

Wine Business Solutions



The Wine Paper 40

May 2016



Getting Engaged

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What if you were given a million dollars to promote your brand? What would you do? Would you create a television campaign like McGuigan just have or would you hire yourself an agency to create some killer content designed to go viral on social media sending your brand into the popular culture stratosphere?

If you chose the latter, your chances are slim. Corporates have spent billions on creating social media content but consumers plain haven't turned up. Take Coca-Cola for example. In 2011 Jonathan Mildenhall announced that Coke would continually produce "the world's most compelling content" which would capture a "disproportionate share of popular culture" and that Coke would "double sales by 2020".

According to the Harvard Business Review's March 2016 edition, Coca-Cola's online digital magazine 'Journey' hasn't cracked the top 20,000 web sites globally and its YouTube channel is ranked #2749.

This is because 'Crowd Culture' is creating the most compelling content, not corporates. One of the best ways to see this in the flesh is to go to a Rugby 7s tournament. Now I know that many of you will be thinking that this is the worst idea that you've heard in 40 editions of this newsletter but bear with me.

Once upon a time, you would go to the football, whatever the code, and unless it was the half time show at the Super Bowl, you would witness something so random and unbelievably awful that you wouldn't know where to look.

Sort of like those videos where the winemaker goes to the shed to draw a glass of wine with a pipet that you can't see properly, that you can't smell and that you can't taste only to be spoken to in a language that makes you (being the average consumer in this case) feel completely inadequate.

Now, you go to that 7s tournament and the 'Crowd' is the entertainment. By some magic, every single time the camera lands on someone, they're doing something that brings a smile to (almost) everyone's faces.

Everyone is involved, everyone is engaged and everyone, young and old, leaves having had a fantastic time, even if they slept through the final. This is because the crowd, collectively, is a much better judge of what is 'entertainment' than event management and sponsors.

So who are those crowds in relation to wine and Social Media? What are they interested in? How can we meaningfully participate in their world rather than trying to drag them kicking and screaming into ours?

THE FIVE TRIBES OF SOCIAL MEDIA

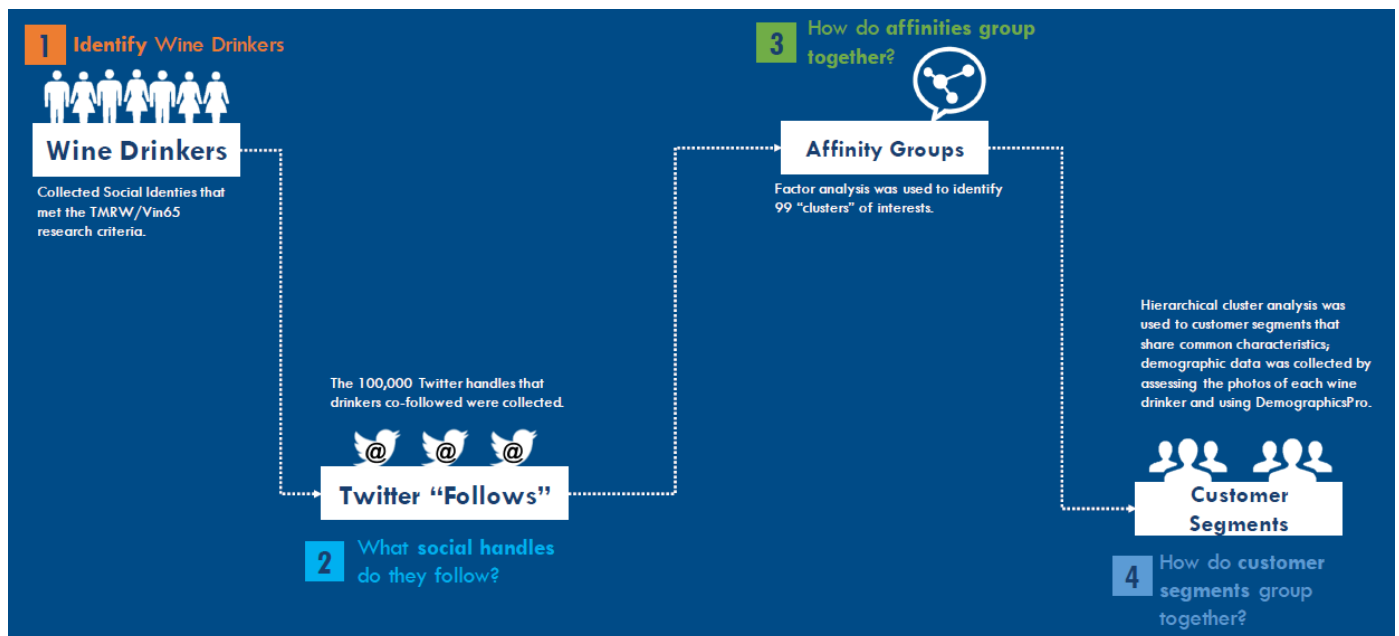
TMRW Digital Insights, in collaboration with Vin65, have just released a new study called 'The Five Tribes of Online Wine Buyers'. They used a sample set of 12,500 customers to collect full behavioural and conversation data on social media resulting in:

