



winepartners

wine business specialists

## Wine Business Bulletin - June 2009

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### 1) 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
- Board and Management Advisory Support

#### 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.

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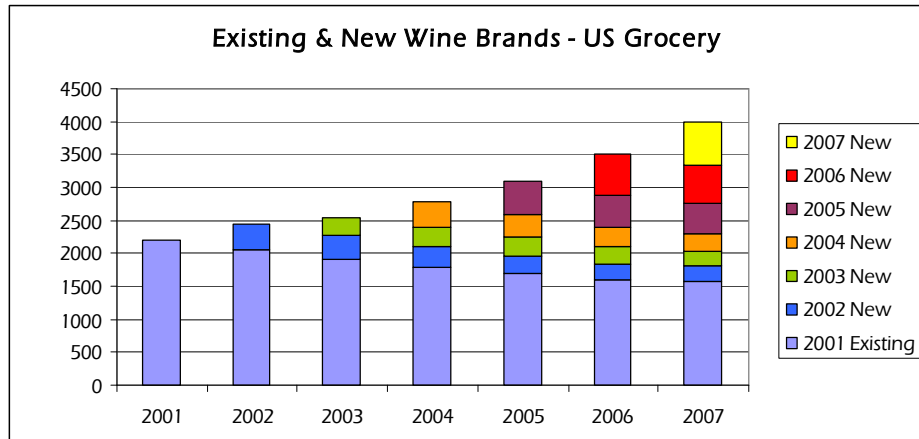
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winepartners

## 2) Making it in the USA and Canada

This market region has never been more challenging: a recession of unprecedented proportions is underway in a market flooded with wine brands. Yet both the United States and Canada remain very attractive opportunity for New Zealand wine. How does a lightly-resourced winery create and sustain growth in the important but very difficult North American markets?



Data: Nielsen Total US Food Jan

**Stu Devine** has just arrived back in NZ after five years living in the United States managing Villa Maria's entire business there and in Canada. Nine months of the year he was away from home, working the streets alongside state distributors, retailers and restaurants. His perspective is current, on the button and highly relevant given the opportunities and challenges in this vast collection of diverse markets.

Stu's on board with Winepartners, ready to support your market goals with fresh insight and practical advice.

You may wish to review your market forecasts and objectives; gain greater sales traction with your importer and distributors; develop a set of regional promotions or simply need to make certain your next trip to the USA is highly effective. Whatever your goals are for the USA and Canada, it will be worth a conversation with us to determine if Winepartners can help you get there faster.

### Let's talk...

Interested in understanding more or developing more effective strategies for your North American markets? Winepartners can assist you. Email us on [contact@winepartners.co.nz](mailto:contact@winepartners.co.nz) or phone (09) 360-0506 for a conversation.

### 3) Achieving Distribution Success

Achieving distribution excellence is vital for the long term success of your business.

Developing a marketing strategy that is integrated with your brand strategies and successfully implementing those strategies is critical. The hard work of making a great wine and developing a compelling brand has been done - the final step is getting your wine into the best possible position to be bought by a consumer

Here we examine the options available to your winery in getting your products in front of consumers - in a way which best suits your business objectives.

[Click here to read more](#)

#### ***Establish your distribution position. Get it right at the beginning***

What does your business want to achieve? Your objectives determine your strategy. Everything you do in the market place must be done with the view of achieving business goals. This may seem obvious but it is not uncommon for wineries not to have long term objectives for their business

Knowing what you want to achieve determines the strategy.

- How much do you need to sell? At what grades?
- What are your profit/revenue expectations?
- Long term brand building?
- Quick cash. Inventory disposal?
- What are your growth ambitions?
- etc

The answer to all of these determines the way you go to market:  
Which markets, distributors, channels and retailers?



#### ***Understand your route to market options.***

*What are your options are of getting your wine to the consumer?*

The five route to market options

##### *1. Sell to an importer or distributor*

Selling to an importer or distributor who represents your brand exclusively in their territory as part of a larger portfolio of wines. Most commonly used if the brand strategy dictates a high sales share of on trade and/or independent fine wine retail sales due to the high service levels required by these re sellers.

Selling to an importer/distributor is your only option in some markets due to regulations e.g. the United States.

