

Banner year expected for SA wines in the USA

Cape Classics, reputedly the largest importer of fine South African wine into the USA, expects 2008 to be a banner year, building on the success of fiscal year 2007, which was the strongest in the company's history.

The company's South African-born CEO, Andre Shearer, says the US dollar's weakening relative to the currencies of Australia, New Zealand and Europe has presented South African winemakers with an opportunity to significantly boost volumes in the USA - particularly if they maintain their 2007 prices.

"The relatively stable rand to dollar exchange rate affords us the opportunity to build volumes, while other market currencies have to increase their relative prices," Shearer says.

The latest breakthrough for South African wines involves a deal concluded with Ruth's Chris Steak House, which is considered the largest fine dining restaurant company in the United States, as measured by the number of restaurants. There are 119 restaurants in the US, plus 11 international franchisee-owned restaurants in Mexico, Hong Kong, Taiwan, Japan and Canada.

The deal encompasses a core listing, where Cape Classics has secured four wines - Raats Original Chenin Blanc, Mulderbosch Faithful Hound, Rustenberg John X Merriman and Rudi Shultz Syrah. There is also a lucrative banquet placement with their Five Bars brand, which was created specifically for Ruth's Chris using grapes sourced in the Robertson area. The varietals are Chardonnay, Merlot and Cabernet Sauvignon, and can be found on the banquet menus as well as on select locations' regular lists.

Shearer says one of the reasons his company has been able to thrive despite a tough economic climate is thanks to sound long-term economic planning which has enabled the company to keep the prices of its South African wines stable indefinitely.

"Research has shown that many wine consumers are not as brand loyal as they are price sensitive. Our ability to hold the line on pricing provides us with a huge competitive advantage, as our wines will increasingly be sought out as alternatives to our higher priced competitors' goods, allowing us to retain current customers while gaining a new base of supporters," Shearer said.

Favourable currency conditions were not the only reason for optimism, Shearer said. The company has already concluded deals with major restaurant chains in the USA in 2008 and has attracted influential new shareholders including Mark Schwartz, the chairman of Mission Point Capital Partners, who bring unparalleled global business experience and acumen.

Schwartz is a former chairman of Goldman Sachs Asia and a former advisor to George Soros while David Ackert is a

second new high-profile investor in Cape Classics. He is an Operating Director of Paine and Partners, a New York and California-based private equity firm. Until 2007, he was an Executive Vice President at AIG Financial Products Corporation, and from 1986 until 1994 he was a Vice President in the Capital Markets Department at Goldman, Sachs & Co.

Cape Classics, which represents 17 of South Africa's finest estates and labels including Kanonkop, Thelema and Buitenverwachting, supplies restaurants and retail outlets in 49 states across the USA. "The US is a large export market for fine wines and we shipped a record number of containers in the 2007 fiscal year," Shearer said.

The Ruth's Chris deal is showing early success as the Five Bars wines are already among the Top 10 sellers at the chain. The Five Bars Cabernet Sauvignon is the second biggest selling wine, with the brand's Chardonnay in 10th position.

The Ruth's Chris deal follows soon after Cape Classics successfully negotiated deals with the Red Lobster restaurant chain, which serves more than 150 million guests per year, and with Uno Chicago Grill, which has more than 200 outlets.

The SA company, which was started by Shearer 15 years ago, is now based in New York City with the South African office in Somerset West operating as a branch of the US company.

Shearer said 15 years of experience in the US market had shown that South African wine producers wanting to break into the US market needed to focus on single varietal wines, rather than blends. "You also need to focus on your market leader not on several wines per brand. This is the case for all countries aiming to sell into the US market," he said.

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