



winepartners

## Winepartners Wine Business Bulletin

January 2010 - Issue Three

*"May you live in interesting times"* is a Chinese maxim not usually regarded as positive. 2010 promises to be a remarkable year. The industry has never been under such intense pressure – from within and without. A strong currency, high inventory, reduced market demand, and limited funding options all combine to put exceptional stress on wineries of all ages and sizes. Despite the difficult environment, the success stories continue to flow. These don't occur by sheer luck – most are the result of consistent ongoing efforts, based on a sensible plan, engaging adequate resources in people and funds.

We don't see this approach enough in our industry. What is common is seat of the pants marketing, limited planning, ad hoc expenditure and a reluctance to take marketing – and its cost - seriously. The New Zealand wine industry is at a critical juncture: the actions of a few will determine the future of many. In our view, the more individual wineries that embrace the practical disciplines of marketing the better are the chances the wine industry will pull through collectively intact.

This issue of the **Wine Business Bulletin** is focussed on how best to secure sales: with restaurants; by securing new distribution; re-considering the audiences for your brand message; though alternative market entry and by assessing and energising your marketing.

Best Regards,  
Dave, Paul & Stu

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### **Winepartners @ Pinot Noir 2010**

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We'll be in Wellington all week and would love the opportunity to talk shop. Give Dave Nicholas a call on 021 647 547 or email [dave@winepartners.co.nz](mailto:dave@winepartners.co.nz) and let's set up a time for a conversation.

## The TEN Things Restaurants Want

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We all know that the on trade (aka “on premise”: restaurants, cafes, bars, hotels, clubs etc) is where you build your wine brand and that along with fine wine retail it should be the number one re seller or channel focus for small to medium sized wineries wishing to develop brand profile.

Gaining a listing on a restaurant’s wine list is not a simple undertaking. It can be compared to 1000 cars battling for a space in a car park of only 50 spaces. There are so many choices available to the restaurateur when selecting wines for their list. Understanding what motivates the restaurateur, bar owner or sommelier when selecting wines is crucial in gaining a competitive advantage.

The rewards for your winery in securing a listing are great, as unlike off premise, the competition on the wine list is limited in size so the chance of your wine being chosen by a consumer, sampled, enjoyed and then hopefully being re purchased is high

So what are the top 10 motivators for a restaurateur when selecting a wine?

- 1. Guaranteed customer service excellence**
  - a. In most if not all customer service surveys we have been involved with, distribution excellence comes in as the number one supplier issue for the on trade ie ease of ordering, flexible delivery schedules, invoicing accuracy, sales rep availability and reaction times and prompt credit collection.
  - b. Get one or more of these wrong and you will have difficulty gaining future listings no matter how well your brand has performed
- 2. Support for the Listing**
  - a. Listing support is becoming more common as restaurateurs begin to appreciate the value they are able to provide your winery.
  - b. Be prepared to ‘invest’ in your brand to gain ‘by the glass’ or even regular listings. This is usually in the form of discount, bonus stock or sales rebates. You might provide up to the equivalent of a 10% discount for glass pour opportunities in the right outlets
  - c. Treat this as a marketing expense. It is much more cost effective and will provide a better result than other forms of marketing or advertising.
- 3. Brands that suit the restaurant’s customers**
  - a. The on trade is arguably the most diverse of all the re sellers available to your winery. Outlets range in size from bars with less than 15 wines available to large restaurants and international hotels with over 100 wines on their lists. The restaurant wants brands and wines which will meet the needs of their particular customer group. Be familiar with their customers profile
- 4. A large margin for the restaurant**
  - a. Gross margin expectations are usually between 55% – 70% in most restaurants
  - b. Every on premise outlet has their own targeted gross margin they wish to achieve. This is often an average across the full list.
- 5. Wines which work well with their existing listings**
  - a. A new brand must meet a ‘need’. It must fit well into their wine list and be complimentary to the other wineries and products (country of origin, region, variety, price etc)
  - b. If you’re targeting a particular restaurant, review their wine and see what they’ve chosen. It will be a useful guide to the styles they prefer and what they may chose for the next list.
- 6. High quality products**
  - a. This is a given. Wine which over delivers on the ‘Price Quality Ratio’ and which is professional presented
- 7. Brands which are not heavily promoted in retail stores**
  - a. If a restaurant’s customer sees a wine discounted in retail which is also on the restaurant wine list, it often leads to price comparisons and accusations of “How can you justify this price?” Naturally the restaurateur wants to avoid this scenario so resists listing any off premise price discounted wines
- 8. To do business with people they like**
  - a. People buy from people they like.
  - b. Never underestimate the value of the relationship
  - c. Your wine is only as good as the person or people representing it.
- 9. Wines with a point of difference**
  - a. There is resistance to commercial brands. Most metro on premise outlets prefer brands which are interesting, distinctive and have compelling real brand stories
- 10. Brands which have no or limited supermarket ranging**
  - a. Some restaurants stipulate that they will not list wines which are ranged in grocery, whether price promoted or not, for the same reasons as point seven

