

Wine Business Solutions



The Wine Paper 53

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On Brand

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Your brand is everything. It's the only thing standing between your intended success and being traded as a commodity or even worse. So, even if you are not particularly enamoured with financial management, sales and marketing (and I bundle those three ideas together most deliberately) management of your brand's strategy and your resulting brand equity is the single most important thing to be doing for any wine business.

If you are completely quality obsessed, won't your resulting product create its own following, word of mouth, online buzz and reputation? Well, yes, of course. But if you don't gain control of the front end of your business, price correctly, pick the right paths to market and manage channel partners optimally, you won't have the funds either to compete effectively or to invest in making that product the best it can be.

After doing a phone poll of some of our best clients about the biggest challenges / opportunities they face looking forward to the year ahead, it shouldn't have been surprising to hear consistently that managing brands and navigating them through fast changing paths to market, is the single biggest concern for even the very most successful wine businesses that we deal with.

I heard this with a certain sense of relief. This has been central to what we do from day one. Making this our focus for the year ahead brings our own business 'back to brand'. It should be no surprise then that 'Building World Class Wine Brands' is the theme of this year's workshop series starting next month in [three regions of New Zealand](#), then in Western Australia in mid-April followed, as always by South Africa.

Over 1100 wine business owners and senior managers have attended these workshops during the 15 years that we have been running them. Last year, we received our best feedback ever. I believe the main reason for that was increased interactivity (shared ideas about solutions to common, often localised, problems). We'll continue to work hard on building that.

As the leader of these programs, you still must believe that you have something to contribute yourself. How to manage the very practical and commercial elements of building successful brands globally, backed by both hands on and consulting experience, really ought to be it.

I remember the late, great Tim Rands (founder of Vinimark, one of South Africa's most successful wine companies) saying to me "You know what brand building is. It's about creating a concept that truly speaks to its audience. You must know how to package that, how to communicate that and sell that. You must also know about how to choose the right partners, price it properly, maintain margin (and that you have to pay the right people the right money. Let's be real about that.) – **Very** few people know how to do that."

I've been lucky enough to work on global strategy for not one but two twelve million case wine brands. In both cases, the Principals were obsessed with one question – why are we successful?

It seemed a particularly appropriate question to be asking at Vinexpo, Bordeaux. The main hall is over one kilometre long. From one end to the other, you can see impossibly good looking and well-dressed men (mainly, sad to say) standing in front perfect displays of equally good looking and well-dressed bottles.

Why then, was our brand, Freixenet, selling 12 million cases whilst more than a thousand of these other brands would mostly be forgotten by attendees within days afterwards? It was a heck of question.

Now I do realise, of course, that hardly anyone reading this will want to build a business this size. It might even be that we never see a [yellow tail] or Barefoot type brand again. But building some of the magic that got those brands to that level of success into our own brands, has to be helpful. What might that be?

1. Getting the name right. There's a whole paper / workshop segment in that one. A great name speaks to the experience your intended customers want. It should have a quality that makes people want to tell others about it. It can do a lot of the heavy lifting for you. A bad name can make winning impossible. Make sure it is unique. You never know when you might decide that export is something that you want to pursue. You don't want to be blocked from doing that by registered trademarks.
2. Be unforgettable. Freixenet has a black bottle. After 60 years, almost no one else does. Both Freixenet and d'Arenberg (with its red stripe) provide outstanding examples of what to do when your name gets in the way. It's easier, of course, if your brand name is right to begin with.
3. Be unmissable. I once walked in to the biggest Sam's Club in America. It was also over a kilometre long. You could see the [yellow tail] on the back wall plainly. You don't want to be that garish. There are so many more stylish elements yet to be incorporated into wine packaging that are equally unmissable and unforgettable.
4. Value innovate. There is a whole chapter in Kim & Mauborgne's 'Blue Ocean Strategy' on [yellow tail]. It's old news now but the principals are timeless and underutilised. If you strip out everything that people don't value and pump up what they do, there is a way not just to beat the competition but to make the competition irrelevant. We'll run a value innovation exercise as part of the workshop this year targeting opportunities for 2020 and beyond.

