
<ul style="list-style-type: none"> • VGTI Office based in Dubai • The 30% tax on alcohol in Dubai was recently removed • No local production of distilled spirits • The UAE market accounts for nearly 72% of the MENA whiskey market size • High number of luxury resorts bars and clubs, as well as a significant expatriate community • Duty Free at the international airports in Dubai and Abu Dhabi have had success selling premium spirits to international travelers. 	<ul style="list-style-type: none"> • Islam is the official religion of the country, with Sharia Law in place. Tolerance of alcohol consumption varies by emirate – notably, Sharjah is a dry emirate. • No major trade shows for spirits appear to be based in the UAE • Often need to invest in long-term ongoing presence on the ground to establish trade relationships • Negotiations are often likely to take a lot longer than would be usual in Western business culture.

United Kingdom

The United Kingdom is the 6th largest importer in the world. Consumers have similar preferences to Australian consumers, with gin and whisky widely popular. However, the country's spirits industry is highly mature, and is home to Diageo, one of the world's largest spirits manufacturer. The market is highly competitive with local London Dry Gins and Scotch Whiskies leading the way. Craft distillers are also abundant across the United Kingdom, competing for a niche that Victorian products entering into the UK market would likely be targeting.

Positives	Challenges
<ul style="list-style-type: none"> • Existing free trade agreement (AUKFTA) • VGTI Office based in London • High consumption of whisky and gin • Close cultural connections • Large Australian diaspora community in the United Kingdom. 	<ul style="list-style-type: none"> • Highly competitive – the United Kingdom has a mature distillery industry, is a major import market for other jurisdictions and is home to Scotch Whisky and many leading gin brands. Diageo is based in London • Far from Victoria – comparatively high shipping cost • The UK has moved to an excise regime that taxes more heavily for higher alcohol spirits, disadvantaging spirits such as whisky.

Resources for exporters

Considerations for prospective exporters

Due to their craft nature and the youth of the industry, Australian spirits in international markets tend to sell based on consumer preferences for individual brands rather than on the strength of Australian or Victorian regional branding (compared to say scotch whisky, which relies heavily on its geographic provenance). As such, many of the considerations for prospective exporters will be specific to a business and brand. This includes decisions on business structure, marketing strategies, which export markets to target and pricing. Some important considerations for prospective exporters are provided below.

Export phase	Considerations	Example
Choosing an export market	<ul style="list-style-type: none"> • Readiness for export – achieve success at home before committing to overseas expansion. This builds your reputation and helps create brand ambassadors of Australians abroad who can recommend your product • Time and resources are required to successfully export – be prepared to be in the market for at least 3-5 years • Local business culture and customs – it may be necessary to adapt your style of doing business to forge relationships in a new market. 	<ul style="list-style-type: none"> • Business deals in many non-Western markets often take a long time and are built on personal trust and relationships • Regional variations exist in Asia, however common themes include importance of indirect communication and respect for hierarchy.
Determining product-market fit	<ul style="list-style-type: none"> • Recognise diversity in markets – some second-tier cities may have more suitable distribution channels or competitive landscapes • Develop a unique value proposition to differentiate your product from the competition (whether through pricing, quality, marketing, design or other unique selling point) • Target a particular product set to a defined consumer segment, tailored and responsive to their tastes • Know your final price inclusive of tariffs, taxes and freight – and where that places you in the market and your competitors. 	<ul style="list-style-type: none"> • Think beyond London, New York and Shanghai to Manchester, Colorado or Xiamen • Manhattans are popular in the US and not all gins suit this • Tourists and expats are often key drivers of demand for imported spirits – and may have different preferences to domestic consumers.
Defining trade structures and distribution	<ul style="list-style-type: none"> • Find a suitable import partner with knowledge of your product category, access to distribution channels and ability to assist with compliance requirements • Consider the different merits of different distribution channels: <ul style="list-style-type: none"> • Bars and restaurants – growing your brand through established taste-makers, who become ambassadors for your brand • Retail – more feasible with existing market presence, easier to pitch to retailers once you have hospitality experience • Travel retail – important channel in major transit hubs such as Singapore and Hong Kong. Tends to favour premium products. 	<ul style="list-style-type: none"> • Wine and beer distributors may seem a natural choice for an import partner, but these products have fundamentally different modes of sale and consumer bases compared to spirits.
Customs, clearances, operationalising in-market	<ul style="list-style-type: none"> • Customs and clearance processes can vary heavily by jurisdiction; lead times can be opaque, with complex requirements • Consider dedicating resources and possibly hiring, training and basing staff in-market to service and manage importers and distributors in the market. 	<ul style="list-style-type: none"> • Employment law varies widely between markets, along with regional variations within markets. Consider temporary or agency staff if speed to market is a priority.
Long-term brand building	<ul style="list-style-type: none"> • A marketing budget is critical – expect to spend between 15-20% of your net sales revenue matched by your importer/distributor – and potentially higher in the first few years to establish your brand • Merchandising, events, competitions are all options to establish your brand in market • Importers and distributors are not brand builders - ensure you are prepared to spend time in market focused on brand-building • Consider opportunities to innovate within market – packaging innovations, releases with seasonal events, limited edition launches. 	<ul style="list-style-type: none"> • Consider how your brand will be received by new markets. Screen your brand for culturally significant iconography or messaging (or leverage these to your advantage).

