

Wine Business Solutions



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# **The Wine Paper 7**

## **Wine Marketing Australasia**

### **Day 1**

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**Page 3** – Introduction

**Page 3** – Plenty of grapes, lots of opportunity?

**Page 6** – [yellow tail] Delivering a global experiential brand platform

**Page 9** – The McGuigan City Vineyard

**Page 11** – Asian market opportunities

**Page 14** – Alternative distribution channels

**Page 16** – Global brand positioning

**Page 20** - The Prof is in the tasting

**Page 21** – The Top Ten Tips for Building Better Wine Business.

## INTRODUCTION

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Wine Marketing Australasia was a resounding success made so by an excellent line up of speakers who exemplify the strength and diversity of the Australian and New Zealand wine industries – strength and diversity perhaps being what is most needed given the current set of challenges.

## PLENTY OF GRAPES- LOTS OF OPPORTUNITY?

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First to present was Andy Bowley, an Englishman living in Wellington (NZ) who analyses global performance of (mainly Australian) listed beverage companies. Andy is arguably the best beverage sector analyst in the world right now as those who have read his *Thirsty Thoughts* will readily recognise. A couple of poignant points from his comprehensive presentation on the state of the global wine market were a long range view of Australian wine oversupply and the rise and rise of smaller companies at the expense of large.

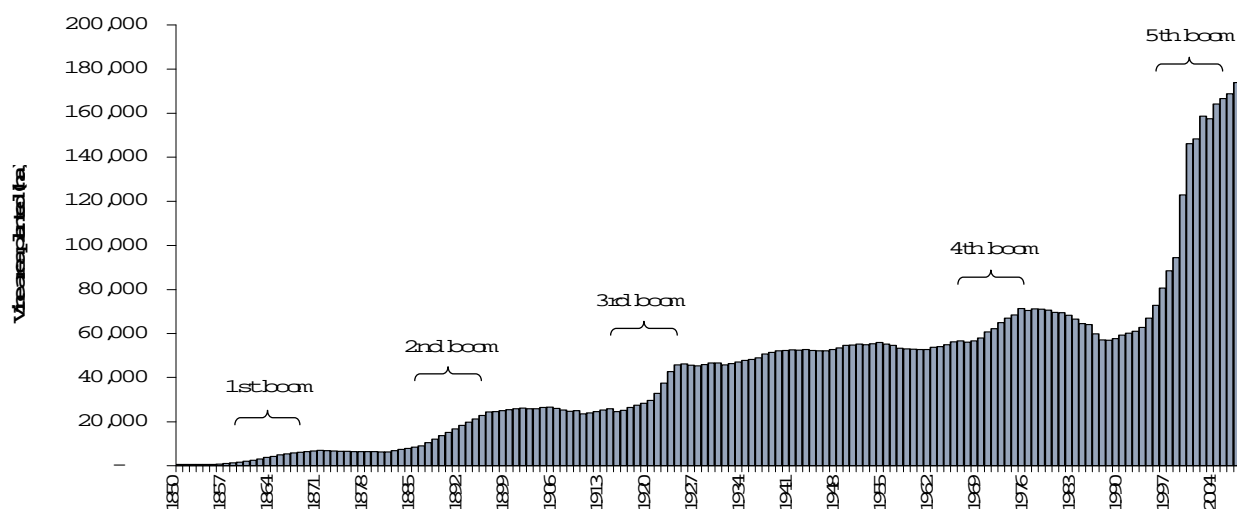


Figure One – Vine are planted in Australia

If we consider plantings in the context of all previous wine booms in Australia, it is clear that adjustment post boom takes a long time. Whilst this is not good news for grape growers, this should be encouraging for businesses looking to build brands without having to commit capital to vineyard assets.

Also most interesting is the success of smaller producers at the expense of large. Part of this is to do with wine consumers gaining confidence and being more experimental. It is also partly due to a well researched tendency for market leading companies to lose 1-2% share per year if they are not constantly revisiting their business model and customer value proposition. Otherwise, smaller wine companies are likely to be more responsive and accurate in terms of meeting consumer demand.