5. Price correctly. In the wine industry, a 5% increase in revenue typically produces a 20% increase in profits. And vice versa. We'll show you how that works as part of the workshop this year as well. One of our clients has just invested in a full-time pricing analyst so as to be better prepared to have that conversation with major retailers. It's that important to their business.

Between our On-Premise data, published on-line retail pricing and wineries own prices, we can perform comprehensive pricing analysis for clients. Somewhat sadly, it is only the very best businesses that we deal with that utilise these sorts of services when anyone can take advantage.

6. Controlling your channels. Getting to the truth about the size of the various channels and their relative importance, dependent upon your scale of production, is critical for wineries. The single biggest mistake we see made is too much haste to sell into the wrong channels. Often that's due to both misinformation about those channels and misconception about the maturity and awareness of a business's brand. Mistakes made here can take years to recover from.
7. Pick the right partners. The single most important factor, where building a brand is concerned, is picking a partner with a brand building philosophy. You would think that all major importers and distributors would use this approach. But it is not the case.

We've just released our [Wine On-Premise UK 2019](#) research. Even if the UK market has taken a bit of a hammering pre-Brexit, there is still a wealth of globally applicable lessons to be had in terms of what not to do.

- i. Harper's Directory lists over 500 UK businesses who claim to be able to distribute nationally. Our research shows that the Top 30 are accountable for over 70% of all listings on UK wine lists and the Top 10, almost 55%.

You would therefore not want to be anything other than the leading brand from your respective region (however you define that) in one of those top 10 distributor's portfolios. Being with an ineffective distributor is more costly than not entering a market at all.

- ii. Brand building has to be believed, not feigned. So many distributors, in the UK especially, claim to be brand focused but then practice simply filling holes for their restaurant customers.

In the very worst cases, and this involves one of the biggest UK importers, a client was told by one the distributor's marketing staff that they didn't want to 'lead the market' by daring to suggest that they buy one wine at the exclusion of another or, in other words, engage in the filthy business of selling.

- iii. Beware of businesses that chase fads such as the latest country previously unknown to have produced wine or the latest obscure indigenous grape variety. Bibendum had made this part of what they considered to be their competitive advantage when it was simply something that they could get away with. This year, they have seen the biggest drop in listings of any major player.
- iv. Beware of hipster distributors. Hipster brands notional belong with hipster distributors but not 450 in one portfolio as is the case with the leading UK distributor of 'Natural' wines. After 5 years of the boom, many of these businesses are either broke or about to go broke. The laws of gravity still apply where brands, brand building and distribution are concerned.

So, what do you want from a distributor in summary? – As we said of our 'Distributor of the Year' in the UK for 2019 – "Unlike most UK primary suppliers to the On-Premise, their approach is unerringly brand focused. Their portfolio is tight. They normally work with the best suppliers from any given region. They are not distracted by short term fads. They focus on long term brand building instead. They win as a consequence".

That necessarily means investing a lot more time understanding what good brands are and what good wine looks like. If as a business, you only really understand your neighbours and key competitors from your own country, you face huge risks. But don't worry – seeking to understand the whole wine world is a huge amount of fun.

8. Optimise Direct sales. Understand how to leverage direct customer relationships across your whole business. For the last 5 years or so, we have focused increasingly on direct sales as that is where the growth was coming from for our customers. It really did save what was an industry in distress.

As that opportunity matures, our clients are looking to take the next step through tying direct and digital into whole of business strategy. We'll be looking at how to do that in the workshop as well.

9. Master Communications. Like all business disciplines, how and where to focus is the most important communications question. With so many ways to connect with customers and that changing so rapidly, developing a clear, consistent, and unique approach to talking to customers is vital. You won't be surprised to hear that we'll cover that too.
10. Being consistent. Every time you sell a product, you have the opportunity to do two things. One, to recover money you have already spent and hopefully some profit. Two, to engage in brand building. But what is brand building after all that? I say, it's making sure that every single thing that you do builds upon positive existing ideas people have of your brand, your region and your country.

By now, some of you may be thinking that these big brand stories have been told before, that we all kind of get them and how does this relate to me anyway? You'll also likely be thinking, as I always do when I read the likes of the "Worlds Most Admired Wine Brands" or whatever – how can the world's most quality focused producers be sat next to the worlds least authentic factories and be equally 'admired'. It's like driving Donald Trump and Barack Obama around together on a 'great leaders of our time' bus would be.

