

# Wine Business Bulletin

## August 2009

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## Export Forum 2009 – Key Themes Reviewed

It was great to have Stu Devine representing Winepartners at the Export Forum and he rated the conference speakers, their message and the organisation very highly. The key themes that we drew from the series of presentations and workshops were these:

- Jeremy Moon: take ownership of your brand and get out there in the marketplace
- Chris Lynch: find your point of difference that makes your brand stand out from the crowd
- Doug Frost: a broader on-premise direction, as NZ appears limited to svblanc and pinot noir.
- Gary Vaynerchuk: ignore Social Media at your peril, use to relate your brand to your consumers
- Lisa Perrotti-Brown: make a long term commitment to key markets
- Philip Rich: work closely with sommeliers, communicate regional attributes
- Grant Ramage: exciting growth, develop regional story, still need keen price points
- SAQ: popular category, be eco-friendly, broaden style & regional offer
- Pierpaolo Petrassi: tough market, NZ doing well, don't follow Australia downhill
- Alessandro Marchesan: target wines to on-premise, education & training vital, be green

Overall, the speakers praised the New Zealand position, particularly in this tough market. They recommended knowing and understanding your customers, their wants and their needs, as much as possible. It was also stressed that wineries shouldn't expect importers to over-deliver, as it will take time and energy to get it right, especially in this recessionary environment. The energy was great, discussion and debate was energetic and constructive, and the networking opportunities superb.

## My Facebook just Twittered on You Tube

**“If your activity on Social Media is done well and done consistently, your brand will be talked about, shared and promoted to a scale that is hard to comprehend”**

My Space, Bebo, Twitter, Facebook, You Tube, blogging. All this stuff is for Generation Y or Z or whatever they're called now. Young people with iPhones who spend all day drinking coffee and tapping random nothings to all their web-savvy friends when they should be working. Right?

Wrong. The collection of internet sites known as Social Media (SM) represent the most important brand development opportunity for wineries ever. These sites are full of people who want to share their lives and their discoveries with their friends and the world. They are the classic Brand Ambassadors or Opinion Leaders who project their interest in something new to many, many others. What's especially interesting is that they are not all young ones.

According to Comscore, the majority of Twitter users worldwide are 35 or older. Young adults 18-24 only make up 10.6% of the Twitter population in the US and are less likely than the average user to tweet. 45-54 year

olds are actually 36 percent more likely than average to visit Twitter. Facebook is growing at an unparalleled speed, and the new adopters are older people. The 35 to 54 Year old demographic grew at a rate of 276% over the last six months and the 55+ demographic grew more than 194% over the same time period, while 18-24 year olds only grew 20%.

So here's a highly networked pool of potential consumers, in a great demographic for wine purchasing. They're happy to broadcast their lives on the web. This could be photos (Flickr), videos (You Tube), chat (Twitter), catching up with friends (Facebook) or having their say (blogging). These media all overlap and are often linked, so these consumers can cover their social networks quickly



and conveniently, from a PC or a phone. How do you get your brand in front of them?

The first thing to understand is that this is not a sales channel. People on social networks are not looking to buy things, they simply want to share. So you or your brand/winery's presence has to respect that and work within those boundaries. However, if your activity on SM is done well and done consistently, your brand will be talked about, shared and promoted to a scale that is hard to comprehend.

On Twitter, a Marlborough wine brand "Torea" has 1,319 "followers" – people who link to the Torea Tweet. The most recent five of these followers have a combined 76,849 people following them. If only a quarter of Torea's followers passed on Torea's comments, the number of people being touched by the Torea brand would easily number in the millions.

That's free by the way. Zero cost brand exposure.

Of course not all those people are into wine or could buy that brand easily or are even planning to buy a NZ wine anytime. But some of them will. And some of them will notice Torea later, in a restaurant or retailer. That puts Torea ahead of many other brands competing in the same market.