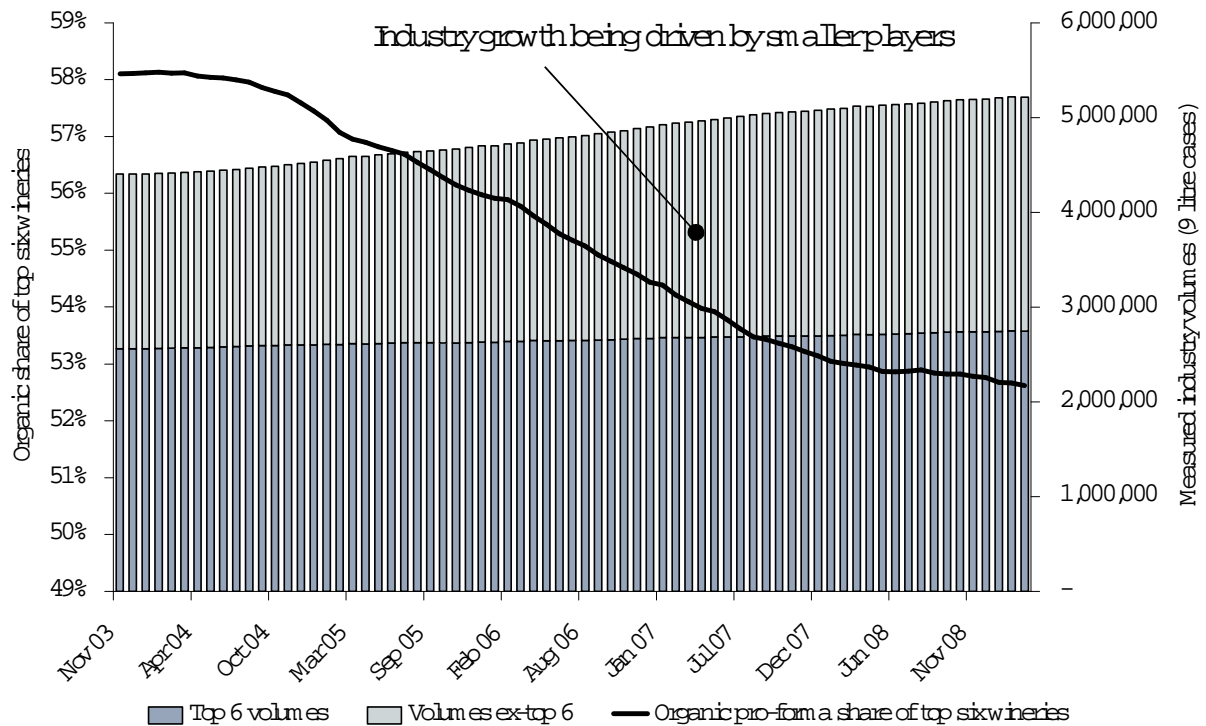


Figure Two - Share of top six Australian wineries versus smaller players

This certainly has been the case for the medium sized Australian family companies in Australia and their counterparts in the US (the Trincheros, the Sebastianis etc). One of the key issues for the Australian wine industry however, is that those same medium sized companies have not been able to come up with a consumer relevant offering in the US at premium price points. Australian sales have become out of balance with the opportunity as a consequence. The key \$US15 and \$US20 price points remain the great opportunities for the next decade for small to medium winemakers in our view.

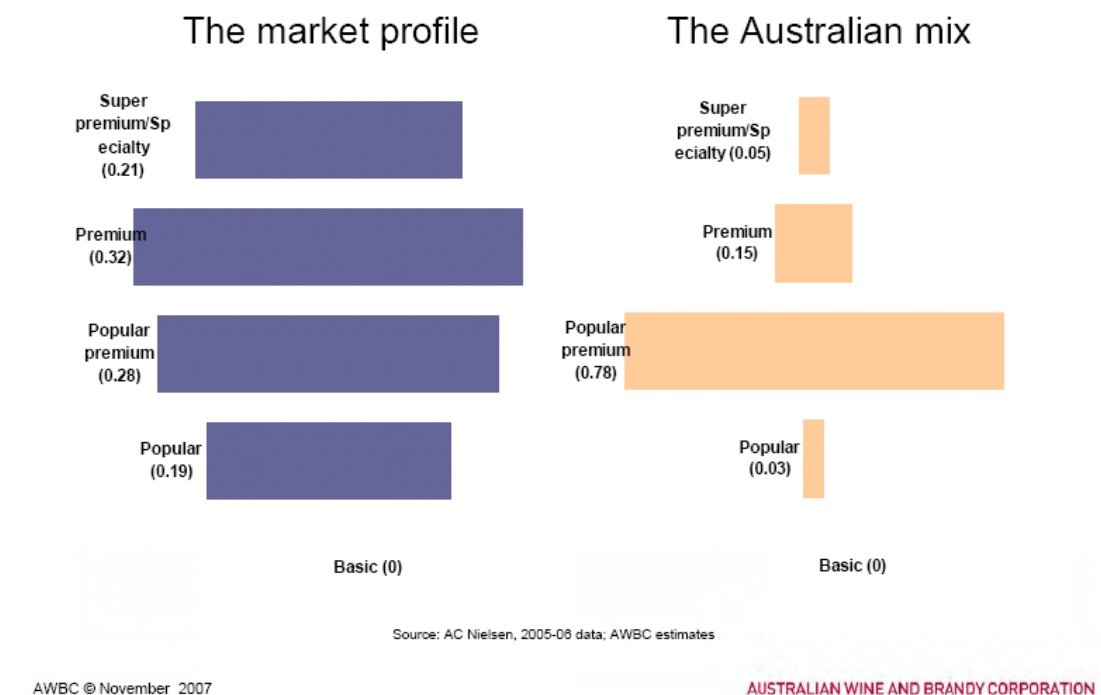


Figure 3 – profile of Australian wine sales in the US by price category

Not part of Andy's presentation but critical to our reader's decision making, is the recent work he has done looking into retail consolidation globally.

