1 The problem

Climate change is the greatest threat to Australian viticulture. An inherent lack of data driven insights results in the misallocation of resources to combat this problem. This has resulted in smaller producers being grossly unsupported and under-resourced to ensure that the domestic and international demand for Australian wine remains high. Smaller wineries have the most potential for environmental innovation due to being smaller, less efficient operations who have the greatest opportunity for emission reductions in the future (this is despite smaller wineries producing a higher combined volume than larger wineries). To gain a holistic understanding of how the industry can transition to net zero emissions, wineries need to be incentivised to report their emissions on a yearly basis.

2 Solution

Australian grape and wine producers will be incentivised to share individual data via the introduction of a uniform sustainable certification to be displayed prominently on bottles—showing that these producers have taken climate change seriously and are pledging to actively improve their position. The current two-tiered membership will be replaced with a single tier, with auditing conducted on a random basis to ensure true reporting. Wine Australia and Sustainable Winegrowing Australia will partner with the Endeavor Group and the Coles Group to have exclusive ‘Sustainable Certified’ sections in all stores to promote product differentiation and create a new market segment for ethical and sustainable wine. Thus controlling 74% of wine market share. This is in the best interests of both these retail conglomerates and the viticulture industry organizations as it is a cheap and easy way to improve the public image of their respective organizations. By using this as a key nudge to increase emission reporting from smaller farmers, the sustainable Australian wine industry will:

1 coincidently the most infrequent emission reporters
2 in a similar manner to the current Qantas partnership
3 owner of BWS and Dan Murphys
4 owner of Liquorland
- Continue to be innovative and globally competitive.
- Command a larger market share of the alcoholic beverage market due to the premium product signaling effect derived from a sustainable certification.
- Make data driven investment decisions to transition the industry to net zero emissions by 2035.

3 Why effective

The current status quo has allowed us to recognise that there is no tangible reward for a producer to report one’s emissions apart from the intrinsic value of doing so. Therefore, the perception incentive needs to be introduced to encourage wineries to report their emissions. Our solution aimed to create values for businesses in the wine industry while reducing the cost they would bear on their ways to certification.

Incentivising wine and grape producers to report their emissions leads to the annulment of the status quo bias present in beginning to report emissions. Demand for sustainable products has increased threefold in Australia and even more overseas. This means that producers are offering the ability to access the new and lucrative sustainable wine market, overcoming status quo bias. This is due to the reward bias being introduced - where producers of wine and grapes have an increased tendency to respond to reward related ques (Voon et al., 2010). In this case, the reward is access to exclusive shelf space in liquor retailers increasing the quantity sold.

Wine with a self declared environmental sustainability stamp was shown to increase the perceived quality of the wine as well as attracting a 12.87% premium that consumers are willing to pay (Seller 2016). Position the certified products on a separate shelf triggers saliency bias, thus attracting consumers’ attention and boosting sales (Milosavljevic et al., 2012).

Furthermore, randomly audit 10% of the total members population ensures that all costs can be covered by revenues generated from membership. The probability weighting effect would result in businesses to overestimate the probability of getting caught after faking data. Hence, deterring them from falsely reporting. The key advantage of our strategy is that it reduces the financial burden of the individual members who are willing to become certified. While at the same time adding no additional costs to wine Australia.

Our approach offers tangible benefits to small Australian wineries, and our nudge is likely to lead to a significant uptake throughout the Australian industry.

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5 Demonstrated in the graph presented by The Economist