What I have never seen done (and hopefully this does it) is discuss what the most successful wine brands are from your perspective. That is to say – who has gotten it 'all right' in terms of being a business that any wine business owner / manager reading this should look to emulate and / or surpass.

By 'all right' I mean that they are recognised as the quality and thought leader in their region, that they thereby price at a premium, that they have achieved global recognition, that they could still be operating in 500 years' time as ostensibly the same business and that they appear consistently amongst the leaders in our On-Premise research meaning that they are not reliant on retail where margins are harder to manage.

Let's work through it, wine style by wine style, and discuss key things to watch where each is concerned.

Champagne



The best wine company in the world, on those parameters and just about any others you want to mention, is LVMH. Whilst there are some who might want to snipe at their more commercial offerings, you've only to do a Vintage Champagne tasting that includes Dom Perignon to reconfirm just how masterful these guys are at their craft.

The same was said of Cloudy Bay for many years. I was Chairman of Wine Marlborough. I heard it all. That it was over-rated, that there were many better and that it was all about evil 'brand' stuff. The key learning here is that when you are that big and that profitable, you can easily fix quality. And they have.



If we just look at the UK, it's Laurent Perrier that has been the most listed brand in that market every year for the 10 years that we have been measuring it.

Every 'winning brand' has a kind of 'party trick', it seems, that means that they can generate the super profits that then enables them to outspend and outperform their competition. With Laurent Perrier, our research shows that nearly 2/3 of their listings are Rose which they sell at a £20 per bottle premium to Moët & Chandon. When you multiply margin by market share in this way, you end up with a war chest of promotional funds that can't be beaten. That is why LVMH win in almost every other situation.

Chardonnay



Louis Latour provide the complete education in terms of creating a commercial success out of top end Chardonnay. Making their own barrels works both in terms of controlling cost and mastering quality. 550,000 cases annual sales is a hard number to argue with.

Their wines are easily accessed to buy for comparative tasting and provide the true benchmark, I believe, in terms of drinkability, rather than the sorts of fads that have affected Australian white wine making, in particular, during recent years.

Riesling



DR. LOOSEN

Ernie Loosen wins this one hands down. He consistently has the most listed Riesling brand and most listed German wine brand in every market that we measure (except Australia and the Pacific NW of the US). Running his own sales team in the US was a big part of his success there. Being lucky enough to have a name that contains the product's promise is also helpful...

Sauvignon Blanc



Henri Bourgeois, the biggest producer in Sancerre. Jean Marie Bourgeois told me in 2004 that they were on wine lists in 83 countries. I dare say now that they are in over 100 now. Its part of a deliberate strategy to depower retailers to minimise their influence over pricing. Their channel management strategy is one of the best I have seen and the main reason for their brand's price premium. They also manage the expression of terroir as the key element of their story in a way that Marlborough producers have much to learn from.

Having said that, the Ibbotsons (St Clair) and Ivan Sutherland / James Healy (Dog Point) and others are building world class brands in Marlborough. Shaw and Smith also provide great example. They have been the single most listed brand in the Australian On-Premise. In retail, they sit at a \$6 premium to other Australian Sauv Blancs and sell 6 times the volume of their nearest rival. Again, it's about share and margin.

Chenin Blanc



Kleine Zalze in the UK is the most consistent Chenin Blanc based brand internationally in terms of On-Premise listings. Ridiculously good quality for the price has been part of their success to date but that strategy can be a liability. Markets always become more premium.

Ken Forrester (South Africa), James Millton (Gisbourne, New Zealand) and Marc Berdif (Vouvray) all provide unique models of leadership with this varietal that bare further examination.

Aromatic White Wines



Trimbach is consistently the most listed French wine brand in the US and the most listed Alsatian brand in the UK. 13 generations' hard work helps. Working with top importers like Palm Bay in the US and Enotria in the UK is equally important. They provide one of the best examples that there is of how focus on quality and owning a style and can trump wine fashion.