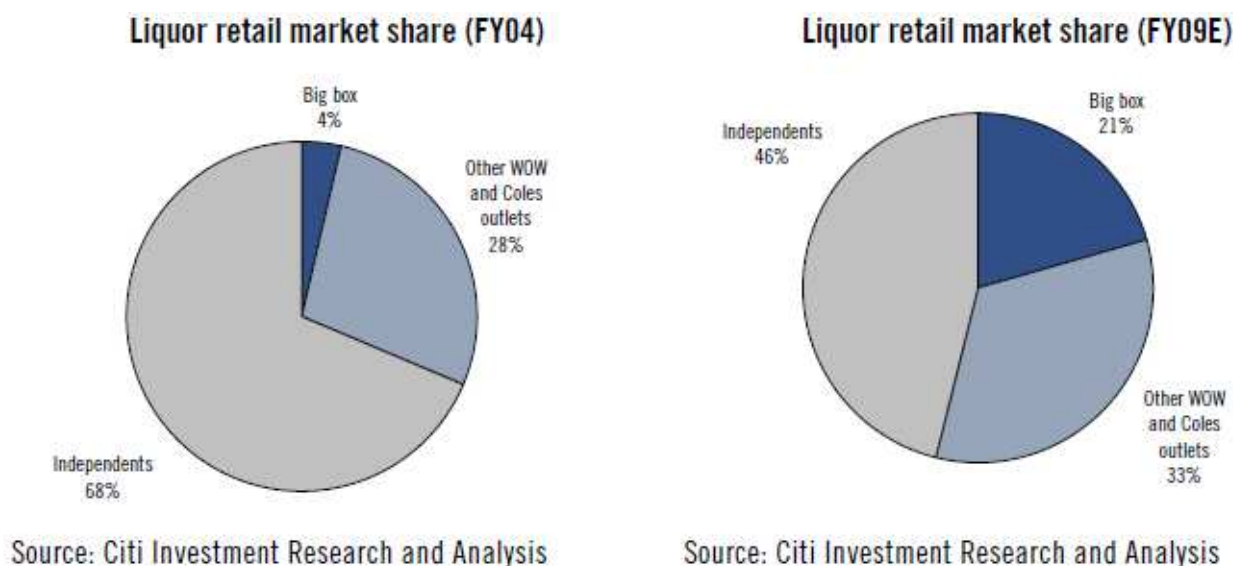


Figure Four – Comparison of supermarket market share

In Australia, for example, the two leading supermarket chains, Coles and Woolworths, have grown their share from 32% to 54% of retail in just 5 years. They have done this not so much by dominating the number of outlets (they have only 11% between them) but by site selection, size and utilising retail floor space up to three times as effectively as their independent competitors.

Citigroup research in the UK and NZ off-trade shows a direct correlation between growing supermarket market share and declining supplier profits.

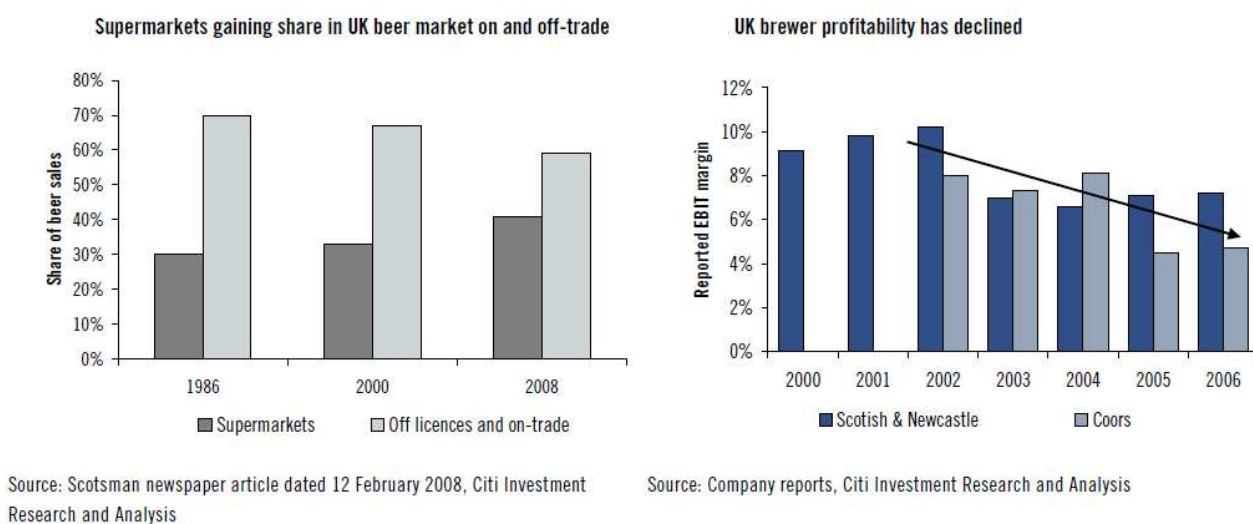


Figure Five – Comparison of Supermarket share of retail with vendor profitability

Some may contend that having supermarket distribution does no harm to their brand. It's very difficult to argue however, that it will do no harm to your business. Understanding the On Premise is going to be extremely important for fine wine producers going forward. Hence WBS's research into the UK and Australian On-Premise markets.

<http://www.winebusinesssolutions.com.au/resources-wbs.aspx>

Libby Nutt, Marketing Manager of Casella Wines then presented to us some the [yellow tail] brand's success factors.

