

Wine Business Solutions



The Wine Paper 46

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Inspiration, Innovation and Brand Building

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You may recall that in our last newsletter, I talked about Constellation paying \$US285Million for the Prisoner Wine Company and Gallo paying about the same for the balance of the [Orin Swift](#) wine business?

It simply must be worth investigating what drives that sort of perceived value. I was lucky enough to stumble upon the source of the inspiration for the 'Prisoner' wine label. I was in Salamanca, Spain visiting the Casa Lis. (You can see its stained-glass windows which help light up the art deco gallery from the Roman bridge spanning the River Tormes. They make a sparkling addition to the walls of this ancient university town).

The principal exhibition was entitled – “Los Desastres de la Guerra. Ayer y hoy” (The disasters of war. Then and now.) The first exhibit was that very painting – ‘No hay remedio’ (There is no hope / remedy).

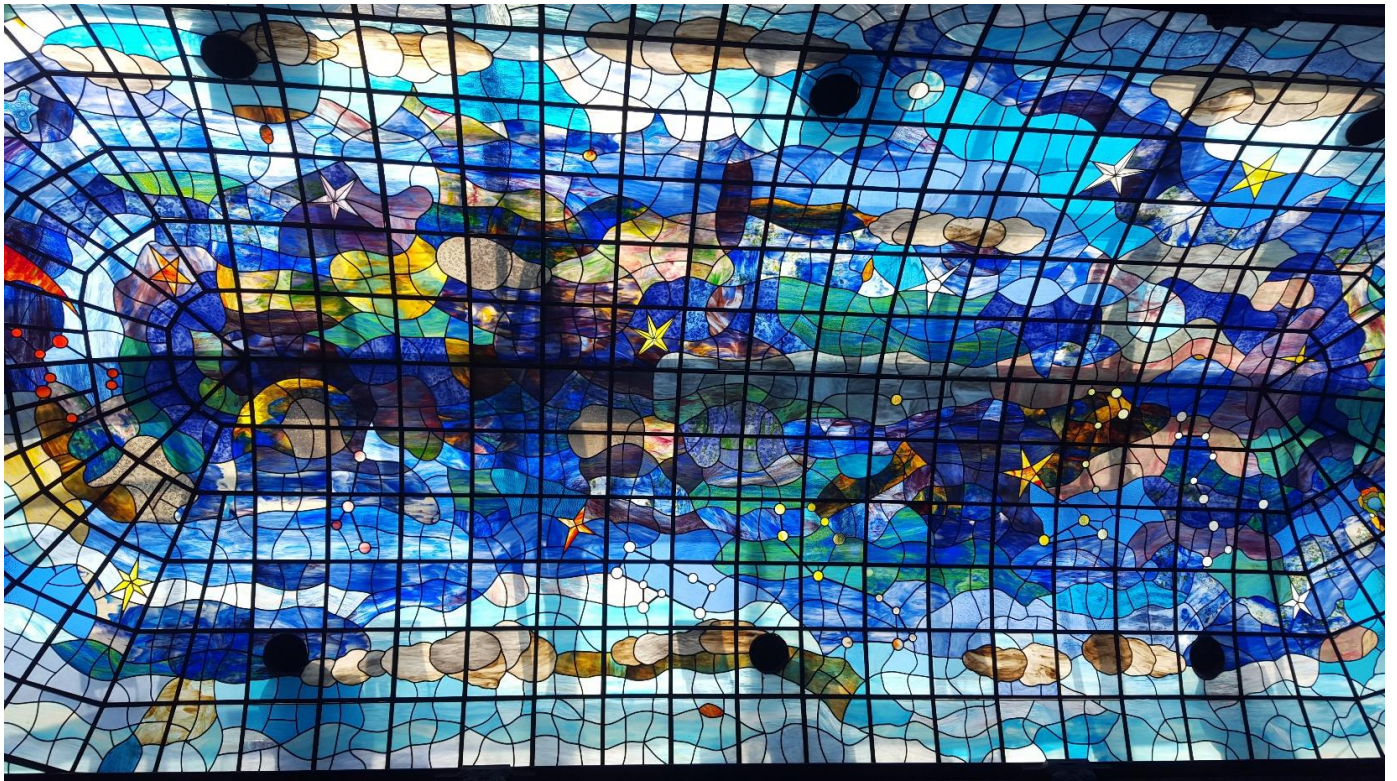
The purpose of the exhibition was to take those Goya paintings and show images of the Syrian conflict alongside them to demonstrate that nothing has changed. Yet somehow, the works of Goya are so much more affecting / capable of being effective. Goya, having seen the carnage of the Spanish civil war, wanted to use his art to disavow mankind of the notion that anything good comes of war. By using impressionistic techniques rather than realism, we are invited to use our imagination – so much more powerful.