Pinot Grigio



Santa Margarita is the clear winner there. So OK, perhaps we are not talking about truly great wine as per the previous examples but there is no one seeking to own that position in this category. Again, it is the market share and price premium combination that puts the brand in a position to beat all comers. Running their own sales team in the US has enabled Santa Margarita to go from strength to strength.

Sparkling Wine and Rose are major categories in which no one business has been able to dominate and take up a true leadership position in the way in which the aforementioned have.

Gamay



Georges Duboeuf has to be one of the hardest working guys in the wine world and no one dominates their category like they do Beaujolais. Their packaging has to be amongst the most distinctive of any wine brand and the quality today is consistently (and, I would say, surprisingly) good across the entire range.

Pinot Noir



Joseph Drouhin

Joseph Drouhin is not only one of the most commercially successful, quality focused Burgundy producers, they are also amongst the best in Oregon as well. Just as Henri Bourgeoise does in Marlborough, Drouhin have looked beyond their own shores in order to gain insight into perfecting what they do at home.

Bordeaux



Bordeaux is, of course, the world's most successful table wine brand. At one level. I was in China last month where the region of Ningxia is looking to copy the Grand Cru Classe system. I don't see anyone else looking to do that. In terms of creating a brand with a \$US25 plus entry point that could be scaled to create a half million case fine wine business (that typifies most businesses in this list), Bordeaux is the last place to be looking for leadership. No one seems to have any clue about how to do that there and Bordeaux is fastest disappearing region on wine lists internationally, consequently. Burgundy is now going the same way.

Sangiovese



Antinori do a myriad of things well. Their \$US180 Million cellar door development is a pilgrimage we should perhaps all make. Many of our clients have an 'oldest' claim but being able to trace your winemaking lineage back to the 14th century is pretty hard to beat.

Tempranillo



Ramon Bilbao is the clear winner in the UK, where Rioja is concerned, and has a strong position in the US. Ramon Bilbao has been the most listed Spanish wine brand in the UK for the last two years. Good sales people are critical to success. Ramon Bilbao hired Matthew Clark's Kirsty Loftus to run the UK and Ireland. Similarly, Yealands is the most listed New Zealand brand On-Premise in the UK and Australian markets. Hiring of top sales people ex bigger businesses like Hardys and AVL has been key to their success as well.

Malbec



Trapiche is, of course, the biggest brand but it is the feisty Laura Catena, one of the most inspiring people in the global wine industry, who can be said to be the real leader here. I love how upset she gets when people suggest that the demise of Malbec is imminent. Her story telling via video is second to none. People talk about 'passion' far too much, I believe, but Laura is the real deal.

Rhone Blends



Guigal is the out and out winner in the Rhone. Unlike most New World producers, Etienne Guigal takes the approach of not visiting markets and relying on product quality to do the hard job of brand building. I don't know about that approach. I believe that the Laura Catenas of this world are coming for Etienne. Let's see. At least Guigal has opened a visitors' centre, something that would be a huge step up for most French wine brands.

There is no global brand of **Cabernet, Merlot or Shiraz**. Not in the On-Premise. You might expect that Penfolds is a global brand where Shiraz is concerned but not so. Not even in the Australian market.

These 'New World' wine ideas are now very old in the market and have been heavily commoditised in retail to the point where developing the sort of leadership position that fine brands in other categories have done is near to impossible.

Dessert Wine



Royal Tokaji is the clear winner in this category. Just like Lebanon's Chateau Musar and Valdespino Pedro Ximenez, Royal Tokaji is one of those wines that has become a real 'uniform for individuals'. So many restaurateurs want to say to their customers that 'here is something rare, unique and special', to present as a bit 'clever' in that way, that these products have turned into major global wine brands.

Sherry and Port



Emilio Lustau (Sherry) and Taylors (Port) do not belong to the same company but they could do. They even use the same type font. Each has set itself so far apart from its competition that they are almost never beaten in terms of having the most listings in any market that we measure. With Lustau particularly, its premium pricing, packaging & product all working together rendering the competition almost invalid.

So, there we have it. Hope that was useful? Please don't get disparaged by the age of some of these companies. Success does take time but the principals of building a world class wine brand can start working for you today. As ever and always, if there is anything that we can do to help, please be in touch directly.

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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