

Navigating troubled waters

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LOWER COSTS, INCREASE REVENUE, LIMIT SPENDING, TARGET RESOURCES, STRENGTHEN CAPABILITY, PLAN CAREFULLY.

The market has never been tougher for wineries of all sizes, in all markets. Slower sales, lower prices and margins, a strong NZ dollar and demanding customers. Add in high debt and weak cash flows and the wine sector is in a considerable hole. Now is the time to focus on sound, conservative business practices.

The medium term outlook for New Zealand Wine Inc. is very good. We have outstanding wines and a ceiling on production. The world is only just recognising our many strengths and it is a very big place. Wineries that make it through this very challenging period will be positioned to reap substantial benefits.

Managing this next period is not just about survival it's about planning a better future. Funders and shareholders need to know there's a realistic path to a future return. You need a plan to demonstrate how that's possible and to guide your business there. You'll need to strengthen capabilities, especially in marketing and sales, but target your funds and resources carefully.

Over the next 3 – 4 years spending will need to be limited and costs stringently controlled. Your use of business information, monitoring performance and managing issues will need to be highly effective. Above all, wineries will need to continue to increase revenues and juggle cash flows.

This business-first attitude requires a disciplined and professional approach by you, your team, business partners and advisors. Ensure your wine business has the capability that it needs.



WINEPARTNERS: MEET THE TEAM

PAUL COULDREY
 NZ MARKET EXPERT
 SALES & DISTRIBUTOR MANAGEMENT
 MARKETING COMMUNICATIONS

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 BRAND DEVELOPMENT
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 NORTH AMERICAN SPECIALIST
 DISTRIBUTION EFFECTIVENESS
 VITICULTURE & VINEYARD STRATEGY

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Media Messages from Bragato

The media are feasting on the spectacle of the wine industry's fall from grace. Coverage from the Bragato Conference in most titles has focused on the difficulties of specific wineries or growers, with headlines such as "Industry's bitter harvest" and "Record sales fail to stem losses" out front.

What the press are missing is that amongst the angst, there is very good news as well. Wine exports have grown 5 per cent, exceeding \$1 billion for the first time, while exports of pinot noir passed \$100 million. New Zealand now exports wine to 233 countries, an astonishing number of markets. That these milestones have occurred in an exceptionally difficult market, countering the negative trend, is something the industry can be proud of.

The marketing message from the conference was clear: invest in your brands and plan your progress. Important and essential advice.

The Keys to Getting Your Wines Reviewed

To Sample or Not To Sample: There's No Question

For those in the business of producing wine, it is a truism that good wine reviews will help sell wine. In fact, reviews and ratings of wine may be the single biggest weapon in a marketing arsenal. But before those ratings and reviews are put to use in turning heads and making sales, the wine actually must get into the hands of wine reviewers. Here's your primer on how to accomplish this and give your wine the best chance of being reviewed.

First, recognize that in New Zealand there are over 50 individuals, publications and websites that review or rate wine, and have an audience for their opinions. You shouldn't be sending your wines off to all of them. Rather, you'll first be evaluating how much wine you can set aside for reviews, and second, which reviewers and their publications are most important to your marketing efforts.

The first issue, how much wine you can allocate for review samples, shouldn't be too difficult a task. If you can't set aside 3 cases of wine for this purpose then you probably can't afford to be making wine in the first place. That said, a well-devised sampling program for a winery making 5,000 cases of wine is reasonable given the potential return that comes from reviews. At the very least, plan to set aside 2 cases of each wine you make that you want to support with reviews.

Identify Your Target Media

Next step is to determine which publications or writers are most important to your marketing efforts. Nationally distributed magazines such as Cuisine have immense influence on consumer choice. Hawkes Bay Today has a regionally limited, but no less enthusiastic audience. Some reviewers write for publications with trade audiences, such as Hospitality or DrinksBiz. Many magazines target wineries with advertising or bottle shot recommendations to go with the review. A small number of wine writers contribute to outstanding international publications and websites.

Create a list of media and consider their audiences (consumer or trade; connoisseur or quaffer) and their reach (international, national or regional). Assess whether their reviews will get to the audience you are seeking for your wines. Assign your own rankings to magazines and wine writers, to assist in deciding whether to send them samples on a regular, occasional or not-at-all basis.

In the end, you are looking for wine reviewers that have the largest and most appropriate audience for your wine. If you are making \$45 Central Otago Pinot, for example, it is inappropriate to waste a bottle of wine on a community newspaper wine writer that usually only reviews \$15 bottles of wine. You are looking for the biggest bang for your buck. This is not an inexpensive project - you are giving away product and paying for shipping.