So why use that? Why go to something so black? What has that got to do with selling wine or anything else for that matter? The most powerful thing in marketing is the truth. People wonder at younger audiences turning away from traditional advertising but sit through any television advertising break and you will see that almost every promoted product uses strategies that can be considered morally repugnant. Something that tells such a hard truth as ‘The Prisoner’ is therefore likely to get cut through.

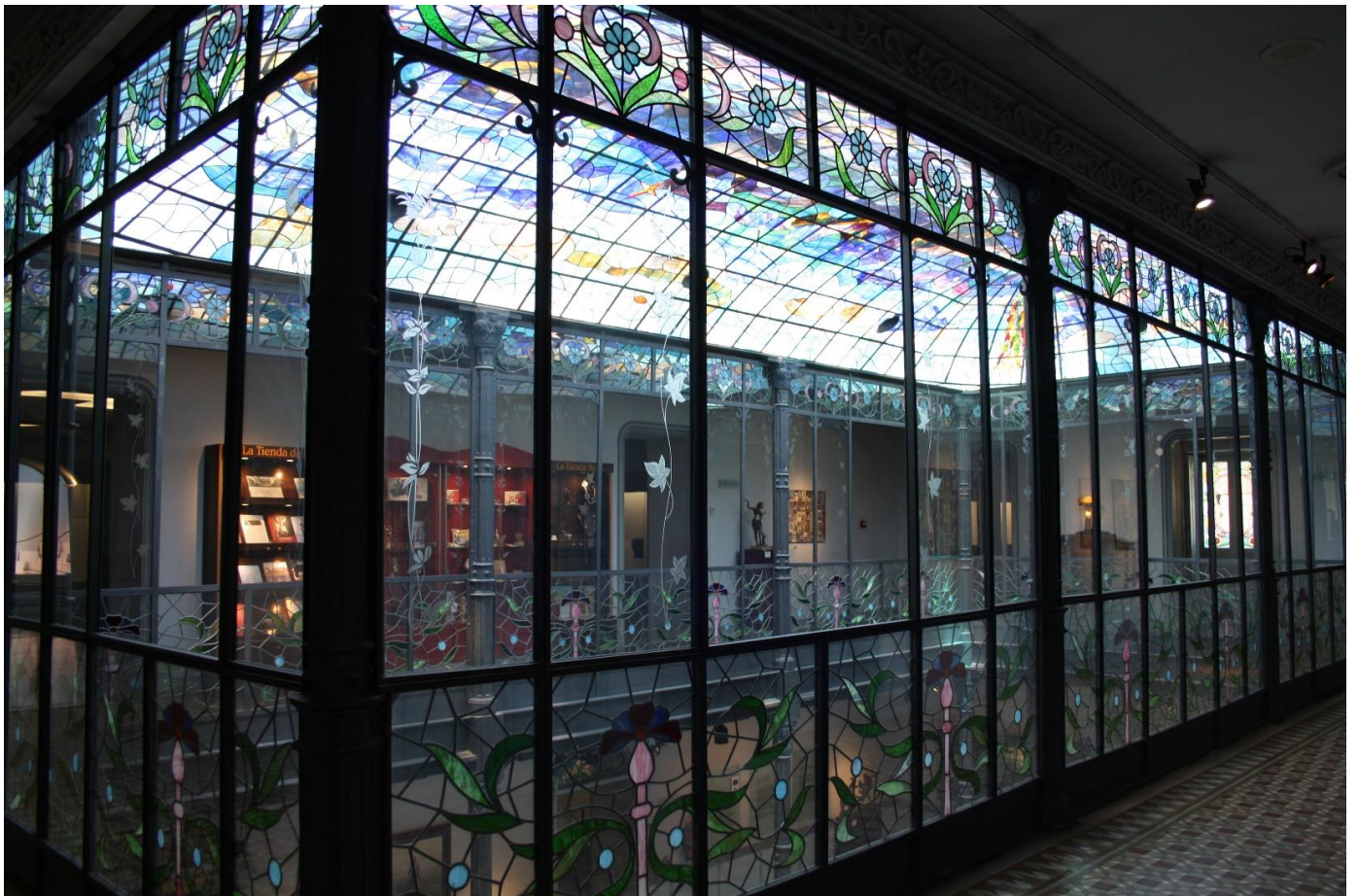
In telling our brand story, we're told that all story telling has five elements (the characters, the setting, the plot, the conflict, and the resolution). What Orin Swift dare to do is challenge this. There isn't always a happy ending. Goya's contention is that in war, there never is.

