

ETHICS IN THE WINE SALES INDUSTRY

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Introduction

The South African wine industry faces many challenges. If the final aim of wine production is to offer satisfaction to the purchaser of either a beverage or a cultural product, then this satisfaction would best be obtained along sound ethical and economical lines to ensure sustainability.

Two markets are at play here.

- The Local market.
- and the export market.

The supply chain of wine is as follows. It starts with the grower; these grapes are vinified by either co-op cellar, private cellar or wine estate. The product is then sold to wholesaler/distributor, retailer, the public, or exported directly to exporters or overseas clients. Wholesalers provide to all of these, while retailers only supply to the public.

I will focus on ethical issues concerning the sale of wine, with extra emphases on the local market. I will briefly mention a variety of issues but focus on one in particular, as it currently seems to be more prevalent and more aggressive.

Issues

- Agent export trade prices versus trade prices to the local trade:
This has minor implications in that it creates an unfair impression for the local and tourist consumer that South African wine is excessively pricey and also adds to a feeling that the 'tourist is to be ripped off'
- Wine and the environment:
Wines sold need to reflect appropriately on the environmental impact that they have. Through applicable communication.
- Wine and health:
Similarly to the Tobacco industry, the wine industry will increasingly be grouped under the alcohol beverage health concerns and experience more pressure in terms of advertising and anti alcohol lobbying. The concern here is that the selling of wine reflect appropriate ethical issues.
- Wine tourism:
What are the obligations of wine routes and wineries that are involved? In a broader sense should they not all be open Sundays to increase and improve local tourism income and general tourist appeal?

- Genetic engineering:
When it comes to issues of bio genetic engineering how much of the responsibility would lie with wine seller to inform the client clearly?
- Alcohol abuse:
This aspect is closely related to the wine and health issue above. Selling alcohol to minors is clearly an ethical problem that affects the wine industry as well. The second issue would be the secondary and tertiary support that the wine industry can lend to alcoholics and especially the problem of Fetal Alcohol Syndrome. FAS is especially severe in the Western Cape and has to be supported by the wine industry on all levels including at the wine sales point. Drinking and driving and the amount of deaths caused by this is also of huge ethical concern, to the tax payer as well as the general trauma of South Africa. Wine sales will be effected and wine is clearly as obligated to be enhance awareness as are any other alcohol products.

The above are all relevant issues and areas that can be addressed briefly and has been or will be addressed by other parties present. However one area of particular concern is the current approach of some of the big wholesalers to 'buying wine lists', and it is this area that I would like to explore.

Buying wine lists

What are the ethical issues here, if at all? How can it be addressed and resolved? Business ethics and the use of promotional material, can this be seen as 'bribery' – or is this just good business sense or are these bully tactics that should be guarded against, especially in the case of wine?

The issue and some views:

Some restaurants offer producers space in their restaurants in the form of displays or wine list promotions at a cost and in this manner ensure that their products are supported and stocked, therefore receiving something extra for supporting a specific producer.

Other restaurants will again request assistance with umbrella's, corkscrews, ice buckets and other such promotional support all of which cost sometimes a good bit of money. Some will go so far as to request that they be supported in the building of a new wine bar or window etc, again ensuring a kick-back for their support.

The other very well established practice is to offer wine and menu covers and to service and print the wine list, again sometimes at considerable cost.

All these practises are broadly accepted and are inherited from the other more commercially established trades like soft drink beverages, big beer producers, well known whiskey and vodka brands and especially the tobacco industry.

One of the main concerns is that Big wine Wholesalers have gone so far as to offer cash benefits of really significant amounts to ensure that only their products are stocked. And here we have the first of the concerns, should this be viewed as bribery? And secondly is it ethical to be able to buy exclusivity?

Of the above industries mentioned it is known that the tobacco companies employed similar tactics, whereby cash was paid out say about R8000.00 over a year to ensure that only their brands were available in the vending machines in a particular establishment. Added to this would be further promotional material like ashtrays and umbrellas etc to further promote their brand. Needless to say competing products would not be allowed any promotional space in the given restaurant or bar. This seems to be very similar to the current problem that has arisen in the battle for wine listings.

Most restaurateurs feel that these actions by a big wholesaler/producer to buy wine list is purely part of the free market principles that already exist in other segments of the markets. Some feel that it is up to a restaurant to decide what suites their clientele best.

Questions of monopoly are not problematic as the wholesaler is purely offering similar promotional support as would other industries in concurrence with established market systems.

Views from other wine distributors as well as producers are that due to the size and budget of the biggest players the competition is deemed unfair and too big to fight against and thus doing an immense disservice to wine consumers.

Other comments are that the onus should really be on the consumer to insist that he/she get exactly what they want and with force establishments to offer products of integrity.

Product integrity:

If these issues are relatively acceptable in other arenas, then why is the wine industry so special? Wine is deemed to be a very different product from the mass produced beverages like Coke, consistent fabricated alcohol beverages like commercial beers and hard liquor. When it comes to tobacco there is one touch point and that is that wine is also deemed to be bad for your health and sometimes dangerous, but the difference is that wine can also, if used correctly enhance health as well as quality of life.

The most significant difference however lies in the fact that wine is a natural product that is of cultural significance and is closely linked with the history and the cultural milieu of the region that it comes from. It also has a significant interaction with food which is a major basic lifestyle enhancer.

Thus unlike any of the other products wine demands much more product integrity, therefore necessitating clear access to information, service, and communication

for clients. This is best maintained by high traceability and transparency. To sustain this personal interaction is of great importance if product integrity is to be maintained.

If we accept the above then smaller producers have nothing to fear in that their product will find its space, if good enough, in restaurants that find integrity in their product. If they are however competing in the beverage market then one suspects the free market will rule.

How to address these issues:

As has happened in the tobacco industries, it is now illegal to offer payment to have your products exclusively available one might hope that similar legislation can be offered to ban any payments to ensure the exclusive owning of a wine list. Tobacco is however targeted as it is seen as been a very serious health risk to all that partake and therefore the radical measures.

An important point to consider is that if the aim of a restaurant with a wine list is to make a profit then it should follow in that it is in their best interest to sell such products that sell better than others over an extended period of time instead of listing wines of lesser quality or less variety purely for a short term cash advance.

So a lot of the onus at this stage lies with the restaurants and their attitude to wine, while they again are impacted by the customer. In order for wines to sustain the special place that they have in South Africa we would need more funds appropriated to education in order to lessen the myth around wine, but at the same time to enhance its special qualities thereby forcing the consumer to be more demanding and in turn to pressure on the Wholesaler to survive on quality products.