It's an expensive option, distributor margins are on average around 30%. However most distributors have good geographical reach, strong local market knowledge and existing trade relationships



## 2. Sell through a commission sales agent

Agent sells on behalf for an agreed commission (typically between 15% and 20%) The winery owns the stock. This option is becoming more common in NZ as more brands enter the market and existing distributors are not adding new brands to their portfolios. It is cheaper than using a distributor however the winery must manage debtors and most commission agents service only a small territory so distribution reach is limited. There is sometimes a lack of focus due to large portfolios and agents only concentrating on easy to sell products



## 3. Employ your own sales team or person

Wineries who use this option have varying degrees of success. Those who do it successfully generally have a very strong brand offer. It is more difficult for those with a low brand profile. Employing your own sales person or team requires management time and skills and adds an expensive overhead. A large number of small debtors must be managed and compared with the distributor option your ability to call on a large number of customers is reduced. However cutting out the distributor margin improves winery gross profit considerably



## 4. Sell directly from winery to re-seller

This option refers to selling directly into chains or multiples at a head office level where a listing results in ranging in a large number of retail outlets e.g. Supermarkets, liquor retail chains or travel retail (Duty Free) A very good option for volume sales but beware of compromising your brand position if using the same brand as in the rest of the market. This route to market is not an option in the three tier US market

## 5. Sell directly to consumer

Selling directly to the consumer is often a low priority for New Zealand wineries, through lack of interest, skill or resources. Direct customers are major purchasers of reserve wines and are your most brand-loyal customers. They are also very motivated brand ambassadors. Beware of underselling your retailers on your website. Use case deals – value added etc as a point of difference. Sales are high margin however a dedicated staff resource is required to manage successfully



### **Understand the re seller categories and what they offer?**

What are the different re – seller categories available and most importantly what do they offer your brand. Every re-seller provides you with different results. E.g. Grocery is typically low margin, high promotional cost, high volume with a risk of brand strength erosion. On premise is high maintenance but excellent for brand building and consumer trial. It's important to understand these differences when developing your distribution strategy. It is also important to understand who the key players are within each re-seller category? Familiarise yourself so you can either target these outlets or ask the question of your distributor

The re-seller categories are:

- Off Premise
  - Grocery/supermarkets/cash and carry.
    - Tesco, Sainsbury, Waitrose, Costco
    - Progressive, Foodstuffs
    - Gilmours, Booker
  - Liquor retail chains
    - Majestic, Threshers
    - Liquorland, Dan Murphy's,
  - Independent Retail
    - Fine Wine and Traditional Liquor retail

- Travel retail or Duty Free
    - DFS, Nuance Group
- Internet Wine Retailers
- On Premise

### **Summary**

- ***This is what I want to achieve***
  - o Set your business objectives
  - o Mid to long term
- ***What are my options of getting there?***
  - o Understand your route to market options. Do your home work - which options will deliver the best results?
- ***What do re sellers offer your brand?***
  - o *In all of your markets*
  - o Who are the key players within each category?
- ***How will I best do it?***
  - o Using the information gathered what is the best direction for your business?
  - o Create the marketing strategy then implement and support your business in the field

### **Let's talk...**

Interested in understanding more or developing more effective distribution strategies for your winery? Winepartners can assist you Email us on [contact@winepartners.co.nz](mailto:contact@winepartners.co.nz) or phone (09) 360-0506 for a conversation.

#### 4) eMarketing: Most wineries are missing out - are you one of them?

Most wineries have websites and are able to sell wine online, but most of them fail to undertake effective eMarketing programmes. If that describes your wine business, then you are missing out on a lot of business. Like any retailer, wineries that sell direct to the public need to promote their presence in the market and why they deserve the attention of the consumer.

eMarketing is the least understood sales discipline in the wine sector. Not coincidentally it's also the least practiced and as a result wineries are missing out on **highly profitable sales**. This article provides valuable insight into the discipline of e-marketing as well as practical tips you can put into practice today.



#### What is eMarketing?

Very simply put, eMarketing or electronic marketing refers to the application of marketing principles and activity via electronic media and more specifically the Internet. The terms eMarketing, internet marketing and online marketing are frequently interchanged, and can often be considered synonymous.

As such, eMarketing encompasses all the activities a business conducts via the worldwide web with the aim of attracting new business, retaining current business and developing its brand identity.