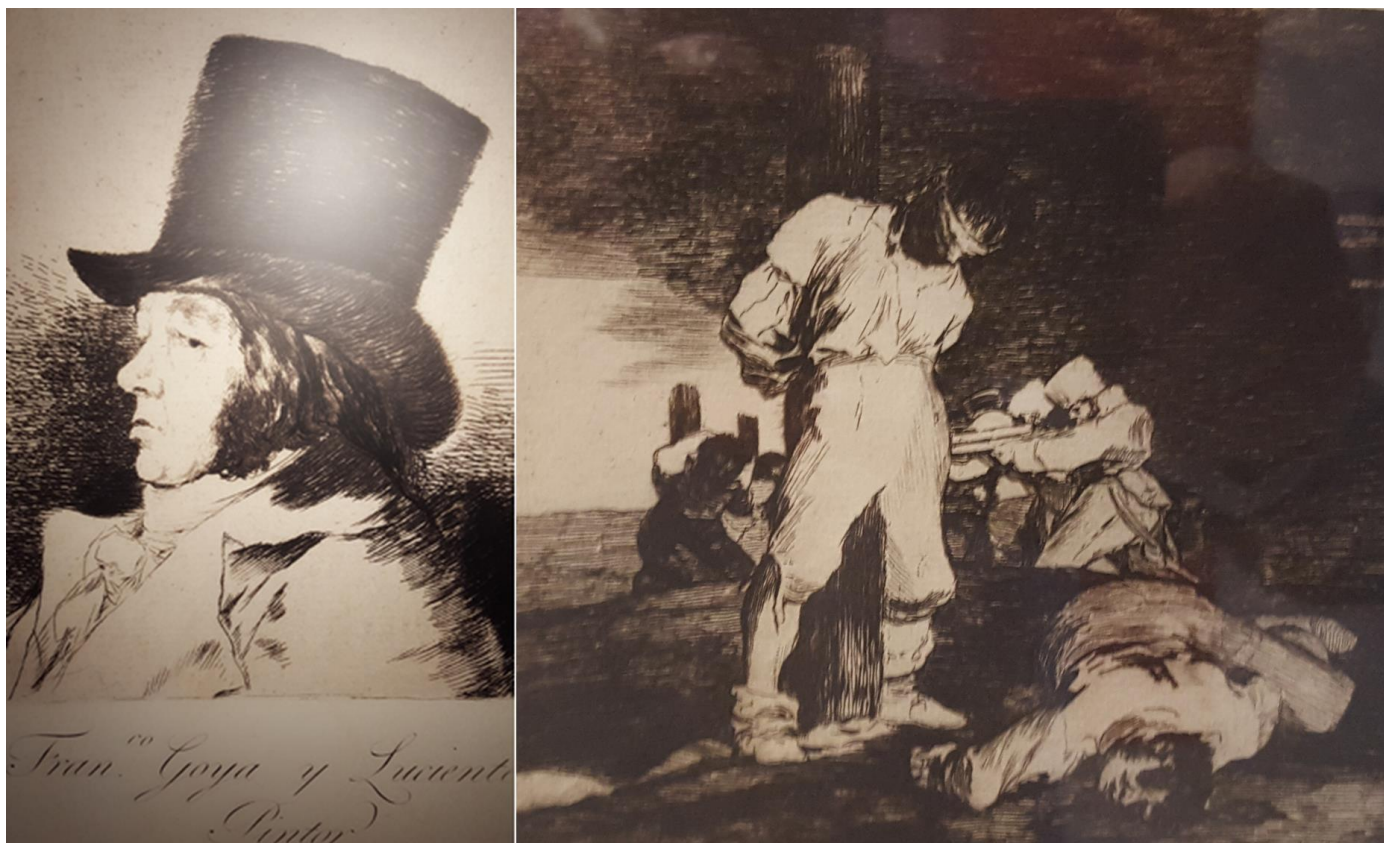
That gets your attention but then that truth must carry through every aspect of quality, including winemaking innovation, packaging, communication and the way the brand, thereby, gets built. This is what large companies struggle with. You can't manufacture authenticity. It's why they pay so much. It's what may potentially undo the value of these investments if they don't manage all aspects of integrity, including price.