- 5.3 million follower relations
- 183K wine related mentions
- 2.3M social posts
- 53K online wine purchases
- \$16.8M in sales (they say 'linked causatively')

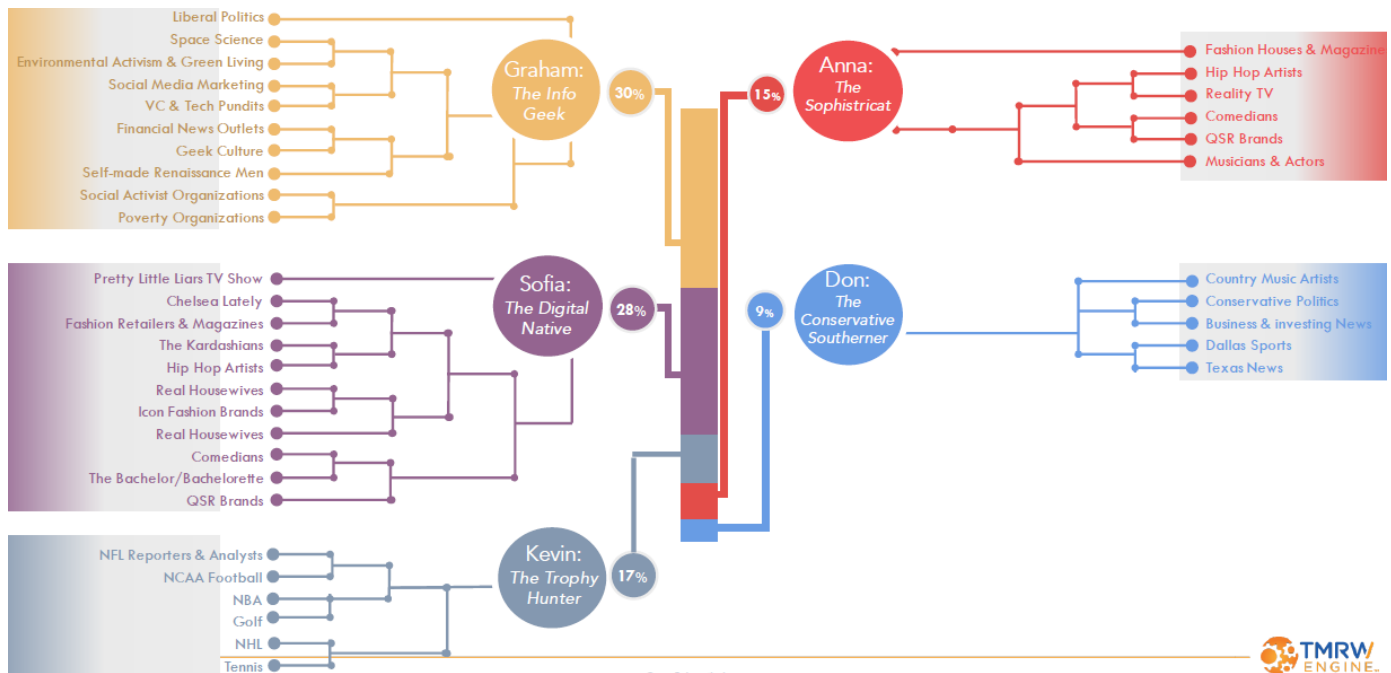
Each of the customers had to have at least one:

- Connected social profile (Twitter, Facebook & Instagram)
- Interaction with a wine brand
- Purchase from a wine brand owner

They then used the common approach of social demographers since the 80s, being to divide their customers into understandable segments. Why five? My theory is that they have gone for the maximum number of ideas that most people can complex when reading such a study, a sound but necessarily simplistic approach.



