

Adapting the fine wine trade to weather the effects of lockdown

The adjusted Level 2 restrictions, announced by President Cyril Ramaphosa on 30 May brought an earlier curfew which sees restaurants required to close by 22:00. Less trading time, and the ever-present threat of another alcohol ban, have again cast a shadow over the restaurant industry, with a knock-on effect on the wine trade.



Wayve Kolevsohn. Credit: Matt Wilson

Forced to navigate these challenges, some establishments and companies have developed innovative ways to stay afloat. Collaborations with industry members have been especially effective. One such collaboration is between South African fine wine marketplace Port2Port and restaurants, with the online platform now allowing South Africa's fine dining establishments the option to sell their wine stock directly to the public.

Here, Nicolò Pudél, founder of Port2Port, and Ellerman House head sommelier Wayve Kolevsohn, reflect on how the new regulations affect the industry, and how collaborative efforts between members are saving it.

What impact has lockdown had on the restaurant industry?

The hospitality industry has been hard hit by Covid-19 regulations, with curfews limiting trading hours. A succession of alcohol bans has also severely restricted turnover for most restaurants, with the industry traditionally relying on alcohol sales to bolster profits. According to Pudél, many restaurants are sitting on unsold stock, which has led to financial strain.

“Many restaurants, especially fine-dining restaurants, make their biggest margin on wine sales. Suddenly, they were forced to close and were not able to move this stock,” he says.

Kolevsohn comments that not only did restaurants see profits dwindle to reduced trading, but they also missed out on the income usually brought by international travellers. “Besides the fact that we were forced to close our doors due to the lockdowns at various levels, the three alcohol bans and international travel bans made it very tough for us,” she says.

How has revenue loss impacted the cellars and stocks of restaurants?

Like Ellerman House, many restaurants collect wines to rest and serve at a later date, explains Kolevsohn.

“Our collection dates back to the 1980s, and one of our responsibilities has always been to buy wines for the future sommeliers and cellar masters of Ellerman House to sell and serve. We are always thinking ten years ahead when purchasing stock. The result is that we have built a really diverse collection of wines of all varietals and vintages from rare auction wines to unusual aged varietals,” she says.

But with stock not moving and income limited, it means there is little space or funding to build on their collection. “Without revenue from sales, I simply could not justify buying new wines for the cellar. We sadly had to decline many of our special wine allocations during 2020, which has left gaps on our list and gaps in our stock,” she says.



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How have restaurants and the wine industry adapted to the impacts of lockdown?

While many restaurants have been forced to close, others have embraced their new reality. Some restaurants, like Ellerman House, have started accommodating non-resident guests for breakfasts, lunches, sundowners and dinners. “In these very different circumstances, we needed to think differently,” says Kolevsohn.

The industry has also seen restaurants selling off their cellar stock, she explains. “Some restaurants decided to close their doors and therefore sell off their stock. Other restaurants are selling some of the more rare and unique wines on their list to generate revenue. Some have even started offering off-consumption sales to accompany their dine at home or take out offerings.”

But restaurants and wineries should look for the right partnerships to reach consumers, Pudiel cautions. “We’ve come together with wineries to bring special selections of wines not readily available to consumers. We don’t undersell the winery or restaurant. Everything we do is in agreement with our vendors – we give them the platform, and they control promotions on stock,” he explains.

In addition, the Port2Port platform ensures regular and automatic payments, which have kept many wineries afloat during last year’s alcohol bans.

How has consumer consumption changed due to lockdown restrictions?

The lockdown restrictions have seen a general shift towards e-commerce, says Pudiel. Research estimates that e-commerce penetration grew the equivalent of 10 years in only three months in the US market – a trend that the South African market has mirrored.

“The legacy of Covid-19 will be a more digitally confident consumer. Before the pandemic, the younger generation had

more trust in buying online, but now older generations have been forced to move online. Now that they've purchased online, especially wine, they've realised the convenience of it," he says.

Port2Port has shown around 150% growth year on year, driven mainly by this consumer shift towards e-commerce. "Online buying, especially in the wine industry, was at a tipping point. Covid-19 has pushed it over the edge. Online shopping offers convenience, infinite supply, price advantage, and we have a selection unlike anyone else," Pudel says.

Because food and wine lovers are dining out less, they are now willing to spend a bit more on premium and rare wines to enjoy at home, adds Kolevsohn. "The result is an increase in off consumption sales through wine marketplaces and brokers such as Port2Port. This has allowed us to continue the cycle of buying and selling wine for our cellar," she says.



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Embracing new ways to reach wine lovers will be critical for restaurants and cellars, Pudel believes. During the first lockdown Port2Port offered 'lockdown pricing' to encourage consumers to support South African wine producers. The company reports having seen "tremendous interest" from local audiences to purchase wine during the alcohol bans, even though this would only be delivered at a later date. The demand was so high that Port2Port dispatched over 6,500 shipments in just four days, Pudel says.

With this in mind, the marketplace is expanding an offering that will support the country's top restaurants by making their carefully selected wine lists available directly to the public.

"The enormous advantage of listing restaurants is the guarantee of cellaring, which you barely have anywhere else," says Pudel. "Most of the wines have been bought directly from the producer, they have been kept at controlled temperature since day one, a sommelier has selected them, and you have the opportunity to buy at a retail price. Retailers don't keep stock like that for 10 years."

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