Example: a market entry plan for a prospective gin exporter to Taiwan

The process map below provides a hypothetical example of a high-level market entry plan for a gin distillery seeking to enter the Taiwanese market. Note that this is only provided as an example and would need to be tailored for the specific product, business and market circumstances, and businesses should engage with other supporting services such as those offered by Global Victoria, Agriculture Victoria and Austrade.

Market reconnaissance

- If present in market, contact the VGTI and work with them to identify prospective markets, suppliers and competitors
- Visit key cities in Taiwan - Taipei, Taichung, Kaohsiung – and get a sense of each city's bar, hotel and restaurant scene
 - What kinds of cocktails/gin do consumers prefer? What do they value?
 - How do people choose which gin to pick?
 - Test the interest of bars and restaurants in stocking your gin
- Assess the competitive landscape for your spirit and identify where in the marketplace your product would sit
- Assess the wider supply and consumption of gin in each market
 - Retail – how and where do people buy spirits from (online and in-person)? Are there large chains you could supply?
 - Duty-free – are there significant duty-free purchases of gin?



Determine your strategy

- Identify your entry market – for example, this business may choose to first start in Taipei
- Identify your defined consumer segment and brand position
 - What kind of person chooses your gin? What age, sex, income, type of job etc....
- Determine your distribution channels – in this example, we assume the business starts with bars and restaurants
- Gather information to calculate your estimated final price inclusive of tariffs, taxes and freight and compare this competitors



Choosing an import partner

- Develop an understanding of business practices in Taiwan
- Contact and meet with prospective import partners in person in Taiwan
- Assess each import partner's knowledge of the spirits market in your region, access to your desired distribution channels and ability to assist with compliance requirements
- Provide commercial sample to prospective import partners, bars and restaurants
- Choose an import partner/distributor and come to agreement on the contractual terms for an import and distribution partnership
 - Confirm business terms such as revenue split, matched marketing cost, service and license fees etc...



Meeting compliance requirements

- Ensure import partner is registered with the TFDA and has obtained an import license for alcoholic beverages, as well as meeting any other requirements or permit obligations
- Work with import partner to confirm labelling requirements
- Prepare and print labels consistent with requirements



Determine your management model

- Establish your model for managing your brand and distributors in the Taiwanese market – either by hiring, training and basing staff in-market or by operating support out of Australia



Begin exporting to bars and restaurants

Building your brand – hospitality (ongoing)

- Continue to visit Taipei to recruit bars and restaurants to grow your distribution network
- Hold and join events such as tastings, attending local festivals, competitions and contests
- Offer masterclasses for bartenders on how to prepare and serve your gin



After successfully exporting to hospitality sector for 2-3 years

Building your brand – retail (ongoing)

- Develop pitch for retailers based on hospitality success
- Develop retail pricing model
- Identify and contact retail channels (traditional and e-commerce) aligned with your target consumers who could stock and sell your gin

Growing your capacity

- Invest and scale up your production capability to meet demand as your export market grows
- Continue to develop and innovate with products and offerings aligned with Taiwanese market preferences
- Consider expansion to Kaohsiung and Taichung if successful in Taipei



Some useful resources for prospective exporters

There are several resources and services available to prospective exporters that can help build their knowledge, capacity and capabilities to prepare for exporting, as well as provide tools and guides that can help businesses develop and design their export strategy.

Agriculture Victoria: The Agriculture Victoria Export Hub provides tools, resources and links to help assist distillery businesses to prepare for export, including material specifically for distillers. See especially:

- [An export readiness quiz](#)
 - [Agri-food Export Essentials webinar series](#)
 - [Victorian and Commonwealth export grants finders](#)
 - [Market entry checklists and profiles for some key markets](#)
- **Global Victoria:** Global Victoria is the State Government's trade facilitation agency, helping export businesses to *go global* and build international partnerships. Through their expansive international network of 24 specialised trade offices, Global Victoria supports first point market intelligence, in-bound trade missions and connections to Victorian suppliers, out-bound trade missions and business matching services. Some useful tools include:
- [Global Victoria's Export 101 videos](#)
 - [Export skills training modules](#)
 - [Templates for export plans and competitor analysis](#)
 - [Information for choosing export strategies](#)
- **Australian Trade and Investment Commission (Austrade):** The Australian Trade and Investment Commission (Austrade) is the Federal Government's international trade promotion and investment attraction agency. They generate market information and insights, promote Australian capability, and facilitate connections through their extensive global network. Useful resources available from Austrade include:
- [Go Global Toolkit powered by Austrade](#)
 - [Are you ready to export \(quiz\)](#)
 - [Create your export plan](#)
 - [Market search tool](#)
- **Export Finance Australia:** Export Finance Australia is the Federal Government's export credit agency and supports SMEs to realist export opportunities or contribute to the export supply chain. Finance solutions they offer include export loan solutions, bonds, including performance or warranty bonds, guarantees and corporate finance.
- **IP Australia:** The Australian Government agency that administers intellectual property (IP) rights and legislation for patents, trademarks and design rights.
- **Victorian Chamber of Commerce and Industry (Victorian Chamber):** The Victorian Chamber is the largest and most influential not-for-profit business organisation in Victoria, informing and supporting 65,000 members and clients. Their international services include export training, advice, provision of ATA Carnets, Certificates of Origin (CO) and Certificates of Free Sale and Health
- **ITC Export Potential Map** is a free tool that provides data and analysis to assist prospective exporters, identifying indicators on the potential export value in a given market