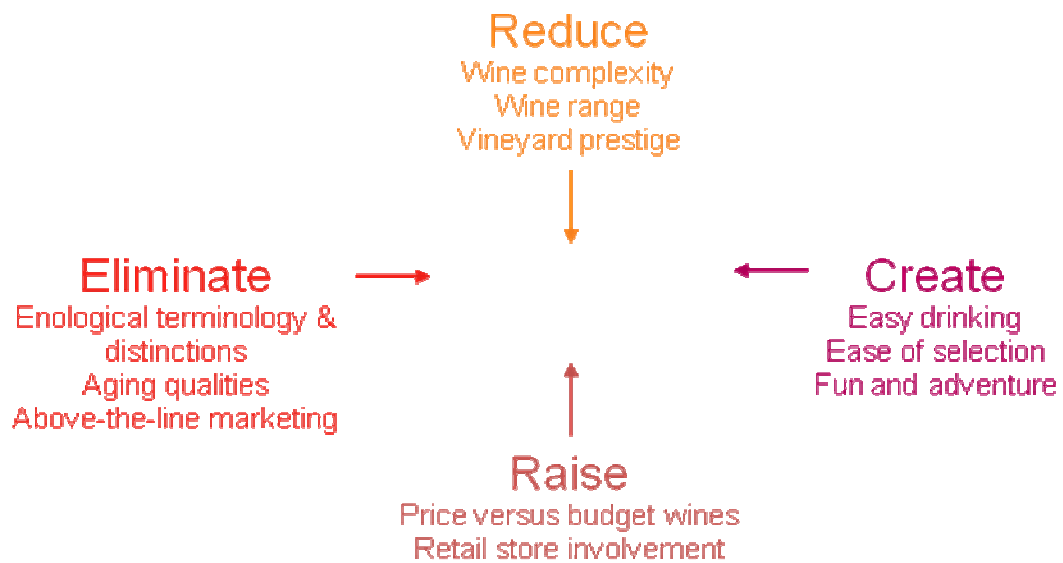


Figure Six – Blue Ocean matrix for the [yellow tail] brand

Libby started with a “walk through” Kim and Marborgne’s “Strategy Canvas” from their book “Blue Ocean Strategy”.

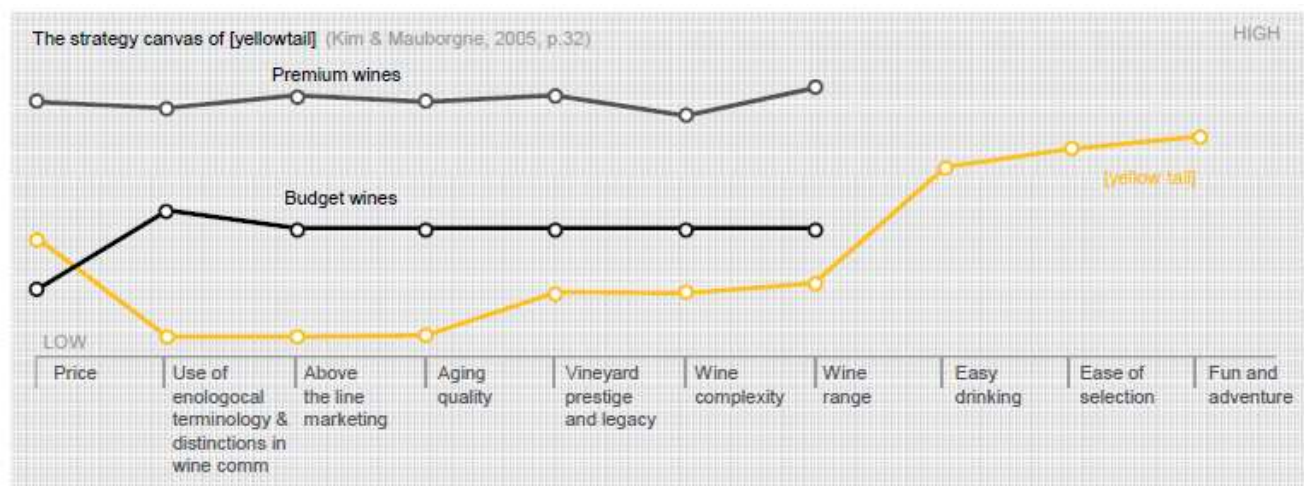


Figure Seven – Strategy Canvass for the [yellow tail] brand

Libby then explained the experiential marketing concept in a way that has a great deal of relevance to all brands big and small.

“It is based on creating seamless experiences, telling powerful stories, addressing people as individuals, making emotional connections, bringing your brand to life for everyone, and making a lasting difference.

We live in a world where brands have to earn the right to engage with people by being relevant, respectful, authentic, and value-adding. The best way to build your brand is to spend time with people (with their permission) in ways that are relevant and value-adding to their lives (and to your brand). It's about conducting two-way conversations with people.

It's about allowing people to experience brand at a time and in a place that works for them. It's about encouraging people to embrace your brand's story as their own and to spread it. It's about recognising that brands matter and that brands are built through experiences. ”

Libby then presented two key campaigns run globally. The first was the Vinyl Bar, a concept where people get to experience how certain types of music work with different types of wine.



“There are four music stations located at the Vinyl-bar. Each station is equipped with a fully accessible turn-table and two pairs of headphones. Guests can take a seat with a glass of wine and pick’n’choose to match their wine and music varieties. It’s about fun, not science, let guests take their pick from anything on offer”

How was the campaign measured?

- Entry forms - how many completed and entered
- Varietals sampled and sold
- Demographics of people sampling – sex, age, had they tasted before (details to be completed on spread-sheet located on bar)
- NPS (Net Promoter Score) – how likely are sampling consumers to recommend [yellow tail] to their friends / family
- Engagements with promotional staff





*The Vinyl Bar in full swing at the Sydney Good Food and Wine Show last weekend...*

We then heard about [yellow tail]'s “Hello” promotion in the UK. This striking campaign achieved wide ranging traditional media coverage along with highly levels of web traffic and Web 2 communications. Again, the idea was to produce very high levels of consumer engagement and drive word of mouth.







## Mobile phones bring splash of colour to city

IT LIVES! Since its arrival some days ago, the 'hello' box has been around Glasgow. These yellow mobile phone boxes are part of a new ad campaign during the roundabout.

The boxes have visited London, Cardiff and Birmingham and, having decorated the front of the 'Hello' mobile and being a part of the shopping, can be seen up in the air. The boxes will be bringing a splash

of colour to a few other streets in Glasgow in the next few days but don't expect any more of the yellow boxes. The boxes are the property of the Australian wine company Yellow Tail.

After leaving the city centre the boxes will make their way out to the West End. Pictures: Kirk O'Rourke



## THE MCGUIGAN CITY VINEYARD

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Samantha Bragg, Marketing Director of Australian Vintage, talked us through a different style of experiential campaign for their Discover range. She pointed out that the strength of an experiential campaign is its ability to amplify and build advocacy.