Do Your Homework Before Sending

There is no guarantee that if you send your wine to a reviewer that they will like the wine, let alone review it for publication. However, how you send the wine to a publication or wine reviewer will help the odds that it does get reviewed. Here's what you need to do:

If sending to a magazine or full time wine writer, first check if they have a schedule for reviewing certain types of wine and if so, follow it. Also find out if they have a form to fill out and send with the sample. Always include with the wine an Information Sheet that details the price of the wine, how much was produced, the alcohol content, where it is distributed, if it is available for sale on your company's website and contact information with the name of the person that can answer questions. Any other data can be included, but these six things must be included on the Information Sheet.

Some publications require two bottles of each wine submitted. Find out which publications and reviewers require this. If two bottles are required and you only want to send one, don't even bother.

Always include a very short cover letter with the wine and data sheet. It's a good chance to deliver a personal note to the reviewer, particularly if you have met them before.

What happens once you have the good reviews in hand? Use them! Send them to distributors in a single page format. Put them on your website. Send them to retailers that carry the wine. Shoot an e-mail to your customer list. This is why you seek wine reviews: They help sell wine, but only if people know about them.

WORK IN PROGRESS...

Current Winepartners projects include:

- * Two websites under construction
- * Brand architecture review & evolution
- * New icon level fine wine visual identity
- * United States distribution development
- * Sales effectiveness upgrade programme
- * Wine supply contract for major US buyer

SEE WINEPARTNERS' NEW ZEALAND WINE
MEDIA RANKINGS ON PAGE 4

An Uncertain Future

The New Zealand wine industry is undergoing its most fundamental shift in form and prospects since the vine pull of the 1980s. In that case, the problem – a national vineyard planted with the wrong varieties and far too much of them – was solved with government intervention. The vineyard re-planting that followed set up the industry for astonishing success over the next 25 years.

New Zealand wine then experienced rapid growth in demand, but latterly an even more rapid increase in supply as inexperienced and opportunistic participants entered the sector. The looming over-supply was delayed for 2-3 years by lower-yielding vintages and the surge in exports to Australia. The huge 2008 vintage arrived just as orders from export markets were slowing. By then, the “perfect storm” had arrived in every market: oversupply from all producing nations, prices falling, recession dampening demand and pushing wine buyers to lower-priced wines.

With a global credit shortfall, highly geared wineries are failing. They’re unable to secure capital or produce the increased cash from sales that their business and the bank demand. There will be numerous receiverships over the next 9 – 12 months. Well known and long established labels will disappear from the shelves as weakened participants drop off.

Consolidation will occur as wineries merge operations to share overheads and reduce costs. Ultimately there will be fewer brands and bigger producers in the local wine game. But for now sales of wineries and vineyard land will be limited as there is little appetite for investment in the sector.

Winepartners blog:
<http://winepartners.wordpress.com/>

Banks are reluctant to “fire-sale” distressed vineyards, as when they do, the entire value of their wine sector loan book will fall. But at some point they will be obliged to unload. As the price of vineyard land falls, it allows a new set of owners to enter the market at a much lower price than their predecessors. These new owners will be able to support



the current, heavily discounted price of our flagship variety – sauvignon blanc – as a going concern. This presents a new threat to profitability in the sector.

The current low prices for sauvignon blanc have been created by inventory disposal – from vineyards direct to super-market labels and from over-stocked wineries desperate to raise cash. These sales are rarely profitable.

However, cheaper land prices may make the discount prices the new normal. If this occurs, price recovery from the current slump is less likely. What’s more, sauvignon blanc is harder than most wines to differentiate by quality, so the prospect of creating price tiers (value, premium and luxury) for this variety is

However, export growth continues to be strong and there are many world markets yet to be exploited. Over the long term the New Zealand wine industry has a bright future. If production is managed as well as it has been in recent vintages, demand will once again exceed supply within five years. Whether the wine sector in its new form will be able to take advantage of this opportunity and profit from it is yet to be seen.

Winery Websites You'll Love!