Importantly, it is absolutely not just a gimmicky label as so many seem to think when seeing what elements of the Spanish, US and other more progressive wine industries are doing. It's a redesign of brand philosophy.



The Casa Lis Gallery - Salamanca





Goya and 'that painting'

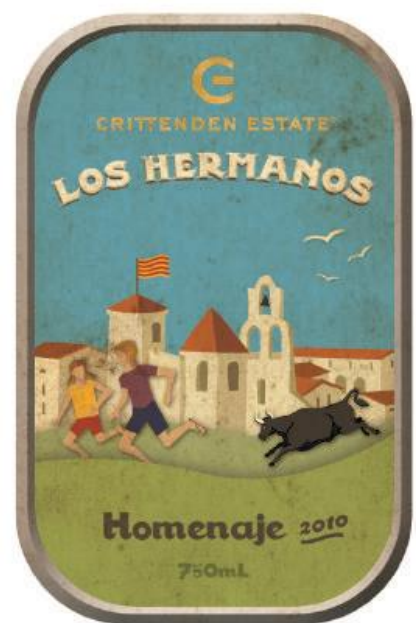
It's the same sort of device as used by the Innocent Bystander brand (recently bought by Brown Brothers, in a market that hasn't seen a brand purchase like this in ten years). You don't know whether the figure on the label was the victim or the perpetrator but you do know that it wasn't a happy ending either.

What about other approaches? What other ways are there to create these sorts of very deep connections with customers?

Another of our client's, Domaine Gayda, has had great success with their Figure Libre brand. I was intrigued by the image of a man flying over vineyards. I used to often have that dream as a young man and wondered what it meant. The owners told me that the meaning of the dream is that you are insecure, you're not clear about your direction yet. (Later incantations show the Figure well-grounded in the vineyard).

This is about as brave as it gets. That is really putting yourself out there in terms of asking your customers to engage with your own personal journey as a number of our clients have done. It works. Domaine Gayda have been able to sell at much higher prices and in far greater volume than most of their Languedoc neighbours. That only gets sustained through absolute commitment to authenticity and brand integrity.

Travel, of course, is the greatest source of inspiration. Whilst in Portugal, I once again stumbled upon the source of inspiration for another client's branding – Rollo Crittenden's Los Hermanos range. What the Portuguese do when faced with marketing something as potentially dull as a can of sardines should give us all pause for thought...



I think the most important thing about innovation is to be clear about what it is. I was fortunate enough to be invited along to one of my largest client's strategic planning days, recently. There were more than 20 people seated around tables intensively dreaming up, testing and choosing between ideas.

All of the so called 'innovations' that were being discussed, however, amounted to little more than line extensions and product improvements. All seemed to be predicated upon the notion that the business was doing everything, more or less, perfectly and that the purpose of this exercise was to look at ways of improving upon that.

In this business's case, this may have been near enough to the truth but for most businesses I deal with, this is incredibly dangerous. The wine world has changed fundamentally in the last 2-3 years. What the market wants has changed. The channels and audience have too. The product and communication must, therefore, also change. Wine businesses, in some cases whole regions, must morph significantly or risk failure.

Many business owners understand this. The question is – how do we go about it?

In my game, I must be very careful what I say to clients as they may just remember it for the rest of their lives. I will remember always, many things that clients have said to me.

For example, I was at a conference talking to Jeffrey Grosset and Stephanie Toole (listed as #4 power couple of the wine world by Decanter Magazine, I note) and Jeffery said – “We don't want to be tagged as innovators”. (i.e. we don't want to be seen as part of the rules-out-the-window 'Hipster' set) “We want to be seen as progressive”.

Real innovation, as I see it, is about exactly this. It's using as much business intelligence as you can to identify threats and opportunities. It's then about using that information to adapt your offer and change ways of doing business so as to align with what your chosen customers wants most.

Sometimes it's about doing that slowly. Too much innovation is often worse than none. Research has proven that. Sometimes it's about moving faster because the rate of change is greater. Now is one of those times.

At the core of companies who successfully innovate is a culture where all staff are encouraged to ask “Why?” (or “Why not?”), where everything gets challenged, all the time and staff are rewarded for solutions.