Sam's goals were to;

- Create a newsworthy initiative that educates and builds credible awareness of the McGuigan Discover range - (An idea that could be amplified)
- Generate multiple touch points that can be leveraged for education and trial - (An idea that could build advocacy)



The McGuigan City vineyard certainly did that. Samantha outlined how the project was implemented including a “how to guide” to getting past those “red lights” that so often inhibit a good idea.

- Complete a “view of success” to set expectations. Establish PR objectives and planned outcomes. Complete a path to purchase.
- Recruit experts who know what's possible
- Ensure you have a “can do” attitude

- Provide a sense of ownership to:
  - Key project team to achieve view of success
  - Potential “anti sponsors”

As with the [yellow tail] campaigns, the PR strategy was complemented by a comprehensive consumer engagement strategy including;

- A media engagement strategy to create awareness and excitement
- Consumers were encouraged to touch, feel and breathe the vineyard
- The Discover range was available for tastings
- Winemakers conducted tours and tastings & tips on food matching
- The area was blitzed to create awareness and attendance at vineyard

## Results

- In Sydney:
  - 35,000 consumers passed the City Vineyard daily
  - Over 7,000 tastings were enjoyed
  - Brand McGuigan is in 30% growth by value
  - Awareness and conversion percentage points improved
- In London:
  - Brand McGuigan in 32% growth by value
  - Trade campaign of the Year – Decanter Magazine





Denis Gaston, a well know wine writer for Asian publications and contributor to the wine compendiums of Jancis Robinson, Hugh Johnston an others, gave us a summary of the prospects in Asian markets.

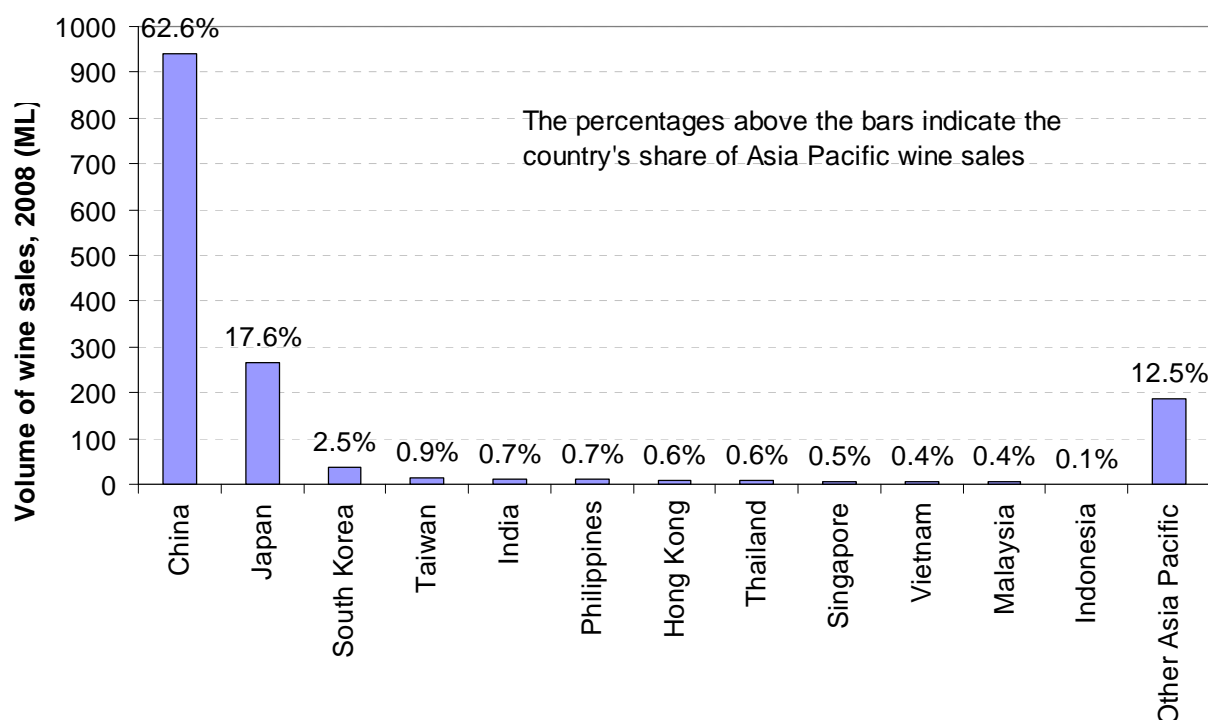


Figure Eight – Country's Share of Asia Pacific Wine Sales

Clearly it's still all about China and Japan. Not included in Denis's presentation but important none the less, is the boom in Australian wine exports to China which have nearly doubled in the last 12 months according to the AWBC. Japan remains Australia's best destination in value terms.

