



Aerial shot of rural Stellenbosch, home of Kumala, and the equally dynamic Cape Town waterfront.

SOUTH AFRICA'S STORM-TOSSED FLAGSHIP

Kumala, created as a mass market brand that would give South Africa better recognition, got off to a heady start, says Andrew Catchpole. But managing such spectacular growth proved problematic, with a subsequent decline in quality. Kumala is now on the comeback trail, looking to make it back to the top.

Every wine brand, even newly created 'virtual' brands, thrive on a blend of the myth and reality surrounding their creation. The same is true of Kumala, until recently the soar away South African success story, second only to Casella's Yellow Tail in terms of fast and sustained growth. The story goes that Chris Ellis and his colleagues from British brand developer and South African specialist Western Wines dreamt up the basic plan in an Italian restaurant in 1994. The idea was to create a highly recognisable, consumer-friendly entry-levelish flagship for South Africa using catchy graphics and a striking lizard image similar to the designs Ellis and his friends had spotted adorning the tees while playing golf at Sun City.

The true nuts and bolts of the brand creation were more prosaic, but nonetheless it's a remarkable story. Ellis remembers that not long before Kumala's conception, South Africa accounted for only 1% of the UK market with around 250,000 cases. "We wanted to get behind a brand that we could put into the multiples and realised that with South Africa opening up to the market we could create an inter-regional blend with strong African imagery and, helped by a very favourable exchange rate for the Rand, give a quality edge to the wine," he says.

An easy beginning

It transpired that Oddbins buyer Steve Daniels was looking for a

similarly styled South African wine and, with very low set-up costs and a route to market already in the bag, Kumala was born. (The name, incidentally, is a fusion of tribal dialects roughly meaning 'to do something differently'.) By sourcing finished wine via cooperatives throughout South Africa, avoiding the costs of owning a production facility and with an exceedingly modest initial spend of £3,000 (\$5,929/€3,751) on label and packaging design, the Western Wines team created one of the huge success stories of the wine world. The resulting growth of the brand as it gained shelf space in virtually all the major multiples and seemingly every corner store in Britain was beyond anything Western Wines had projected.

From a clever and timely concept – coinciding with the opening of South Africa to trade and a weak Rand – Kumala was driven from zero to a two million case brand in the UK market by 2000, peaking at three million shortly thereafter. Western Wines' total South African portfolio grew to account for 60% of category sales in the UK with 50% of its profits coming from Kumala. With 30% of the UK's South African sales down to the unmistakable gecko-fronted brand, Kumala unquestionably forged a path for growth for the category as whole. Then came the fall.

Kumala sleeps

Amid allegations that Western had overspent and also allowed quality to fall, Kumala was sold in 2004 to Vincor for £135m (\$266m/€168m), which then appeared to sleep on the brand. Sales began to fall. Then, a short while later, Vincor was swallowed up by Constellation. During this transitional period a combination of ongoing lack of focus on the brand, heavy reliance on discount and marketing spend, a strengthening Rand and increasingly vocal comments from trade and press alike questioning the quality of the wines, all conspired to drag both Kumala and the South African category down. By 2007 Constellation found itself with a flagging flagship brand that had tumbled to a little over one million cases in the UK market. The party appeared to be over for Kumala, leaving a severe hangover for South African sales as a whole, until Constellation played a trump card, bringing charismatic and well-respected winemaker Bruce Jack of Flagstone into the fold, with a brief to turn around the ailing brand.

While Jack pledged to take Kumala “back to the vineyards” with a renewed emphasis on true

quality, Constellation Europe regrouped behind the brand and began driving sales up again in the primary UK market. In the 13 weeks to December 2007, sales grew by 28% volume and 25% value against the same period in 2006, with a more modest 15% rise reported for the months from December 2007 to May 2008, bringing the brand up to 1.5m case sales in the UK and 2m cases globally. Jack's first vintage, the 2008, is being capitalised on by the recent launch at the London International Wine and Spirits Fair of new packaging (the Gecko stayed, but much of the busier South African imagery has been replaced by a more elegant, stream-lined look) and a £5m consumer advertising campaign throughout the autumn. The PR and marketing campaign to resurrect Kumala is firmly underway. But, even with the weight of Constellation behind the brand, which is still South Africa's number one in the UK, the question is whether it can ever fully regain its erstwhile momentum

Jack, who has said that his “head is on the block” if he doesn't deliver a serious step up in quality for the wines, is confident that he can put the basics right at vineyard and winery level. “It is our task to create a brand that South Africa feels proud of,” he says. “The huge growth of Kumala meant that Western had to use a broker in South Africa [to source the wine] and so eventually

they were not able to control the quality.” From 1 August 2007, as Jack took the helm, he began assembling a team that would source all the wine for Kumala, taking to the road shortly after vintage to assess and make preliminary selections from hundreds of wines across the country.

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Jack Bruce, of Flagstone fame, is the new winemaker of Kumala.