#### Why is it important?

When implemented correctly, the return on investment (ROI) from eMarketing can far exceed that of traditional marketing strategies. Whether you're a "bricks and mortar" business or a concern operating purely online, the Internet is a force that cannot be ignored. It can be a means to reach literally millions of people every year. It's at the forefront of a redefinition of way businesses interact with their customers.

#### The benefits of eMarketing over traditional marketing

##### Reach

Through the internet your wine business can now have a truly global reach. eMarketing opens up new avenues for smaller businesses like yours, that are on a much smaller budget, to access potential consumers from all over the world. The interest you create for your wine brand can lead to sales all over the globe.

##### Scope

Internet marketing allows a winery to reach consumers in a wide range of ways. eMarketing includes, among other things, raising brand awareness, public relations, event marketing, customer service and sales.

##### Interactivity

Whereas traditional marketing is largely about getting a brand's message out there, eMarketing encourages conversations between you and your consumers. Like any discussion if you can listen, you will not only learn, but your customer will regard you as interested and as such *interesting*.

#### The eMarketing tools you can use right now

Let's look at the tools an eMarketer has in their kitbag. SEO, PPC, ORM, WebPR – acronyms are unavoidable in this arena. What are they? How do they benefit you and your wine business?

### a) Search Engine Marketing – SEM

Daily search volumes run into the hundreds of millions and Search Engines like Google drive a huge proportion of all web traffic. Search is usually the first port of call for anyone looking for anything online. Those who seek online, search. Fundamentally, what makes SEM so effective is that you get found by potential customers looking for the wines you offer. So, provided you've got your keyword strategy right, you're getting targeted traffic.

Search Engine Marketing is divided into two distinct categories: Paid Search and Passive Search

- Talk about Paid Search and you're talking Pay Per Click or **PPC**.
- Talk about Passive Search and the focus is Search Engine Optimisation or **SEO**.

They're similar enough to be classified together under SEM but they're different enough to warrant separate explanations.



#### (i) PPC – Pay Per Click

It does just like it says on the box. You Pay Per Click. Simple. Targeted. Effective.

You buy sponsored adverts on Search Engine Results Pages (SERPs), often displayed either above the normal "organic" listings or across to the right hand side. You'll see this on almost every search you make in Google for example. The beauty of the system is that you're paying only on a performance basis, that is, when the ad is clicked on.

A few points on PPC:

- Advert positioning is based on a bidding system. At its simplest, the highest bidder gets the highest ad placement.
- You set the maximum amount you wish to spend in a period (eg a month). Your advertising spend is controlled by you.
- An appropriate keyword strategy is imperative to ensure the clicks you pay for are as targeted as possible. Keywords for a winery might be its name, brands, wine varieties, key people, region etc.

#### (ii) SEO – Search Engine Optimisation

Why pay for your clicks when you can get them for free?

SEO is PPC's roommate in the house of SEM. (Yes –that is a lot of acronyms in one sentence.) Strictly speaking, SEO is about optimising websites to achieve high rankings on the Search Engines for certain selected key phrases. Sometimes called "organic" or "natural" optimisation, SEO involves making changes to the HTML code, content and structure behind your website, making it more accessible for Search Engines, and by extension, easier to find by users. The terms meta-tag, meta words and meta description are often used to define the elements in this process. SEO rewards relevant, helpful websites that add value and give visitors what they're looking for.

SEO is an extremely cost effective way of generating new business to your site. Once your site ranks highly on a Search Engine Results Page, you don't pay for any traffic that arrives at your site from that listing. SEO is a continuous process though; both to maintain rankings and improve rankings for other terms that may bring in relevant traffic. Free clicks!

Well, not quite. But you're not paying per click, so over time, the ROI is excellent. Ideally PPC and SEO work together to maximise Search Engine traffic.



### b) Email Marketing

Direct marketing via electronic means - email marketing is very powerful. It's also extremely cost effective, highly targeted, customisable, measurable and best of all, takes advantage of the consumer's most prolific touch point with the Internet, their inbox.

Email marketing is about building virtual relationships with existing and potential clients and maximising the retention and value of these customers. Push your message out to your audience and let it pull them into contact with your company. With a correctly built mailing list, you have direct access to a targeted audience.

Customise and tweak your message, then measure and test to see what techniques are most effective for your particular market. Email marketing is about creating, building up, and capitalising on the relationships you build with your clients.