The random brainstorming approach can produce ideas that add value or even change the business but these are rare. People that use everything that they have done to inform questions about how to do things better or tear them down and start again, generally, have the most success with innovation.

You can think of people like Phil Sexton (Devil's Liar / Little Creatures / Innocent Bystander / Giant Steps) and Vinimark (The Chocolate Block / Boekenhoutskloof / Wolf Trap etc) who routinely get it right versus the innovation efforts of the major companies.

Large companies can still do it but only when they keep intelligence (i.e. people) in the business. David Woods confided in me that by the time Hardy's sold to Constellation, for example, their new product introduction success rate was over 60%. That was only achieved by keeping the core sales and marketing team together for neigh on 15 years.

The most important thing, I feel, is to study all the recent change (towards 'natural', biodynamic, organic, 'new' varietals, new and sometimes ancient winemaking techniques, direct selling, luxury wine, on-premise sophistication, retail consolidation etc etc), work out how they impact the audience you are trying to talk to and how to respond in a way that is, absolutely, true to your brand and who you are.

The worst thing that can happen is for opinion leaders, by way of example, to go on national television, as the most powerful voice in Australia did, and describe Natural Wines collectively as "an abomination". (I went to Rootstock again this year and tried no 'abominations'.)

Yes, there were some wines that should never have seen the light of day, initially, but young winemakers learn quickly. And that's how it should be. You try, you make a few mistakes (that hopefully aren't commercialised), you learn and you grow. As with cooking, as with life itself, it's a process.

I saw a good example of this whilst in Burgundy last week. Winemakers will make their barrel choices based upon what the vineyard gives them in terms of fruit style each vintage. Like all the best winemakers, and the Burgundians can make good argument that they are among the best winemakers on earth, they are looking for the ultimate expression of the vineyard via fruit flavours.

They're using all of their accrued knowledge over generations and they're adapting, evolving and innovating, refining their craft as they go.

That should provide motivation for everyone else to push harder. No one is standing still.



Heavily manicured vineyards in Montille – Cotes du Beaune – View from client’s house...



Getting ‘physically and psychologically’ close to the customer in Lisbon.

My dear, and now departed, friend Tim Rands once said to me – “You know what brand building is Peter? You create something that people want. You put it into the right channels. You pay the right people the right money (because we need to be realistic about that). You make sure that it’s sold in the right way, at the right time and at the right price. You do that consistently. Very few people understand how to do that.”

And he was right. It’s very straight forward. It’s just not very well understood, valued and practiced by all but the top brands marketers. It’s what enables his company, Vinimark, to turn out success after success – to create brands that connect and that can work anywhere.

Larry Lockshin was extremely clever, I feel, in organising the last Australian Wine Marketing Conference. He got all his co-presenting academics together and told them that he felt there was only time to sell one idea.

That idea is that all marketing research boils down to successful brands having two things in common. The first is Salience (which I call a combination of relevance and resonance), meaning that for a brand to be chosen it’s a question of how strong an emotional connection do I have with that brand and the people behind it and how well do I believe it will do its job?

The second factor is Availability. Mental availability in terms of being in the consideration set and physical availability. This has become more challenging as channels consolidate. As most of our customers shift to DtC being their most important source of business profits, I’m not sure that the ‘availability’ question is being addressed anywhere near as well as it could be.

Most are getting very good at selling to customers once they are there at the winery. We have clients with conversion rates per tasting group of close to 100%. What I don’t see and where I see huge opportunity is in being more ‘available’ prior to the visit.

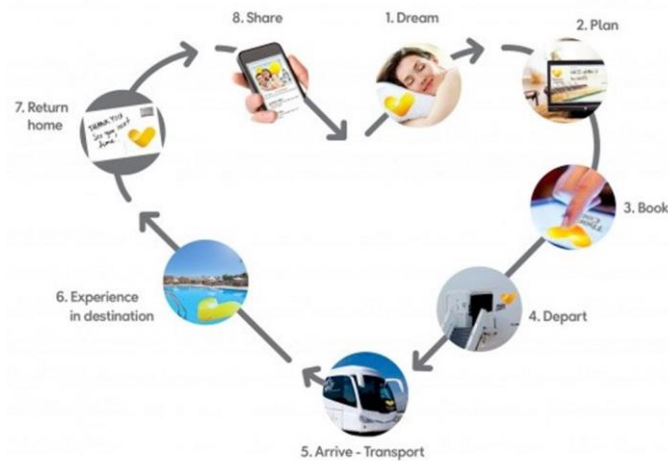
That is – How do we manage our sales pipeline so as to be more visible / ‘available’ than our competitors?