	Volume		Value		Value/Litre	
	MAT May 2009 Litres	Change %	MAT May 2009 AS	Change %	MAT May 2009 AS/L	Change %
United Kingdom	256 826 111	-5.8%	715 052 208	-21.1%	\$2.78	-16.3%
United States Of America	232 158 354	21.8%	721 570 695	-10.1%	\$3.11	-26.2%
Canada	43 252 787	-10.1%	210 319 739	-23.2%	\$4.86	-14.6%
Germany, Federal Republic	26 157 287	7.1%	50 548 661	0.4%	\$1.93	-6.2%
China, Pr	23 286 946	90.8%	90 913 818	59.8%	\$3.90	-16.3%
Denmark	20 611 399	-22.9%	45 050 328	-26.0%	\$2.19	-4.0%
Netherlands	19 623 238	-23.7%	57 367 472	-21.5%	\$2.92	3.0%
New Zealand	19 320 871	-16.4%	77 237 218	-11.0%	\$4.00	6.5%
Ireland	11 252 463	-29.2%	45 866 345	-35.1%	\$4.08	-8.4%
Japan	10 231 715	13.0%	51 225 398	4.9%	\$5.01	-7.2%

Figure Nine – MAT Exports of Australian wine ex AWBC

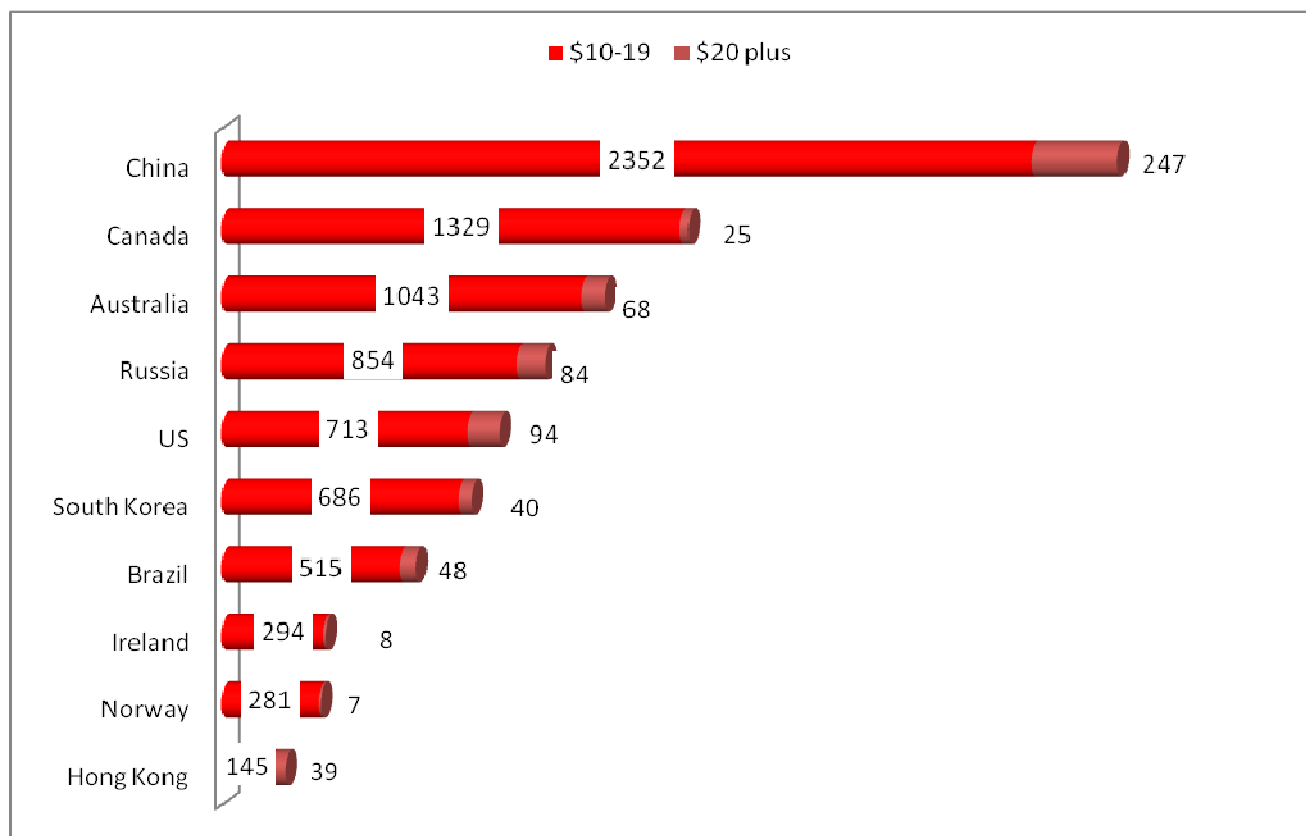


Figure Ten - Change in volume of imports - 2006 vs 2008 - '000 9 litre cases - Source IWSR

From the Wine Paper 5, you will recall that China is the fastest growing market for premium wine imports and that Japan is responsible for over one third of all wine imports retailing at more than \$US20 per bottle, according to the International Wine and Spirit Record.

Loran Wong, Director of the Hong Kong Economic & Trade Office then spoke about the opportunity presented by the abolition of taxes on wine imported into Hong Kong and the MOU on Wine-related Businesses and Co-operation. Both sides of the MOU will;

“Facilitate business visits, training, seminars, and wine related trade fairs organised in HK or Australia. The two governments will encourage training institutions in Hong Kong and Australia to enhance partnership to strengthen education on wine appreciation/culture. We will encourage partnership on promoting wine-related tourism and wine culture, e.g. through coordinated activities between Australia and HK. The customs administrations of HK and Australia will cooperate to prevent counterfeiting of wine products. (HK has a clean record and will remain vigilant.)”

Australia has been missing out to date, only growing 28% between 2007 and 2008. France who have 62% of the market grew 95% and the USA – 104%!

Lorna Wong also spoke about the MOU being set up so to assist people wishing to conduct online wine auction business in Hong Kong which was greeted as great news by Cameron Pullman, CEO of GraysOnline Auctions.

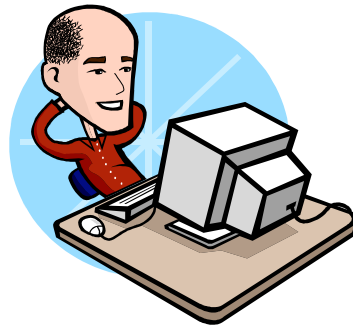
Cameron explained the way in which their business had increased by 12% on last year despite the recessionary environment. This is consistent with the performance of major US online retailers who have managed to grow at similar rates despite depressed retail sales.

