

Wine Business Solutions



The Wine Paper 54

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Wine Pros

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Prowein. The name says it all, really. Where once Vinexpo was the most important wine fair on earth, Prowein stole that mantle nearly two decades ago now. Vinexpo is still a major event, especially for French producers, but if you want to do business, Prowein is more broadly considered to be the place to do it.

Having never been before, it would have been folly to have approached it with the sort of military style precision planning that makes the fair so successful (although I would always encourage clients to plan as many distributor meetings in advance as possible). With 61,500 visitors from 142 countries trying to get a look at 7000 exhibits, just contemplating an approach can be completely overwhelming. I had to see it first.

What I worked out, arriving with not much of a plan other than a few key appointments, was that, at these types of event, the most important figures from each participating country need to be present and available. This made it extremely easy to advance several key projects we are a working on (such as comprehensive international benchmarking of Direct to Customer sales) just through literally bumping into the right people.

Aside from that, my mission was to look, listen and learn as much as possible. I thought you might find it useful if I were to summarise what I thought were the key learnings from observing and listening to some of the world's best wine marketers, on a wine style by wine style basis, albeit extremely randomly selected.

Willi Klinger is just about to retire as head of the Austrian Wine Marketing Board. When Willi organises dinner, as he must have done a thousand times before, it becomes a bit of a work of art of itself. Who must come, where to go, where we sit, how we sit in relation to each other, what we eat, what we drink, what the topics of conversation should be, even, all get careful thought.

The positioning of the Austrian wine brand is all about culture and nothing must be inconsistent with that. The attention to all of those details made for an effortlessly fun evening, never to be forgotten. Entertaining is, after all, one of the most important things we all do. Willi is the personal embodiment of how to do it.

What gets drunk at such an evening? Well, exactly what you would expect from reading our On-Premise research – good Austrian Reisling, Mersault, Cornas, Barbaresco – but the stand out wine for mine was an Agrapart champagne. Putting reserve wine quality into your standard offer is an old but highly effective trick.



I also visited our good clients Lanson. I recently received one of those phone calls from a major competitor brand wondering why they hadn't done better in our Australian On-Premise report. I later reflected upon what Lanson have done that they had not, which has led to them being the fastest growing Grande Marque in the Australian market.

We took the time to hook them up with the best distributors in each State, they created a special cuvee just for them so as to be distinctive from what is sold in the off-premise, they invested in a full time brand support person, they do the white label thing, the pink label thing, the organic thing and just about every other thing, along with globally visible sport sponsorship and, of course, are getting results. As we discussed in our last Wine Paper, brand building is a process whereby taking the right initiatives at the right time, making the right logical steps yields predictable results. There is nothing like actually seeing that in action.

They have a way to go, however, to catch up with Robert Oatley. I met up with the ever-charming Chris Hancock, who joked that this would be his first and last Prowein. The Rosemount stalwart is still very much at the helm of this extraordinary business. He tells me that they have built Piper Heidsieck to be a 3 million bottle brand in the Australian market.

Piper has been the thin edge of the wedge in driving Champagne through being a luxury, celebratory item exclusively to being an everyday drink of the Australian suburban middle class. We're all better for that. Much as competitors may moan about price competition, that transformation means that their brands are now part of the 'consideration set' for occasions where they never would have been before. Solid On and Off-Premise category management skills have had a big role to play, where Oatley's success is concerned.



On the commercial side, my favourite tasting experience of the entire exhibition was Castel Ice with macaron donuts. You're going to think that I'm joking but no. You see, France's largest wine company has worked out that if you want to succeed with a fun product today, it pays to take it deadly seriously.

They engaged two of France's best up and coming young chefs to create the flavours for the macarons (and for the chocolate ganache ice cream to go with the Merlot). They personally make each donut for you. The 'Ice' wine itself, served on ice with lemon, is remarkably 'grown up' in flavour. It's certainly drier than certain big brand champagnes. You can taste the investment that has gone into flavour profile perfection.

And this is how you win. By creating a wonderful experience that no one could fairly criticise that respects the customer, Castel have exercised the sort of 'value innovation' that could enable this product to become a long-term part of the drinks repertoire, rather than just a flashy, short-term trend.



As usual, the people making the most noise in the entire show were Freixenet. No chance of missing them. If you want a lesson in making a statement, then look no further. Newly merged with Henkell, however, they are a very different looking business today to what they were just a year or so ago.

It's more than a little sad to see such legends as Achim Momm (Germany) Eva Bertran (USA) Mary-Ann Yewen (Canada) Ted Hamada (Japan) and Peter Protic (Eastern Europe) all leave in one go after each having spent most of their working life there. As Freixenet winemaker Gloria Collell says, there is plenty of new stuff to try now. Freixenet's Prosecco continues a long tradition of winning with stunning packaging.



Chenin Blanc

Uni Wines is a 70,000 tonne production facility from South Africa. That is about double the size of McWilliams' crush as a reference. Their 'Skin Contact' Old Vines Chenin Blanc was one of the best wines I tasted during two days at the show. It sells for around \$US100 a bottle and is truly worth it. It's very limited production, as you would expect, but is just one of a raft of similarly, ambitious wines.



Why is that significant? It just makes it all the more heartbreaking to see one of the largest wineries in NSW (not McWilliams, not yet anyway) about to be turned to scrap metal as a result of dogged determination not to embrace a premium strategy. Pernod find themselves looking to offload their wine business for the same reason. Constellation have already moved on everything under \$11 at their place.

Sauvignon Blanc

The best Sauvignon Blanc I tasted was made by a Kiwi but not in New Zealand. The most affable Jeffrey Chilcott is the winemaker at Marchesi di Gresy (also responsible for one of the best reds I tasted, a 2012 Barbaresco Riserva).