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Appendices

Appendix A – Prioritisation framework

Sapere developed a prioritisation framework to assist with an initial assessment of markets with potential for Victorian distilled spirits. Eight domains were identified as important factors for assessing the appeal of an export market and an assessment was made as to whether a market had positive, negative or neutral indicators in a given domain based on information available. Analysis of each domain was subsequently combined with insights from industry stakeholders on key factors that determined the viability and prospects (both in the short-term and longer) of each market.

The key definitions for each domain in the framework are as follows.

Domain	Definition
Demand and market size	What has been the demand trend for spirits over the past 10 years?
Consumer profile	Are consumer preferences in this market supportive of spirits?
Competition	What is the level of competition in the market?
Regulatory and market access	Do current regulations support export growth for spirits?
Trade promotion	Are there existing trade promotion activities that could be leveraged?
Market structure	How simple or complex are the distribution channels for spirits in the market?
Ease of doing business	Are there any cultural or market factors that impact the ease of doing business in this market?
Other	Are there any other factors that could support/hinder exports into this market?

Note this is not intended to be a definitive tool for determining markets for distillers to enter – instead, it aims to provide insight into aspects of key markets that could be more supportive or challenging for exporters. In speaking to current exporting distillers, it became clear that it is critical for prospective exporters to do additional research into prospective markets beyond the domains identified in the framework, and usually at a more detailed level. This would include assessing things such as:

- which sub-market (region or city) in a market to target
- the level of competition in this sub-market market for a specific product
- regulations and requirements to export to this sub-market
- details relating to supply chain and distribution channels within this sub-market.

Some general caveats with the framework include:

- Rankings are subjective based on our assessment of available information
- There is no weighting assigned to domains, and the assessment of markets was based on an overall assessment of the different factors for each market
- Information was not always available for all domains for all markets – detailed information relating to competition analysis and distribution channels was usually not available in the public domain
- Information was largely reported at a whole-of-market level, rather than at a sub-market level.

Information to inform the prioritisation framework was drawn from UN Comtrade data, Euromonitor data and commentary and analysis from spirits industry sources including (but not limited to) IWSR, The Spirits Business and Whisky Invest Direct.

Appendix B - The Australian wine industry demonstrates the significance of macro factors

Lessons from Australia's wine export experience: strategic marketing and timing

The Australian wine industry's latest cycle around its long-run growth path began in the late 1980s with the help of a depressed value of the AUD. The AUD deteriorated further through the 1990s. During most of that time the average price of Australia's exported wine in US\$ was rising as well. Together those two trends ensured the AUD price of Australia's wine exports in AUD rose steeply in the 1990s, attracting new investment in vineyards and then in wineries.

This expansion was lubricated by the newly expanded big wine companies: they offered lucrative long-term contracts to grape growers, and they began investing hugely in the marketing of their new brands in key export destinations. When Casella created the Yellowtail brand in 2001 that added substantially to the promotion success of the big three wine companies. That was supplemented with generic promotion in those export markets by (what is now) Wine Australia.

It takes several years before vineyard expansion leads to growth in wine sales, so even though the AUD appreciated for a decade after 2001, wine production and exports continued to grow until 2007-08. The vineyard bearing area almost trebled during this boom from 1987 to 2008.

However, with the AUD's appreciation in the 2000s, the AUD price of winegrapes declined steadily from 2001 to 2011 and remained flat until 2016, even though the exchange rate depreciated in the 2010s. It then rose through to 2020 on the strength of a rapid expansion of sales to China – which then crashed when China imposed a punitive tariff on their imports of wine from Australia.

Several lessons for the distilled spirits sector are clear from this experience:

1. The fluctuating value of the AUD matters hugely to an Australian industry's export competitiveness
2. Brand promotion in new markets is essential, and generic promotion of 'Brand Australia' can add to that
3. Advance marketing needs to precede production to ensure demand is slightly exceeding supply during the growth period
4. Beware focusing on just one market in the current period of geopolitical uncertainty.



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