If you are able to meet the majority of these requirements then your winery will be on its way to gaining excellent on premise distribution and the benefits that brings.

## The United States: Tough but Approachable

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With jobless figures at 15 million, the largest since the Great Depression, the United States is in the depths of a severe recession. Wine sales are down 11.2% in the premium category and demand for wine over US\$20 has plummeted. Forecasts for the NZD suggest a cross rate of USD0.80 by mid 2010. Is this really a market New Zealand wineries need to be in?

The United States has been one of the most attractive markets for NZ wine over the last decade, but also one of the most challenging. Despite the best efforts of motivated importers, the success of brands they manage is determined by powerful state distributors. Over the 90s substantial consolidation in the distribution tier has meant fewer players, each with a massively overweight portfolio of wines. Even established and successful brands are struggling to secure the sales they require. New brands have little chance of gaining a new position. Demand for premium wine – New Zealand's market position – is falling, while consumers shift their purchasing to value priced wines. Restaurant business is shrinking, as diners go out less often and when they do, they spend less. Distributors are downsizing their portfolios and importers are failing to place new wines into this tier. As a result, the importers have closed the door on new brands in their own range.

Young wineries from foreign sources such as New Zealand have little chance of finding a good partner in the United States in the current conditions. This group includes both large and small operators, award winners and no-names.

The weakness of the USD and the increasing strength of the NZD make the prospect of working the US market even less attractive.

However, the United States has experienced 15 years of constant demand growth and has risen to become the second largest wine market in the world. Even in recession the news isn't all bad. According to Nielsen, U.S. wine consumption continues to grow overall because "people see it as an affordable indulgence". While some classes of wine are falling, especially wines priced over \$20, other varietal niches such as Malbec and Rieslings are growing.



New Zealand wine exports to the United States continue to expand – up 19% for the year to end November 2009. Much of this surge is driven by bulk Sauvignon Blanc, which accounts for almost 50% of the growth in the past year. While the US market is being shown that wine from New Zealand can be very affordable, it is also showing keen interest in our higher priced premium reds with Pinot Noir exports up 16% and Cabernet blends up 39% over the last year.

Despite the challenges, the United States is a market that cannot be ignored. It's too big, too influential and once it's out of the doldrums will offer huge opportunity to New Zealand wineries. It makes sense to find a position even in the downturn, in order to be positioned for market recovery. But how can access be secured when importers' doors are closed?

One approach is to implement the collaborative model: like-minded wineries forming their own import group and hiring experienced, well connected US sales representatives. The availability of top quality, proven wine sales professionals has never been greater, as US companies downsize in the recession. Warehousing and logistics can be handled by specialist providers on the East and West Coasts. This strategy is now highly relevant and would insert a solely New Zealand oriented wine supplier into the market. Right now may just be the ideal moment.

## Introducing the Winery Sales and Marketing Audit

“More Marketing” is the call from NZ Winegrowers, but how do you ensure your marketing is smart, cost effective and creates the sales growth you’re seeking? Many wineries have too little time and insufficient experience to ensure their marketing has the desired impact on trading results. The outcome: costs are high and results weak.



In order to lift your performance and then improve results rapidly, you need to understand your current position: internal strengths and weaknesses, market opportunities, obstacles and shortcuts. A sales and marketing audit will ensure that your marketing planning and sales activities will be sharply focused on the results you need.