“The wines are currently sourced through 12 different large wineries across the Western Cape, with blending taking place at another 4 locations,” adds Jack. “It is our intention to consolidate the blending and stabilisation facilities and I am confident that this could happen in the near future.”

Safeguarding the revival

Meanwhile Constellation has funded a new research and development lab, and other key people, such as a permanent viticulturalist, have been brought on board. “Essentially everything that Kumala didn't have as a virtual brand, we will have put in place,” says Jack. Before vintage, indicative volumes and a ‘Kumala recipe’ are to be handed to the producers and technical wizardry, including infrared satellite photography coupled with GPS on mechanical harvesters, should help ensure that fruit is only picked at its optimum ripeness. “If we can control 50% of our fruit by the '09 vintage, and slowly increase this so that the majority of our fruit is under our control over the next five to seven years, then we can assure quality,” says Jack. “It's a big ask, especially as we are looking to double the quantity, but if we want to show leadership as a flagship for South Africa then this is what we must



do. From a production perspective, it should be possible to even triple the size of the brand in this time, but this is not necessarily what the market will bear."

This is where David Cunningham, the man responsible for the international development of Constellation's South African offering, picks up the baton. He agrees that Kumala must act like a category leader and regain its innovative image. "With a revitalised Kumala at entry level, Fish Hoek at the mid-price point and Flagstone at the premium level, we can now focus on South Africa from a perspective that includes a varied portfolio spanning various price points and positioning," he says. "My role is to take this portfolio out to the international markets, not just the UK, and with Kumala positioned as part of this portfolio, focus on driving Kumala within South Africa."

International ambitions

Created specifically for the UK, 80% of Kumala's sales are still accounted for by this market, but Cunningham is confident it can grow into a global brand. Constellation Europe has also identified five other markets: Ireland, the Netherlands, Denmark, Sweden and Finland - in line with the strongest growing export markets in Europe for South Africa as a whole. Canada is another country showing good growth. However, Cunningham admits that its sizeable southern neighbour, the US, presents more of a challenge for Kumala, and South Africa, due to a combination of strong loyalty to domestic wine at entry level and the challenge of making South Africa exciting from a low recognition base.

Cunningham is the first to agree that attempting to regain the momentum once enjoyed by Kumala is a huge challenge. But he cites Constellation's even bigger reach internationally as a big plus for the future. Much has changed, though, since the heady early Western Wines ownership days. The creation of virtual brands - remember that Kumala was ahead of its time in

terms of being a brand created by a 'foreign' team of marketers with no home or winery - has become far more widespread in all corners of the globe. And Kumala itself opened the door for the rise of other South African brands, including Namaqua (now with global volumes of around 4.5m 9-litre case equivalents), First Cape, Golden Kaan, the category leader in Germany, and a host of others. Beyond this are other foreign or internationally owned brands with powerful companies behind them, including Lindeman's South African label and Gallo's Sebeka, which at 33% share of South African wine in the States and pushing strong growth, is a clear and strong category front-runner.

However, Constellation's acquisition of Flagstone and Fish Hoek should help Kumala as this broadened portfolio now addresses one of the inherent difficulties for South Africa as a whole - namely the relative weakness of the range architecture above entry-level. "South Africa needs to have four or five people firing on all cylinders to help the category as a whole grow," says Mike Paul, an ex-Western Wines director during whose time Kumala added a couple of million cases to its sales. "The perception of the category needs to be driven not just at entry level, but also between £5 and £10. However, unlike Australia, which has many producers capable of supplying reasonable volume at this quality level, South Africa more resembles France or Italy in that it cannot plug this gap with high enough volume wines." The suggestion is that this weakens the position of an entry-level, leading brand like Kumala because, instead of consumers developing a taste for - and strong image of - South Africa, they are left considering Kumala as a brand in relative isolation.

Patrick Halliday, sales director of UK-based South African specialist Raisin Social, agrees. "Part of the reason we have grown Namaqua so successfully since it was created in 1999 is both careful attention to quality, but also the fact that we can offer

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*Patrick Halliday
is the sales
director of
Raisin Social.*



a complete portfolio from entry level to brands such as Neil Ellis, Kanonkop and Beyerskloof," he says. "As part of this, Namaqua, with its roots firmly in South Africa, has benefited as has the category as a whole." Halliday believes that the revitalisation of Kumala, and its inclusion in a broader portfolio, will benefit both the brand and South Africa to the benefit of all.

The re-launch

Judging by Bruce Jack's remark that he is tasked with upping quality while also looking to potentially double available volume for Kumala over the next few years, plus Cunningham's eye on expanding Kumala into a truly international brand, it would appear that the Kumala story is far from run. Quality is rising once more, the brand now has at least an identifiable figure-head in the very South African Bruce Jack, an initial £5m is being put behind its packaging re-launch and an undisclosed sum behind all the activity at grass-roots level in South Africa. Cunningham also says the jury is still out on a possible vertical range extension of the Kumala brand across higher price points. And, as the many South African commentators and trade rivals all agree, the push to revive Kumala can only be good for the category as a whole. The gecko, it seems, lives on to fight another day. ■