### c) WebPR

Business has moved online and Public Relations (PR), that indispensable tool of brand awareness, has followed. Now that most business is conducted on the Internet; the playground of PR has moved online. WebPR allows PR to reach its fullest expression because the potential for getting your brand 'out there' is limitless.



There is an assortment of ways to market your business globally through WebPR. Various online channels like, Article Banks/Directory Sites, industry related sites, as well as local and international News sites are used to distribute content containing some element of your brand. Online press releases must drive traffic to your site (your website is not a fancy brochure; it is a marketing tool that needs visitors to become customers). To achieve this, press releases need to be optimised with the appropriate key phrases and links.

The link posted at the end of a press release or feature article is a valuable source of driving internet traffic to your website. Writing interesting, high-quality articles on relevant topics and submitting them to content distribution sites is a great way to effectively promote your website or brand.

### Let's talk...

Interested in understanding more and implementing a successful eMarketing programme for your winery? Winepartners can assist you in developing your plan, optimising your website and commencing eMarketing activities. Email us on [contact@winepartners.co.nz](mailto:contact@winepartners.co.nz) or phone (09) 360-0506 for a conversation.

## 5) Opinion Piece: Sauvignon Sell Out

It's interesting to see two significant stories on NZ sauvignon blanc in the press last weekend. Both reflect the gratifying international demand for our wine; both also reveal the lack of any significant strategic objectives or planning by the winegrowers and marketers in question. Short term greed has outstripped sensible long term considerations and tarnished the future value of this asset.

In the case of the comments by Jane MacQuitty of The Times, there are certainly many more lower-quality sauvignon blanc on the market now, as a result of too many short term producers entering the market too quickly, without any real idea of where their crop would be sold. Her views on the "new standard" of NZ sauvignon blanc will cause ripples, but we will only see brand erosion if other writers back her up. Price erosion has already occurred, both with lower quality wines seeking lower price positions and trade buyers demanding better deals on top quality wines.

Almost every Marlborough winery needed to dispose of excessive stocks and/or lower than desirable grade wine. In the UK & Australia, this issue has led to big price cuts and discounting in addition to a noticeable element of average quality sauvignon blanc. Not what NZ wine has done before in these markets and as such, attention grabbing. It's the result of many short term decisions by late entry players seeking a quick return – a very rare reward in the wine sector.

However, the management of the 2009 crop has been exemplary, demonstrating the ability of the sector to regroup. The medium term issue will be recovering prices from the deep cut positions in place right now – a major challenge.

The large Nobilo/Constellation market share is a different type of blunder. This is not the sum of many poor individual choices, but a deliberate plan by a very large beverage marketer to "own" a segment of the US wine market. They have done this by discounting Nobilo and Monkey Bay very aggressively for over four years. It has been common to see those brands sold for US\$2-3 per bottle less than the next cheapest NZ sauvignon blanc.

This level of discount has dragged the entire NZ wine category in the United States downwards. Other brands have been obliged to follow the Constellation brands on price and thus the entire category value has been depressed. Many consumers in the US perceive wine from NZ as just another "value offer", rather than an exciting discovery worth that extra few dollars. Prospects in that desirable market are now much less attractive.

Publicising this new market share dominance as a coup for NZ wine in the United States is a reversal of the facts. We'd be a lot better off in that market without corporates stripping the future value of the NZ wine brand, for short term gain.

## 6) Export Market Fly Past

Take a bird's eye view of the latest trends and statistics from New Zealand's key wine export markets – UK, North America, Australia, Asia and Europe.

### Australia

- Total wine market approx 50 million cases
- Soft volume growth:
  - 7.0% white bottle, led by Sauvignon Blanc at +34.7%
  - 2.1% red bottle, Pinot Noir 13.5%
- NZ wine has 11% share of all table wine (red and white), up from 8% twelve months ago
- NZ is responsible for 60% of the growth in premium table wine sales over the last year
- The average price for NZ wine is \$16.80 per bottle, compared to the market average of \$11.40
- NZ wine has its largest market share in Victoria (13.4%), followed by Queensland (12.4%), Sth Australia (11%) and NSW (10.4%)



This market continues to be an exciting prospect for NZ wine sales, especially sauvignon blanc. In a low growth market, the NZ category is driving excitement and value increase. Significant room remains for NZ to build in size (volume and value), though there is downward price pressure with 2008 vintage disposal sales and a tightening economy. The East Coast states are the plums, with large metro catchments, but both South Australia and Western Australia also offer excellent prospects.