There are threats emerging right across the North of Italy where Sauvignon Blanc is concerned and the Italians really point the way in terms of how New Zealand could develop a wine style that is better suited to food and that could beat Sancerre by being not so overtly acidic.

Albarino

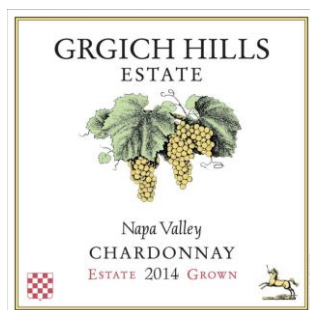
The beautiful people and Bodegas Granbazan make some of the best white wine in the world. They once engaged me to find them a distributor in Australia, but the price points simply didn't work at that time. Now, under new management, that has all changed and their 'green label' is the perfect style for their new entry point. It just bursts with flavour.



Being always more focused on long-term brand building and becoming more premium, I am never encouraging clients to compromise on price. Ever. In order to optimise any wine business, however, picking that entry price point and the quality / style ratio to match is critical.

Chardonnay

It was wonderful to meet the lovely Maryanne Wedner of Grgich Hills. Grgich Hills has to have one of the world's best cellar door operations. They have some of the most motivated sales people I've ever encountered. They work as a team. No one gets out of that place alive but in the best way possible.



They also have one of the best stories in the wine world. Maryanne is personal assistant to Miljenko "Mike" Grgich who first earned world-wide recognition when the Chardonnay he crafted won the 1976 Paris Tasting, beating the best of France. She tells me that at 92 years old, he still turns up to work every day. The wine is gorgeous but above all, for me at least, is the way in which Grgich Hills embodies an American Classism, that kind of 'comfortable in your own skin / old money' feel that no one else can copy.

Gamay

There is a revolution going on in Beaujolais. Winemakers are recognising the carbonic maceration isn't always an improvement and, with global warming assisting, ripe fruit means better wine. Nowhere is this more so than in Brouilly. I was thrilled to find that Chateau de le Chaize, one of the world's most beautiful wine properties, now has new, young owners determined to continue to improve quality. Beaujolais producers provide proof that anyone can reinvent themselves, if required.



Cabernet

I had the great pleasure of sitting down with Kanonkop's Johan Krige. Johan is out of a pretty good (Law) school with the likes of ex McWilliams' CEO, Kevin McLintock, Chris Anstee (Wine Industry Jobs, Australia) Tim Rands (Founder of Vinimark) and Anthonij Rupert all as class mates.



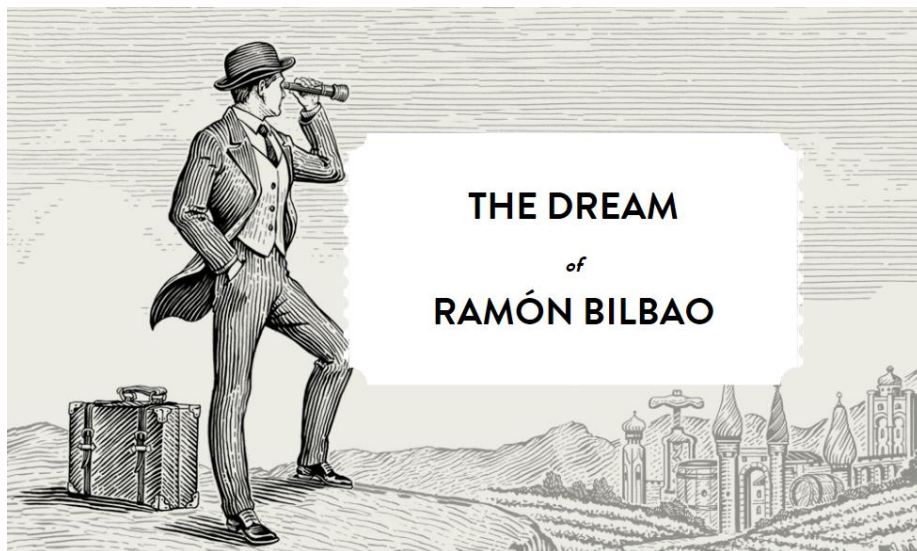
Johan was not of the wine industry or a winemaker. Yet, he helped make Kanonkop one of the world's most successful wine businesses. They produce over 300,000 cases focused, exclusively, on just a handful of SKUs of premium red wine. Johan tells me that the secret is that they sat down at the beginning, made a very deliberate plan and followed it. That might almost sound trite, particularly to anyone from outside the industry, but in 15 years of doing what I do, you would be amazed at how few of those I've seen...

Tempranillo

I also caught up with Ramon Bilbao's Kirsty Loftus who has helped (she says, humbly, as part of a team effort) to turn their brand into the most listed Spanish wine brand in the UK On-Premise, according to [our research](#) and one of the most listed in the US.

For over two decades, I've been on a crusade to try and get someone to do research into the 'ultimate end values' sought by the wine engaged consumer.

They've obviously done that. As we did at Freixenet, they've used spirits style marketing and positioned their brand against the relevant ultimate end values that I've speculated upon but have never seen proven.



The entire brand and its story are about discovery and learning – a journey. It's one thing, however, to write about these things on a web site, as larger company's marketing people are so good at doing. It's quite another to live the theme through every part of a brand's execution. Often medium sized businesses are better at doing this as they have both the continuity necessary and the authenticity.

Conclusion

Despite appearance and outsider's perceptions, wine is all hard work at the back end and harder at the front. There is nothing more satisfying, from my point of view at least, than seeing these people steer down the tidal wave of global competition and come out the other side surfing.

As ever and always, if there is anything we can do to help you, then please do be in touch.

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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