Engaging, functional, audience relevant, social media savvy, or just beautifully designed. They're all great inspiration—go check them out!

www.2lwinery.com
www.bonnydoonvineyard.com
<http://blackestate.co.nz/>
www.toastedhead.com
www.dalmin.it
www.thespanishquarter.com
www.36bottles.co.nz
www.someyoungpunks.com.au

And though it's not wine it's still great:
www.moabeer.co.nz

Friends & Colleagues

winejobsonline.com



tizwine.com

New Zealand's Wine Writers: The Rankings

The Top Shelf

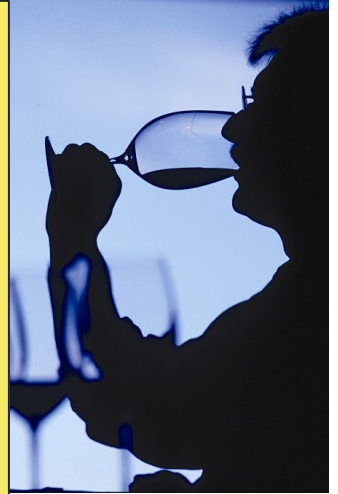
Bob Campbell, Michael Cooper, John Hawkesby, Jo Burzynska, Yvonne Marie Lorkin, Joelle Thomson

A Close Second

Cameron Douglas, Jane Skilton, Sam Kim, Sue Courtney, Warren Barton, Rebecca Gibb, Paul White

Not Without Influence

Peter Saunders, John Saker, Kerry Tyack, Glenda Neil, Kate Fraser, Paul Tudor, Peter Shaw, Vic Williams, Geoff Kelly, Charles Gill, Charmian Smith, Deborah Walton/Peter Morice, Martin Gillion, Keith Stewart



Best Wine Blogs 2010

This was the fourth annual public vote for the web's finest wine bloggers, sponsored by wine glass maker Riedel Crystal.

A panel of 11 judges selected the finalists after 30 days of intense blog study and then 1,540 people voted online to pick these winners:

Best Graphics, Photography, & Presentation:

Good Grape <http://goodgrape.com/>

Best Industry / Business Wine Blog:

Good Grape <http://goodgrape.com/>

Best Wine Reviews on a Blog:

Bigger Than Your Head <http://biggerthanyourhead.net/>

Best Single Subject Wine Blog:

New York Cork Report <http://lennthompson.typepad.com/lenndevours/>

Best Winery Blog:

Been Doon So Long <http://www.beendoonsoolong.com/blog/>

Best Writing On a Wine Blog:

Catavino <http://catavino.net/>

Best New Wine Blog:

Swirl Smell Slurp <http://swirlsmellslurp.com/>

Best Overall Wine Blog:

1 Wine Dude <http://www.1winedude.com/>

The List

Getting what you need from your importer or distributor?

Review this checklist for essential management tools that you should be using in every market.

- Long term agreement/contract
- Annual objectives - hard & soft
- Shared sales budget
- Market plan - annual & five year
- Formal review meetings
- Monthly sales report
- Monthly inventory & order forecast
- Visit/market support plan
- Shared promotional costs

TIME TO BUDDY UP

Wineries have always collaborated at an operational level: sharing vineyard equipment, leasing tanks, borrowing a filter, swapping ideas and advice. At a generic brand level too, the New Zealand industry is highly cooperative, establishing an impressive and united presence in key markets. However, when it comes to commercial matters, wineries have not been quite as sociable.

While collaborative, the wine sector is also immensely competitive: thousands of brands, all chasing limited retail shelf space or a prized restaurant wine listing; the astonishing growth in global demand until recently; a strong and confident entrepreneurialism amongst winery owners. It's no wonder wine businesses preferred to do their own thing.

But that mind-set has to change.

Facing a future where sales are slower and margins tighter, wineries need to recon-

sider their historic attitudes to commercial collaboration.

Business cooperation can take a number of practical, small-scale forms:

- **Administration:** this role can be combined across wineries for accounts, logistics, shipping & operations. A winery with a strong admin person could charge them out to others.
- **Cellar door:** a shared tasting room will dramatically reduce overheads. A good example is The Wine Room which markets five Marlborough wineries under one roof. The respective brand positions do need to be carefully managed, but this is not an obstacle.
- **Marketing:** a single well qualified person can cover the needs of 3- 4 wineries very effectively. Wineries each get the benefit of a professional at a quarter of the cost.
- **Sales:** small wineries benefit immense-

ly from sharing a sales team, especially in the domestic market. Unlike a commission agent or distributor, the reps are working directly for wineries and are more effective as a result.

Where a larger winery already has a domestic sales team, a non-competing range from a smaller player can be added.

- **Export:** for international sales, a single professional can handle the needs of 4 - 5 wineries on a day to day basis. Winery owners can visit the market on a targeted basis

Collaboration can extend to forming a business dedicated to the marketing and sales of a set of wineries. The winery partners share the governance.

A sales management team is recruited and run, overheads apportioned, a plan implemented and supported. As the new "distributor" need only to cover costs, there is a margin benefit to wineries compared to working with a distributor. In addition control of the winery's brand and closeness to the market is a major advantage.

The cooperative approach can extend across the winery's operations and business. Recent discussions Winepartners advised on covered a "swap" of winemaking and cellar door space for marketing, sales and viticulture resources.