### United States

- Total varietal wine market 267.8 million cases – US\$29 billion market in 2008
- Mild growth: 6% on volume
- Imported wine is 95 million cases, 35.5% of total market; +7.9% growth
- The segment over US\$13.50 per bottle has a share of 14.7% of white wine
- The US\$12+ segment is growing at 14% by volume – 70% of growth from only 40% of the market
- Wine is expected to remain popular despite the economic recession, with constant value growth of 17% between 2008 and 2013
- SvBlanc has a 3.5% share of total table wine and is growing at 10.4% by value
- NZ wine is in strong growth at 34.5%, on a share of 1%



The United States market is vast and highly differentiated by state and region. Federal law requires a three tier system for distribution of wine: an importer, who sells to a state distributor, who in turn sells to a re-seller for the final consumer sale. With slowing demand meeting an ongoing consolidation of operators in the distributor tier, access for new brands has become increasingly difficult.

NB: Since these Nielsen statistics were released the US market has slowed dramatically over 2008 as the downturn has taken a toll on consumption on-premise and pricing off-premise. However, this is a market that has and will continue to consume large volumes of NZ wine

## Canada

- The wine sector rose 4% in 2007, bringing total volume sales to 43 million cases, with a value of C\$7.5 billion.
- Wine sales are expected to remain strong in the forecast period, growing by nearly 4% a year on average.
- 30.1% of market over C\$15 per bottle
- Sauvignon Blanc has a 13% share of white wine and is in decline to 2007
- Forecasts indicate growth in white wine by 8.8% from 2007 to 2012



Each Canadian province regulates the sale of wine in its own territory. In most cases retail sales are only possible through the provincial liquor board, owned by that government. Wines are listed through an open process of tender and selection. Importing agents manage the sales drive with the liquor boards, while inventory is typically held at government controlled facilities.

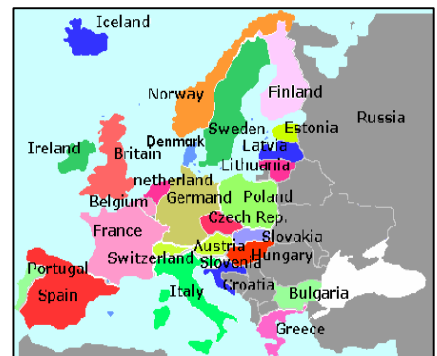
## Western Europe

Ireland, Netherlands, Denmark, Sweden, Germany, Belgium.

New Zealand wine exports to end June 2008:

- Litres 5,714,787
- NZ\$57,335,665
- Per litre NZ\$ 10.03

Wealthy, sophisticated wine markets, dominated by Old World wines, but with a growing interest in NZ brands. Major retail chains dominate wine sales, but strong on and off premise opportunities for premium wine exist. Effective distribution networks.



## South Asia

Singapore, Thailand, Malaysia, Viet Nam, India

New Zealand wine exports to end June 2008:

- Litres 979,148
- NZ\$ 12,040,656
- Per litre NZ\$ 12.30

This region is mainly led by tourism and on premise opportunities. Singapore has a strong and fast-developing wine culture. Original Old World wine dominance is declining as Australia has grown, with NZ sauvignon blanc growing fast. Premium pricing, reflects the high proportion of non-retail channels. The recent agreement on an FTA with ASEAN nations will result in zero tariffs for wine within 2011-2015.



## North Asia

Japan, China, Korea, Hong Kong, Taiwan

New Zealand wine exports to end June 2008:

- Litres 1,521,038
- NZ\$ 17,203,942
- Per litre NZ\$ 11.31

Wine sales growth is being driven by a fast-growing consumer interest in wine as a desirable lifestyle choice, by upper middle class



populations. Tourism and re-export is significant in HK. On premise channels remain dominant, but retail demand is considerable in Japan and Hong Kong. The FTA signed with China will result in zero tariffs by 2012 – down from 20% at present.

### Middle East

UAE, Bahrain, Qatar

New Zealand wine exports to end June 2008:

- Litres 334,471
- NZ\$3,859,575
- Per litre NZ\$11.54

Almost entirely on-premise consumption led by tourism and ex-pat consumers, but duty free is an increasingly significant segment.