Another important thing to appreciate is that to get any traction, you need to be interesting. If you are blogging or twittering, your content and tone will win or lose you an audience. Share vineyard and winemaking stories, talk about your wines with passion, introduce people you meet and places you've been to your SM audiences. This is the stuff people pass on. Don't get excited about the new label design, the promotion in Vino Fino or the new sprayer being delivered. Do keep online with your stories regularly.

This new brand marketing approach is demanding and it isn't for every winery, but it can't be ignored. Remember that wine brands are built primarily by recommendation and referral, and this is the essence of Social Media. If your wine business lacks the skills to create and run a Social Media brand strategy, relax - there are wine marketers who can do it for you.

## **Winepartners at Bragato and Wine NZ**

**We're looking forward to catching up with you at the upcoming Bragato Conference and Wine New Zealand the following week. Dave Nicholas & Stu Devine are both speaking at Bragato and they will be joined by Paul Couldrey at Wine NZ in Auckland.**

If you like to discuss any aspect of your wine business, from strategy and marketing to sales and distribution, we'd be happy to meet up for a conversation.

Friday 21<sup>st</sup> is our day at Bragato, while we'll be attending Wine NZ on both Monday 24<sup>th</sup> and Tuesday 25<sup>th</sup>.

Do make contact promptly **(09 360-0506, [contact@winepartners.co.nz](mailto:contact@winepartners.co.nz))**

so we can arrange a time before the schedule fills up.



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## New Wineries – Avoid the same old Mistakes

We regularly see the same mistakes being made as new wineries enter the market. It's odd that owners of new wineries, having been successful in other fields, often fail to implement business basics with their new venture. Winemaking and marketing is one of the most competitive, capital intensive and risky sectors around, but it has had an inappropriate reputation as a lifestyle or trophy investment. Those who enter the category with either of these two concepts in mind rarely see a return on their capital.

even bottle shapes and label designs absorb new wineries. Business planning is an unwelcome distraction and anyway, making sales is a long way off, well after harvesting, barrel aging and blending. The wine will surely be spectacular - an award winner that will sell itself.

Taking this approach in any other sector would never be tolerated, yet in wine it happens commonly. The result is wine in the bottle with insufficient sales, a new vintage just around the corner and not enough ideas on where the money's

### Ignoring the brand

Brand Architecture (aka brand identity, brand footprint, brand DNA) is the set of statements and concepts that together define what the new wine brand is all about. This is not just for the winery, but for the trade, media and consumer audiences that are the brand's targets. It's vital for the winery to be able to communicate clearly, concisely and consistently why their story is interesting and relevant. If they can do that well, it will be much easier for the market to embrace their wine. New wineries tend to

**Wineries often struggle with this aspect of their young business, as brand work is an intangible, specialist area.**

**Unlike tractors, barrels and wind machines you can't touch it or see it.**

Here's a look at some of the gaffes new wineries make – if this looks familiar, don't feel too bad, you're one of many.

### All Vision, No Plan

People entering the wine sector are entrepreneurs – investors with a vision, funding, and plenty of energy and optimism. Plunging huge sums of money into a new vineyard with a wait of four years for their first cash return takes courage. Add on the capital for a winery and a cellar door with operating overheads and interest costs and it's a venture of heroic proportions. That takes an unshakeable belief, access to serious financing and a plan that lays out the why, how, where and when for the wine business that's been founded.

The truly surprising thing is that while the vision is always strong, the plan rarely exists outside the owner's head. Vineyard development, grape variety options, potential wine style choices,

going to come from. Winegrowing is one of the few sectors where the farmer is also the processor and the marketer/salesperson. Each of those roles demands precise skills and a managed approach.

Planning is a crucial precursor to success and it's a live, ongoing process, not a dusty sheaf of paper in a drawer. Formal planning provides the business and all its stakeholders with a shared view of how objectives will be achieved and growth managed. A simple winery business plan should contain these things: the vision, mission and objectives of the winery; an assessment of the market opportunities, risks and competition; marketing strategies including product, brand, distribution and resources required; production and sales forecasts, financial budgets and assumptions. If you don't have a formal plan for your wine business, now's a good time to get started.

bypass this step – that's a big mistake.