With over 30 years of wine marketing experience, Winepartners knows the industry, the markets, the trade and the consumers. We understand the common pitfalls wineries undergo in their marketing activities and we can guide your efforts promptly and cost-effectively. Our sales and marketing audit is an essential first step for getting ahead in a tough market.

### How Does a Sales and Marketing Audit Help Me?

This comprehensive review of your marketing and sales activities, resources and brand position will show you how to energise your wine business and put it on track to achieving your objectives. With this audit complete, you’ll be in a position to lift your marketing and sales game dramatically and see the payback through improved results.

**What’s in the Audit?** A straight forward set of recommendations for improving your performance.

Includes a constructive assessment of:

- **Brand strategies** - What are your 'big picture' plans and tactics to be used to create long-term brand equity and competitive advantages?
- **Marketing plans** - What are your target markets, route to market models and sales and marketing objectives and strategies
- **Marketing and sales resources** - What resources, human and other are available and used?
- **Marketing activity and expenditure** - What activity is being and has been implemented in the past?
- **Product offer** - Product range, varieties, grades
- **Product and brand presentation** - Labels, website, tasting notes, sales brochures, etc
- **Sales & distribution performance** - Sales results vs. budget/forecast.

Your wine business’ **strengths, weaknesses, opportunities and threats** (SWOT).

- The things you do well and the resources you can use
- The areas for improvement and the gaps to fill
- Opportunities in your business and in the market
- Challenges you’ll need to address

Identification of **key issues** you’ll need to consider.

- What’s holding you back?
- Steps to take - simple and challenging
- Presentation of a prioritised action plan

Effective strategies to lift your marketing & sales game – fast!

### Cost and Time Frame

Fee - \$599 + GST

Time Frame - Audit completed within two weeks of go ahead.

To find out more about the Winepartners Marketing and Sales Audit and other Winepartners products and services contact either:  
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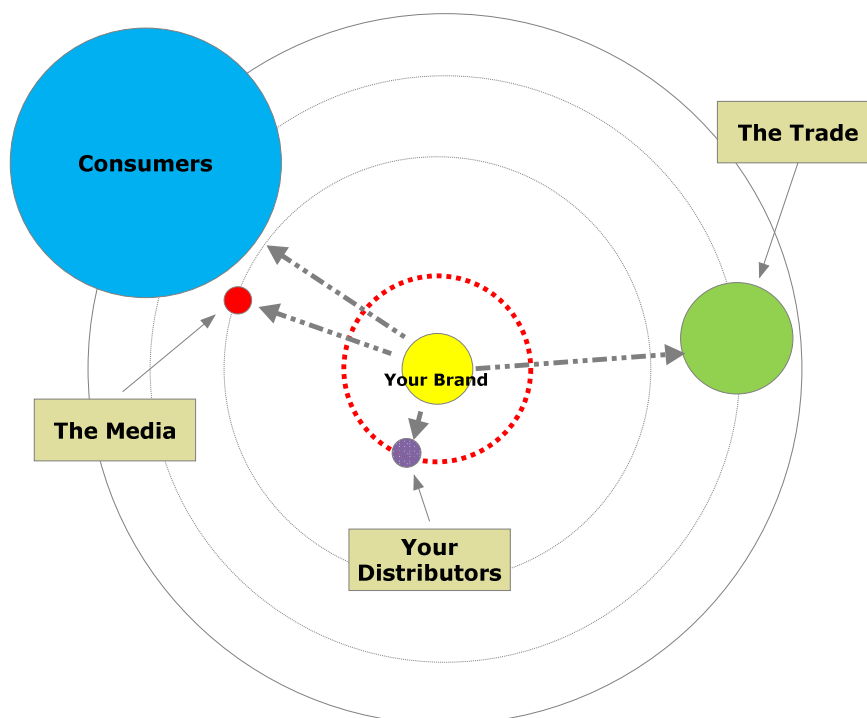
## Your Brand – Lost in Space?

When you're talking about your wine brand every day it's easy to believe that the market understands it as well as you do. Talk to wine writers, overseas visitors, your importers, consumers at a tasting, and you know they're interested in what you're saying. They're engaged with you and listening to your brand message. But you have to hope that when they move on, they remember the key things about your wine brand - enough to make them try it and hopefully recommend it.