- How do we do SEO properly?
- How do we use Search Engine Marketing?
- How should we use Google and Facebook ads?
- What traditional means do we use to bring more people to us?
- How do we tie this all together into an integrated Strategy?



Once we've got that sorted, how do we then take it global? How do we;

- Start in inbound markets?
- Work with tour operators?
- Create, 'productise' and sell an experience?
- Form full partnerships with restaurants and accommodation providers etc?
- Deliver excellence at cellar door?
- Continue to sell direct to customers in their home market?



Most important of all, how do we get staff trained and motivated to make all this work. This of course is core to what we do these days. WBS Associate Gerald Feickert has now gotten so confident with his processes that he is willing to guarantee outcomes from sales training. So, there is a way. As always, if you're feeling inspired, innovative and want to know more about brand building and sales, we'd love to help.



A final thought. If I ask clients and wine lovers around the world where they believe the pin on the map would land if they had to pick an end-point to wine (i.e. who is the most evolved and is therefore making the best wine) German Riesling comes up a lot. Piedmont and Burgundy are up there, too. For most, however, that pin would land somewhere in the Northern Rhone.

A client of mine was lucky enough to visit [Thierry Allemand](#) in Cornas. When you look at this man staring down the barrel of the camera lens, you can see 'the truth'. Having done it all his own way without an inheritance or other financial backing and spending a life time innovating till finally, this perfect moment in this beautiful vineyard.

That's what focus gets you.

How much does 'the truth cost?'

About \$US285 a bottle...

The “Top Ten Tips” for Building Better Wine Businesses.

One - Start by understanding your customer value proposition. Only part of this stems from your company’s unique heritage and / or personality. To be successful, this needs to be strongly linked to what your customers ultimately want from the experience of your brands. There is some excellent research on this that is publicly available. Getting it right is therefore not out of the reach of small companies.

Two - Once you understand what customers value most, you can then remove what they don’t want (thereby reducing costs and freeing up cash), focus your communication on what they do want (often at no additional cost), differentiate your company on the basis of fulfilling customer needs more accurately than any competitor (again, often at no extra cost) and raise prices (because your offering is more highly valued)

Three - Always be asking the question – “If I could start with a blank canvas today – what would our wine business look like?” It’s all too easy to let existing assets, existing product lines and existing ways of doing things blind us to what it is that our consumers value most. Often, it’s simplicity. Complexity usually adds to costs and often only serves to confuse customers. Retaining unnecessary or irrelevant product lines, assets or business processes is the worst contributor.

Four - Make everyone in the company accountable for securing customer preference. This is not just the job of marketing but of everyone in the company, the owner most particularly. Make this the focus of the way every employee innovates their job processes on a daily basis.

Five - Invest in relationships. This is particularly so with major distribution partners. Make sure sufficient time and money is invested before demanding results. Be prepared to invest up front in bringing them to your home base and entertaining them in order to build enduring friendships.

Six - Make all employees champions for profit. Develop a culture of honesty around net revenue. Make sure everyone knows the actual price achieved net of all discounts, rebates, bonus stock and anything else that might otherwise cloud the true profit picture. Keep them focused on reducing costs but let them know that a percentage increase in wine company revenue is, on average, twice as effective as the same percentage decrease in the cost of goods sold and 3-4 times as effective as the same percentage saving in operating expenses.

Seven - Optimise your pricing mix. Focus first on selling more, higher margin product in high value markets to high value customers. Beware of people in love with “big volume”. Big numbers make for big stories but often mean a lot of running around for no additional profit.

Eight - Build better business intelligence gathering systems – most companies are good at monitoring their own press. Very few have effective systems in place to monitor competitors, track changes in consumer preferences and turn customer feedback into customer value added.

Nine - Build 5-10 year Strategic Plans, forecast rolling 12-month budgets, link them to the most relevant KPIs and tie remuneration to these, wherever possible. Everybody knows they should do this. Few do. The difference in the performance of companies that do is enormous.

Ten - Watch your cashflow – building a cashflow forecast is a relatively easy exercise with the right software and some quality assistance. Some people survive years of losses but you can only run out of cash once. In a cash hungry business like wine – Cashflow is not just King but Oxygen.

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