GraysOnline expect to sell over 700,000 cases this year through their web site. This success has prompted them to move into fixed price selling and into direct competition with major retailers.

There client acquisition model contains much that will be useful to anyone looking to enact a direct to consumer” strategy.

- Customer Acquisition – Multiple touch points
  - They use - television, radio, print.
  - You can use- online direct marketing, email and mail
  - PR – Acquisition through events etc
- Customer Activation
  - Email marketing
  - Cross promotional cards in deliveries
  - Onsite promotional banners
  - Rich media - Improved conversion with Web 2 technology and onsite videos
  - Search Engine Marketing
- Brand building
  - Sponsorship and Events
  - Outdoor
- Social Media



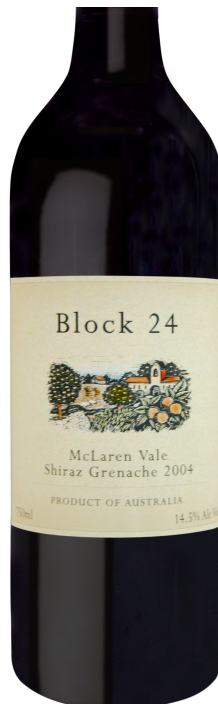


GraysOnline understand their consumer very well

- >700,000 registered GraysOnline members
- >80,000 members subscribed to receive email promotions on wine
- GraysOnline bidders tend to be:
  - Educated
  - White collar professionals
  - Aged between 40 – 54 years
  - Higher household incomes
  - 60:40 skew toward males

In other words - a perfect match with the wine “Appreciator” described later in this paper.

They also provide opportunities in terms of developing tailor made brands. Cheviot Bridge developed a brand for them called “Block 24”. Thus far, it has sold 8000 cases.



My session was dedicated to talking about global brand positioning using Freixenet and other examples. I wanted to clearly demonstrate the link between the Wine Australia segments, who their consumers are and what they want from the experience of wine in a way that is easy to understand.

In order to do this, I started with the consumer segments and there desired end values

Successful Brand	Target Customer	Benefits Sought	End Values Sought
Grange	Connoisseurs	Discernable quality and Brand Association	Sense of accomplishment Comfortable Life Social Recognition World at peace Equality
D'Arenburg	Appreciators	Discovery and learning	Social Recognition * Exciting life Sense of Accomplishment
Oyster Bay	Aspirants	Enhanced Social Status and Self Image	World at peace Social Recognition True Friendship Exciting life Sense of Accomplishment
[yellow tail]	Enjoyment Orientated	Special to share, Easy to drink	True Friendship
De bortoli	Beverage Wine Drinkers	Recommended Reliability	Inner Harmony

Hall, J., & Winchester, M.K., (2000). What's really driving wine consumers? Australian and New Zealand Wine Industry Journal, Vol 15(4), 68-72.

\*Added in. Not proven by this research

Figure Eleven – Globally consistent, stable wine consumer segments

I showed how Fosters had established the segments demographics and that their findings were consistent with all other research into the area carried out across the world. Wine Australia segments wineries. These have matching target consumer segments. The key is to know who they are and to give them what they want.

In order to make all of this sensible to small to medium winemakers, we need only focus on two segments. Beverage wine is not a market for anyone producing less than a million cases, Branded wine is a game for even bigger companies and “Connoisseur” consumers are generally only available to those traded in the “old and rare” market.



Figure twelve – Fosters research into consumer segments based on involvement levels