They did this using what they call 'interest clusters' which, of itself, is useful information for wineries. They then did as agencies love to do – gave each of them a personality in order that they be thought about as if an individual. Always an extremely dangerous thing to do but necessary for this purpose.



Sofia, the “Digital Native,” is a millennial taking selfies with her glass of wine.



Graham, the “Info Geek,” checking his iWatch for alerts after logging a bottle of wine on Delectable.



Kevin, the “Trophy Hunter,” talking about his favorite football team, and asking the waiter for the reserve list.



Anna, the “Sophisticat,” has just checked into the latest 3 Michelin Starred restaurant.



Don, the “Southern Conservative,” is a Sean Hannity fan, and a vocal opponent of Chardonnay.

‘Sophia’ represents 28% of consumers. 63.5% are female. They are dominant in Los Angeles.

- The youngest segment of wine consumers and spend less than average when buying wine online.
- They are always tuned into the latest in entertainment and are obsessed with image and video content.
- This segment is image-conscious, with strong affinities for fashion, fashion icons and celebrities.
- Interests include – Comedic actors, Jersey Shore, Kardashians.

‘Graham’ Represents 30% of consumers. 62.9% are male. They are dominant in San Francisco.

- They are the largest segment of consumers who buy wine online.
- People in this group are charitably generous, very environmentally aware and particularly health conscious.

- They are highly politically engaged, and skew liberal.
- Interests include – VC and Tech Pundits, Social Media and Content Marketing.

‘Kevin’ represents 17% of consumers. 80.1% are male. They dominate in San Francisco.

- They are newcomers to the premium wine category.
- This segment is most likely to purchase a specific brand or varietal versus joining a wine club.
- They are avid sports fans – especially college football and golf.
- Interests include - SF sports coverage, NFL Reporters and Analysis.

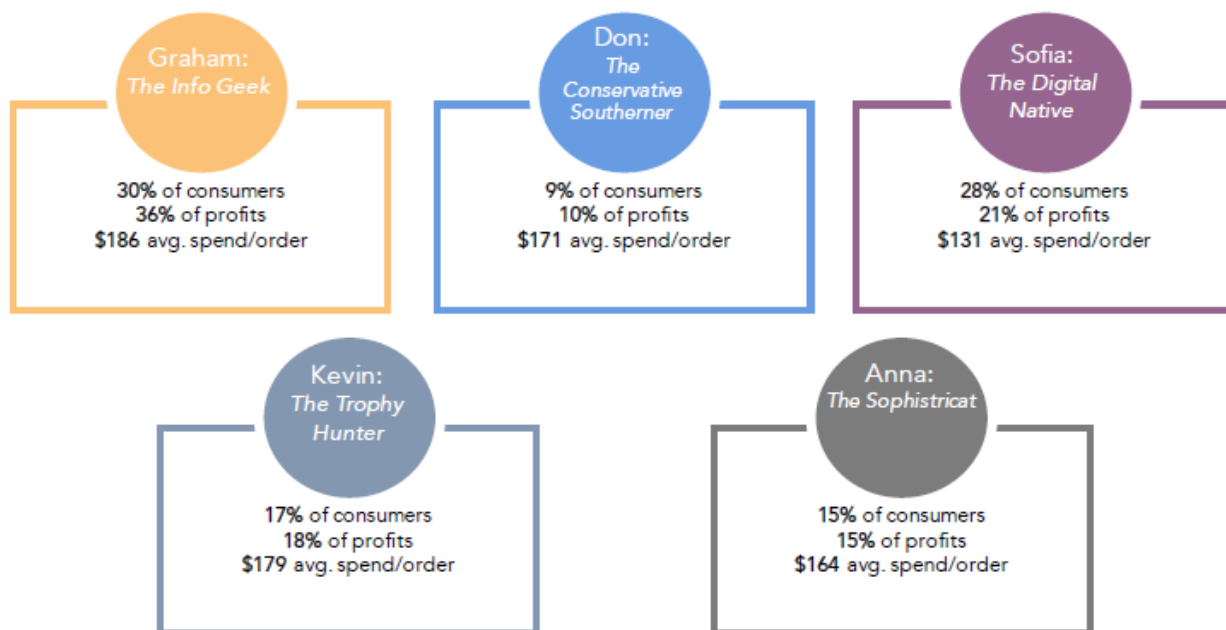
‘Anna’ represents 15% of consumers. 51.2% are female. They are dominant in San Francisco.

