

Forecasting tools give local wine businesses a competitive edge

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South African wine producers will have to rely more heavily on market forecasting tools if they wish to remain ahead of their competitors in what has become a fiercely competitive sector locally and abroad, says Gareth Pearson, CEO of consumer, retail and industrial research house, BMi Research.

Pearson was interpreting the latest findings from research undertaken using BMi's innovative new segment sizing forecasting tool, which revealed that competition between local producers has increased dramatically while market pricing has become more aggressive in an effort to attain business.

"Increasing input costs - such as higher packaging, fuel and electricity prices - are putting pressure on margins. So much so that many smaller players are actually experiencing increasing declines in volumes. This pressure has resulted in producers relooking their business strategies to survive. Forecasting tools can benefit producers greatly in this area, as they accurately predict where growth will come from in future and how best producers can capitalise on this," Pearson explains.

This sentiment is supported by PriceWaterhouseCoopers' South African Wine Industry Insights Survey 2010, which explores current issues facing local wine businesses. According to the survey, cellars have begun adopting a supply chain approach to managing their business. However, relevant supply chain performance metrics are not being fully utilised to assess supply chain health and inform management decisions.

The survey describes best practice supply chain performance metrics as demand forecasting, service (reliability and responsiveness), cost and inventory. Despite the fact that export-focused wine cellars appear to be applying more of these best practice metric categories for supply chain performance management, the survey concludes that "not enough information regarding supply chain performance is made available through best practice metrics or managed actively. The competitiveness of the SA wine industry is dependent on timely information made available throughout the supply chain from the markets served to the producers of grapes."

BMi's forecasting tool helps make such timely information available to these stakeholders as it quickly (within 15 minutes) calculates segment sizing and projections for all AMPS segments (demographic, lifestyle and attitude) up to 2021.

So for example, its most recent wine industry projections indicated that annual wine production figures will top 751 million litres in 2011, 758 million litres in 2012, 766 million litres in 2013 and 773 million litres by 2014, yielding year-on-year growth of between 0.9% and 1.1%. They also showed that glass will remain the packaging most in demand over this period, followed by bulk packaging, bag in box, rigid plastic bottles and the papsak.

Over and above this tool, other significant trends useful to make informed strategic decisions include, generic manufacturer trends such as the fact that retailers are requesting smaller pack sizes, as well as promotional decisions, such as comparative analysis of promotional pricing and adspend. The tool also highlighted significant trends that producers could use to inform packaging decisions, such as the fact that retailers are requesting smaller pack sizes, as well as promotional decisions, such as comparative analysis of promotional pricing and adspend.

"These are the kinds of insights producers and cellars should be using to govern their business strategies. As competition - and input costs - continues to increase locally, so businesses are going to need all the market intelligence they can get to remain attractive to consumers, relevant and of course, profitable," Pearson concludes.

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