The brand architecture examines and defines the key attributes of the brand. It provides guidance and cohesion to the look of the brand and its message. It provides a road map on how to market



and sell the wine brand, minimising debate and costly non-core marketing activity. It's created by marketing

specialists who understand branding. Not designers; not advertising agencies; not printers. The brand architecture must be created in concert with the new winery and by marketers who are close to the fundamentals of the wine sector.

Strong brand architecture will identify the target audiences and their motivators; specify the brand identity and values; define the brand rational and emotional attributes; state the brand essence, the brand proposition and the story; and finally nominate the tagline or slogan. The brand architecture also enables the development of the brand visual identity by a designer and ensures their skills are best directed. Without a design brief led by the brand architecture, design costs can and often do blow out alarmingly.

New wineries often struggle with this aspect of their young business, as brand work is an intangible, specialist area. Unlike tractors, barrels and wind machines you can't touch it or see it. Yet experienced wineries clearly understand the importance of getting it right with the brand early on. A casual approach to branding leads to a confused, diluted message, ad hoc activity and high costs. In the marketplace, that spells failure.

### **We're all designers at heart**

Creating their wine label at the earliest opportunity seems to fascinate new wineries; it's as if this is a guarantee of their future success. It's certainly something to show your friends when the shots of the infant vineyard aren't holding their attention.

But wine labels are only part of the entire visual identity of the winery's new brand. In addition to the label and logo, there will be signage, a website, brochures, shelf talkers, banners, cartons, stationery and so on. These elements all need to work together to ensure cut-through,

distinctiveness and memorability. The brand's visual identity should support the brand's positioning, its price point, provide suitable cues to the target audience and work with possible new elements, such as a sub-brand or even an upper tier.

Without creating the brand architecture first, one that has a target audience in mind and a clarity of message; without a clear and concise brief to a designer, that leads to the visual identity and logo, the new winery has a label that has been created prematurely and in isolation. In a highly cluttered and competitive environment, the wine label needs to work effectively as part of a brand communications suite.

### **DIY Marketing & Sales**

The wine sector is populated by a large number of underachievers. Not in viticulture and winemaking, but in branding, marketing and sales. The wine may be great, but the other elements in the marketing mix don't work quite so well. DIY is usually the diagnosis here.

Many new wineries believe that the hard work starts and ends in the vineyard and cellar. "Once the wine's in the bottle, the world will be beating a path to our (cellar) door. The marketing and sales can't be so hard, we'll do it ourselves." Others come out of a business background and believe that their professional skills and contacts will ensure rapid and ongoing success. All are imbued with dangerous optimism and insufficient knowledge of the wine category, trade and consumers.

The audiences a winery speaks to about itself and its product are relatively sophisticated and they are spoiled for choice. From the global corporate machines to the top ranked, iconic wineries the key audiences (media, trade & consumer) receive well tuned and

finely crafted brand messages. They are constantly flattered, hosted, rewarded and thanked for their attention and spending power. A new winery has to cut through all this clutter and static to bring the focus onto their new wine brand. This is hard work, it's specialised work and rapid results are required.

Put it this way: You wouldn't ask a marketer to make the wine – would you?

## **Winepartners – New Zealand's Wine Business Specialist**

**Winepartners Ltd is New Zealand's sole wine business specialist, with a client base of over 50 wineries since 2003. We provide insight and advice, and supply the practical tools that help wine businesses make better strategic and operational decisions. Our focus is the commercial development of your wine business, with emphasis on planning, branding, marketing and sales.**

What we can do for you:

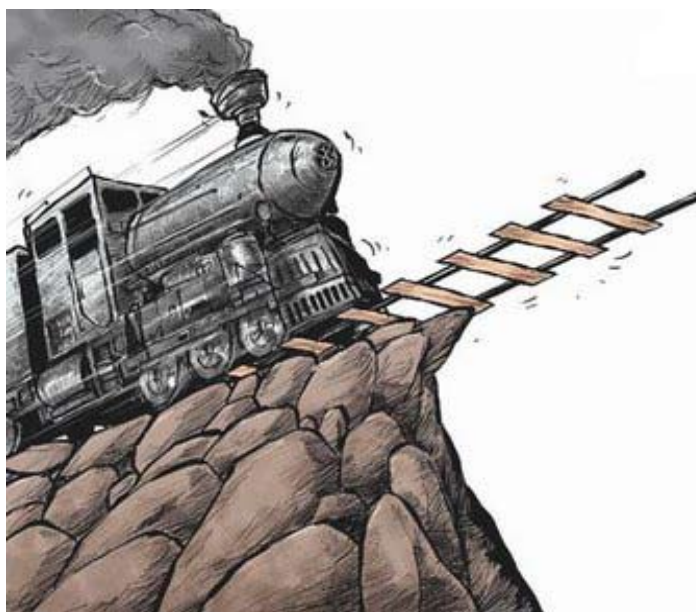
- Strategic Planning and Review
- Sales and Marketing Performance
- Marketing strategy development
- International sales and market development
- Distribution channel management support
- Planning tools
- Brand Creation, Development & Transformation
- Packaging, Website, Promotional
- Winery eMarketing Effectiveness
- Strategy and Implementation
- Website and database
- Social Media Marketing
- Board and Management Advisory Support

## Opinion: "Runaway Train"

Over the past fifteen years we have seen the number of winemakers in New Zealand balloon to over six hundred. Export demand for our wines has been the driver of this growth with sales rising from 700,000 litres in 1994 to over 113 million litres at the end of June 2009. The growth in revenue has been similarly astonishing.

The current recession is a big challenge, as is the structural surplus of wine collectively held by the industry. But, all in all, you'd expect wineries to be in great shape to cope, given the boom times they've enjoyed. Disappointingly, the truth is that many are in a bad way. How can this be?

For a start, the New Zealand wine industry has been spoiled rotten. The NZ stands at trade and consumer shows are



train apart from add more wagons. With enough wagons, they reasoned, nothing could stop them. Managing supply was the key issue, not planning for the future or acquiring business skills. While industry PR sounded wonderful,

So with inventories bulging, prices falling, markets easing, lines of credit capped and importers profoundly deaf, New Zealand winemakers have no choice but to prioritise marketing efforts, focus on in-market sales, and vastly improve

### our wineries did little with their runaway train apart from add more wagons

typically packed, and top wine writers still travel half way around the world to kick the stones in a Marlborough vineyard. A substantial premium for Sauvignon Blanc has been maintained for an impressive period of time and the continuing growth in demand has kept NZ wine in relatively short supply. We made it, they came.

Over in Chile or South Africa they'd give their right and left arms to live in our world. Unlike New Zealand wineries, their winemakers know they need to hustle to make a living. The spotlight has rarely lingered on them and as a result they've worked harder at the business of wine than our winegrowers.

Unfortunately, during this affluent period our wineries did little with their runaway

the dirty truth is that stocks have been building in warehouses around the country for some years. New entrants popped up every day and each of them stole a slice of the market's demand and its attention. But many of these newcomers had little more than a vineyard, a label and a dream. Few had a plan; very few knew the markets and almost none understood wine marketing, sales and distribution.

Credit is due to New Zealand Winegrowers who have beaten the marketing drum for years. But the audience wasn't listening. Owners and winemakers kept on running the show, marketing plans were for corporates and the new tractor was the priority. Why get to know the market when the orders were piling in everyday?

their distribution knowledge and skills.

This quantum change in perspective needs to happen extremely rapidly to ensure not just success but in many cases simple survival.

#### Let's talk...

Interested in discussing the opportunities and challenges your wine business faces? Email us or phone **(09) 360-0506** for an obligation free conversation.

[contact@winepartners.co.nz](mailto:contact@winepartners.co.nz)



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