- Highly sophisticated in their wine knowledge and most likely to discuss specific varietals/regions on social media.
- These consumers taper their love for food and drink with their affection for fitness.
- They (somewhat discordantly) demonstrate a strong interest in beer as well as champagne and sangria
- Interests include: Celebrity Chefs, Running and Yoga.

‘Don’ represents 9% of consumers. 55.6% are male. They dominate in Dallas, Texas.

- The smallest segment but
- They spend more online that the average online wine consumer.
- This group is predominantly southern, but more urban, located in major cities with strong conservative values.
- Interests include: Business and Investing news. Conservative Political Analysts.


What are these customer groups worth to wineries in terms of Social Media driven wine spend?



You can see that these 'Five Tribes' are highly impacted by local US culture. How then do they relate to and overlay with previous research and how might this influence our global strategy?

CHOOSING YOUR CUSTOMER

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Beverage Wine Consumer	Branded Wine Consumer	Aspirational Consumer	Adventurous Appreciator	Collector
The Commodity Business	The FMCG Business	The Image and Lifestyle Business	The Food, Wine and Travel Business	The Luxury Brands Business

We start every workshop with the assertion that nothing is more important than customer understanding. Every wine business, dependent upon its scale, skill set and resulting business model has a natural customer.

Oyster Bay, absolutely, owns the Aspirational consumer – Sophia. She’s universal and has always been the target for the likes of Brown Bros. and Freixenet. Penfolds owns Don and Kevin (Traditional and Emerging Collectors). Collectors have always been conservative, the more aspirational of them, highly outer directed. Most of the rest of the wine industry, more or less, wants to own Graham and Anna. The ‘Grahams’, have always been more inner directed and left leaning. Research is consistent on this, back to the 80s.

Interestingly, none of these Five Tribes are talking about wine and are engaged with it in a way that would make them a natural target for players in the Branded wine space. Pernod Ricard, for example, know that there is a little bit of Anna even in their Jacobs Creek audience, but generally, the Branded wine buyer is not that engaged with the category that they would want to go online and rave about it.

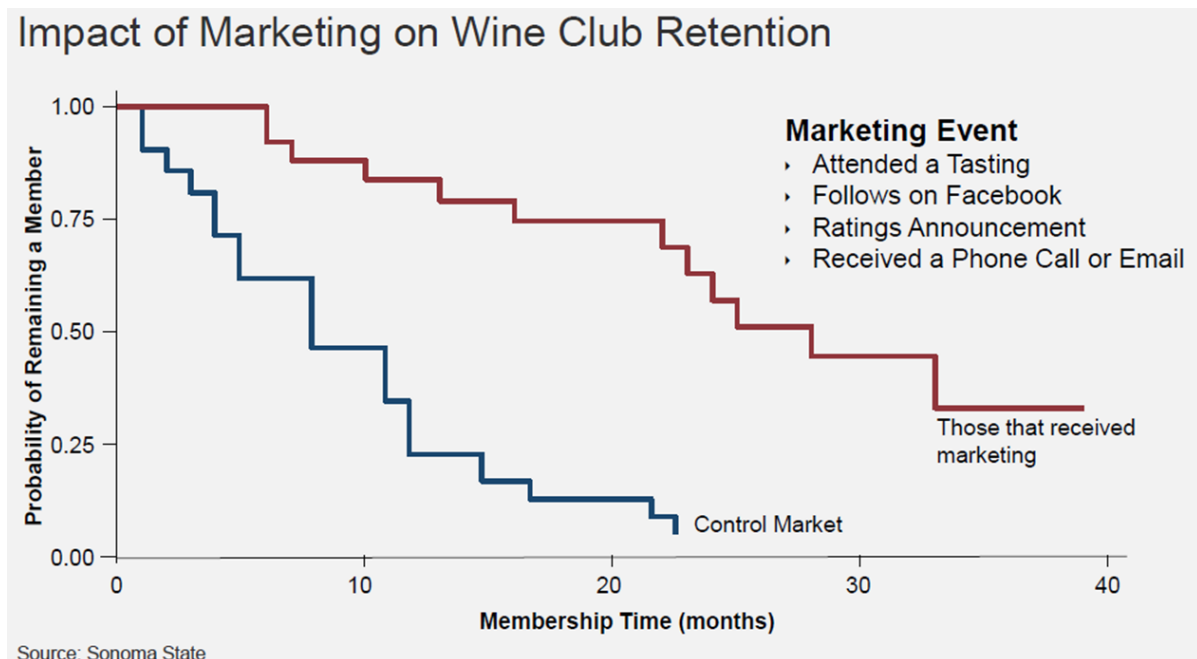
[yellow tail], however, provides one of the better examples of branded wine that has created its own ‘crowd culture’ (1.3 million fans) through looking to subscribing people to a lifestyle philosophy based around a more relaxed approach to wine rather than making the brand name itself, the focus of social interaction.