But we know that consumers retain very little from most encounters with wine brands. With so many in the market, the competition for consumers' attention is truly overwhelming. Your brand is a very small star in a universe of supernovas. →

To shine brighter than the other brands out there you need a strong, clear and consistent brand message. This is the script about your wine and your brand that you repeat ad infinitum at every opportunity, to all your audiences. But be aware: how they receive it depends on who and where they are.

Think about it this way: your brand is the Sun and your audiences – Trade, Media, Consumers and Distributors – are the planets of a Solar System. Your brand message is a radio signal heading out into the galaxy.



The closest audience to you are your **Distributors** here and overseas. Their role is to represent your brand and pass on those key brand messages - they hear you better and understand what you're saying. It's *Earth*: life as we know it. Distributors expect to be sent strong, clear and detailed brand messages and they receive them without interference. As a result they're in the best position to pass on your brand message to other audiences such as the **Trade**.

A long way further out is the **Media** – a bit like *Mars* in our Solar System. They receive your radio signal, but it takes time to get to them and there is a lot of static that interferes with reception. The **Media** can accept and log reasonably simple messages about your brand and then re-broadcast them to **Consumers & Trade**. →

However, they deal with a lot of radio traffic from all around the galaxy, so your signal (brand message) needs to be consistent, clear and compelling to get their attention.

The **Trade** are located far from the warmth of your Sun/Brand. Like the **Media**, they get a huge number of radio signals, not just from our galaxy (NZ) but from around the universe (the world of wine). Note that **Distributors** orbit a bit closer to the **Trade**, so their signals often get through when yours don't. The **Trade** are like the **Media**: the brand message needs to cut through a lot of static and clutter. Their orbit is in a remote area of your brand's solar system. Think *Neptune*.

Finally, at the furthest reaches of the solar system are the **Consumers**. This mysterious celestial body

can barely make out the weak radio signals that reach them months after dispatch. To them, your Sun/Brand is just another flickering star in a vast, glittering universe of choice. Planet **Media** is a far closer source and much easier to hear.

You can see that each of your audiences receives and interprets your brand message differently. You

can't assume they're on familiar terms with your brand and winery. Create and refine your Brand Message, then broadcast it clearly and consistently. Tailor your message to suit your audience and the distance they orbit from your brand.

*Read more in the next issue of WBB...*

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## Seeking New Distribution for your Wines? Do it Right.

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Acquiring quality distribution in the current competitive and oversupplied market has never been more challenging for New Zealand wineries.

Importers and distributors highly selective when choosing wine brands. It's no longer adequate to simply present well made New Zealand wine. Distributors won't consider your winery unless you are able to stand out from the dozen's of approaches they regularly receive. You must offer them very compelling reasons for them to do so.



Winepartners has successfully assisted numerous wineries of all sizes in gaining distribution positions in many markets. Here's feedback from Enotria World Wine – one of the UK's leading specialist wine wholesalers and distributors:

*"We get numerous enquiries on a daily basis from around the world for distribution partnerships in the UK, and probably on a weekly basis ex NZ. You stand out head and shoulders above the rest - by sending me complete details, including aspirations and pricing, which enables me to consider seriously the potential and challenges your offering may have in the UK. Your professional approach is really first class." – Daniel Hart, Buyer*

To assist wineries in securing distribution and standing out from the vast competition for places in a distributor's portfolio Winepartners has developed the **Distributor Acquisition Tool Kit**. It provides your winery with guidance and the practical tools to break through the clutter and convince a distributor that they must include you as part of their wine portfolio.

### What's in the Tool Kit?

- Advice on establishing your distribution position and what you need to achieve
- An overview of the numerous wine re-seller categories and what each category offers your brand
- Valuable insights into what the wine importer or distributor is looking for when selecting a winery
- An overview of the wine distributors in New Zealand and their current wine portfolios
- Guidelines on how best to present your brand and recommendations on what information to provide
- A draft presentation pack, ready for you to approve and forward to your target distributor

**Fee - \$649 + GST**

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To find out more about the **Distributor Acquisition Tool Kit** and other Winepartners products and services contact either  
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