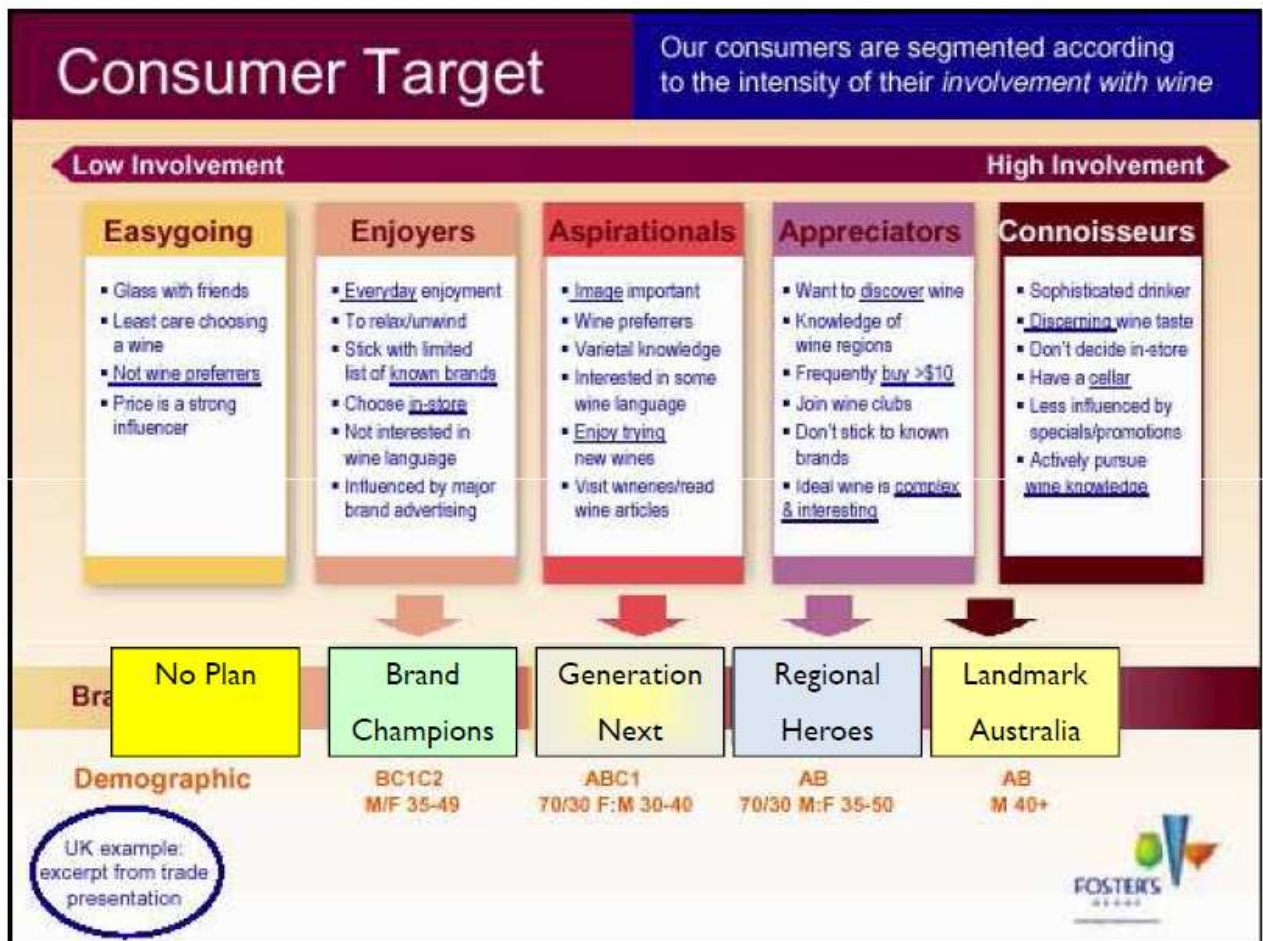


Figure Thirteen – Overlay of Wine Australia Segments



That leaves us with “Aspirational” and “Appreciator” consumers as potential core customers around which to build a business. The following two slides were developed to address the question - If the Aspirational consumer was one person, what would they say?

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## The Aspirational Wine Drinker

- I want to look good / sophisticated
- I want it to look good
- I want us to look good with it
- I want to relax at the end of the day
- I want to unwind with friends
- I want to be assured that it's “good for the earth”
- I want to be able to say and remember the name
- I want to feel good saying it



So therefore...

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## The Aspirational Wine Drinker

- Flavour profile needs to match the audience
- Fashion very important
- So is Packaging
- Merchandising more so
- Off Premise / On Premise environmental factors
- Value proposition needs to be very clear
- An Integrated Communication Strategy is required



Performing the same exercise for the Appreciator segment

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## The Appreciator Wine Drinker Marketing Mix

- I want this wine to tell the story of where it comes from
- I want to know about the people who made it
- I want to go on a voyage of discovery
- I want to enjoy it with good food and friends
- I want to tell them about it
- I want easy to digest assurance that it's good
- I want to look clever
- Talk to me.

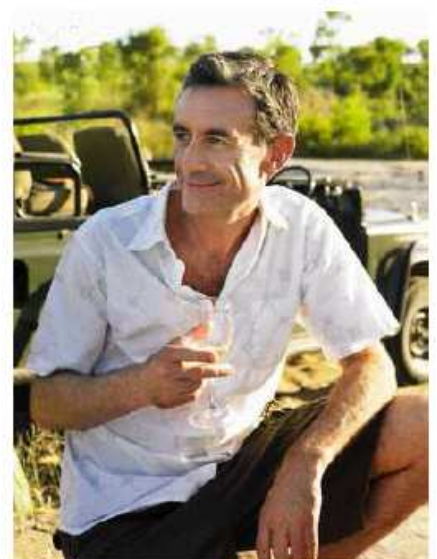
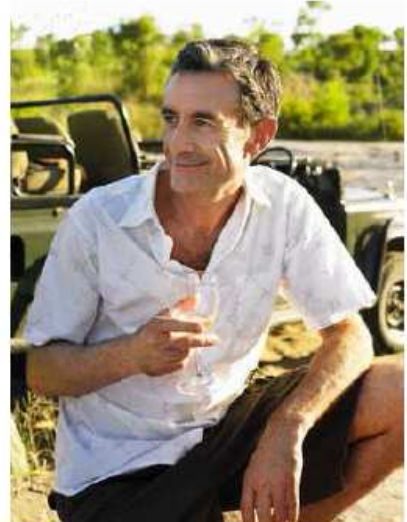
And therefore...

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## The Appreciator Wine Drinker Marketing Mix

- Quality cues very important
- Place of origin central
- Story needs to be engaging, easy to remember and easy to repeat to friends
- Ideal wine is complex and interesting
- Quality off premise distribution needed
- Traditional wine press more important
- Above all else, personal connection with the brand is the strongest driver of word of mouth





## THE PROF IS IN THE TASTING

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Brian (Prof.) Lynn of Majella then most fittingly wrapped up the day. He spoke, with passion and conviction, the simple truths about choosing the right place, tying in the right people (Brian's winemaker owns the winemaking operation at Majella), making a product that people like and want to drink and then selling it, one consumer at a time.



Majella's sixty trophy's won at national and international wine shows makes his job somewhat easier than it is for most...





# The “Top Ten Tips” for Building Better Wine Businesses.

*(from Wine Business Solutions article published in Wine Business Magazine, March 2007)*

**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 where ever possible. Everybody knows they should do this. Few do. The difference in 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.