At present we are working on an offshore distribution position for a group of selected wineries. This is a long term project that will create not only a strong brand and control position for the wineries concerned, but significantly higher margins than they would otherwise enjoy. The collaborative model has plenty to recommend it.

Introducing Winepartners Ltd

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 wine businesses, with emphasis on planning, branding, marketing and sales.



Dave Nicholas – International Marketing & Strategic Planning

- Deep and broad international sales and marketing expertise from 1987
- Over 16 years in New Zealand wine sector, worked all key markets since 1994
- Senior executive (Export Manager) with Corbans Wines : 1994-2000
- Director of Sales – California based Winery Exchange Inc from 2000-02
- Wine business consultant since 2003: strategy, branding, marketing & sales

Paul Couldrey – Brand Strategy & Distribution Expertise

- Senior sales management experience with Lion Nathan and Corbans Wines
- Established the Distinguished Vineyards NZ wine distribution business
- Line management of sales teams since 1991
- Over twenty five years in wine sector marketing & sales
- Wine business consultant since 2003: strategy, branding, marketing & sales

Stu Devine – North American Market Expert

- Highly experienced United States wine market operator
- Six years running Villa Maria's sales and marketing in the USA and Canada (2003-2009)
- Outstanding knowledge of the US wine market and trade at all levels
- Comprehensive & current personal networks throughout the United States
- Viticultural and vineyard strategist

Brand Communication - The Basics

Field of Dreams

New wineries often approach the market with strong ambition and an expectation that they will be the next Cloudy Bay or Felton Road. The reality is typically less rewarding. Simply growing great grapes and making superb wine does not guarantee success in our crowded and highly competitive world market.

It's not unusual for wineries to neglect the fundamentals when it comes to marketing. After all, the demands on their time are unceasing. But New Zealand wine is a

super premium product, ranged in sophisticated retailers and top restaurants and purchased by wine-involved, affluent consumers. The choice of a wine, amongst tens of thousands on offer, is driven by many different factors. Finding the x-factor for your wine brand is not easy.

The single most influential factor in creating a successful position in the market is the core **Brand Message**. This is delivered through the media, the internet, wine retailers, sommeliers and a consumer's personal contacts. Getting it right is vital to your wine brand's success – short and long term.

The second most important success driver is the adoption of a long term **Marketing Strategy**. This plan directs the implementation of the Brand Message through all media:

- packaging and brand material
- web activity
- promotion, advertising and PR
- trade support & communication
- sales actions



winepartners

wine business specialists

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Without these two core marketing elements, your fine wine may not find its consumers fast enough. The wine sector is littered with small businesses that are overloaded with aging inventory of medal winning wines. Slow sales mean slow cash. No business can afford that for long.

Brand Message & Brand Story

Your **Brand Message** provides the fundamental guidance on what is unique and compelling about your brand to the key audiences: consumers, trade and media.

It is supported by your **Brand Story** – the brief script you repeat constantly at tastings, to sales people, with media. It must be entertaining, have depth and richness, be truthful, easily remembered and encourage its own repetition. This consistent repetition will be the major force in defining and creating your brand in the market.

A well crafted Brand Message & Story allows you to:

- Brief and direct creative providers accurately and effectively: designers, writers, PR, web agencies, advertising and so on.
- Keep on track and on budget with expensive and critical projects such as label design, website creation, advertising material, promotional activity.
- Ensure your message is listened to, understood and repeated by your distributors, the wine trade, media, consumers and of course, your own staff
- Be true to your original ambitions and objectives for your wine business over the long term
- Intelligently adapt your marketing approach to remain relevant as the market evolves
- Avoid expensive distractions that may appeal in the short term, but provide little long term gain.

Making a small investment in planning and then managing your brand communication in a disciplined manner will pay dividends. Don't waste valuable time on short term initiatives and attractive but off-track activities. Ensure your brand message has genuine appeal to your market and audiences. Keep it focused and consistent. Do these things in every aspect of your wine marketing and each brand action you undertake will pay dividends.

MARKETING
MGR MAKES
TROPHY
WINE!



WOULD YOU LET A MARKETING MANAGER MAKE YOUR WINE?

Why then do so many winemakers handle their own marketing? Brand development and communication is a specialist field.

Wineries employ and engage vineyard & winemaking consultants, lawyers, accountants, designers, architects, IT contractors and more. But none of these specialists generate revenue for the winery.

Engaging a marketing, sales and distribution specialist won't just SAVE you money it will MAKE you money.

A service that pays for itself?
Now that's a good business outcome!

Get in Touch!

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