ENGAGEMENT EQUALS HIGHER SPEND

One of the key findings of the ‘Five Tribes’ research is that people who posted about wine were no more likely to spend money on wine than those that never bothered. Customers who engaged directly with brands online, however, spend 35% more on average when buying wine online over the course of their lifetime than those who do not.

- Just one engagement equals 10% more spend over the lifetime
- 1+ becomes 29%
- 3+ becomes 38%
- 14+ equals 66% more than unengaged customers

The key objective of the Social Media exercise for wineries, therefore, is not to get people to share content, a useful but unpredictable exercise, but to speak to them, to engage with them as directly as possible in a way that reflects their interests and responds to their needs – answering the digital telephone, as it were.



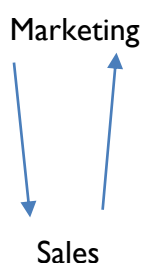
As above, the critical nature and powerful effect of engagement is well supported in research carried out in other areas.

Again, we can look to real world experiences to back up what is being observed online and in research. For example, time and again our customers tell us that the longer people stay at cellar door and the more relaxed they are made to feel, the more money they typically spend. That is why so much of our consulting work is about best arranging your ‘theatre’ to best accommodate that and, of course, to improve wine sales. Good internet coverage is a key factor both in selling wine and enabling sharing of experiences.

With limited resources (we're assuming you haven't recently been gifted a \$1 million for this purpose) how then should we each look to use this information to create an integrated communication strategy that will work best for our business? That is - a plan in relation to who will say what to whom with what desired effect using what media and how often. It really can be that simple and Sensis research (Australia) shows that just by committing this to paper, you will already be ahead of more than 80% of your competitors.

If we look at the logical hierarchy of objectives for your marketing communication strategy and, therefore, what your web site, social media and other key communication platforms need to focus on, they are in pretty much the opposite order to what your company wide sales goals should be.

1. Sell Your Brand
2. Sell Visitation
3. Sell Events
4. Sell Your Club
5. Sell Wine



Unsurprisingly, the majority of our clients then get into a tangle when it comes to knowing what to do / emphasise first. This is often only made worse when there are separate sales and marketing functions, especially if senior management, boards and /or business owners are not 100% clear on the difference between sales and marketing. This may sound trite but the fact is that very few people genuinely do. This is the main reason why Social Media has been so misunderstood for so long.

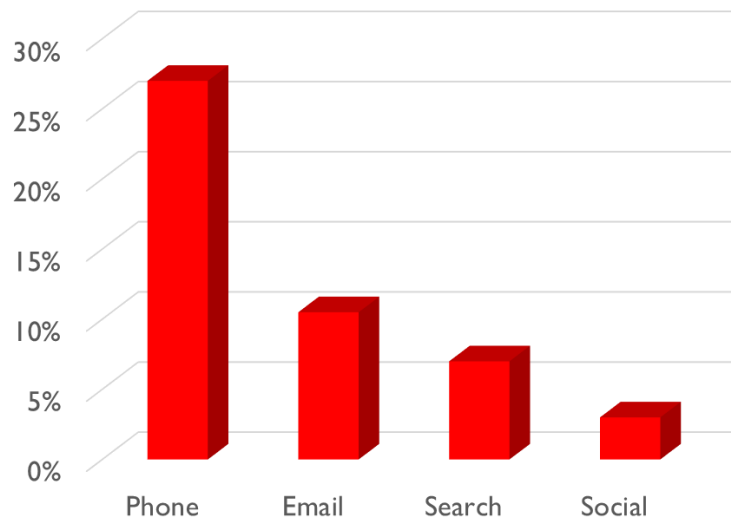
So let's not mince words. Social Media gives us very low reward for effort when it comes selling wine. Most of you have discovered this already. Almost everything else is more effective.

As examples - Cellarmasters / Langtons (Woolworths Australian telemarketing service for wineries) reach strike rates of up to 25% when selling to highly engaged customers via telemarketing.

US research carried out by VinoPro confirms that telephone numbers are around 2-3 times as valuable to wineries as email addresses. This lines up with the fact that best response rates to email campaigns sent to engaged consumers by Vin65's winery customers sit at just under 10%.

Social Media registers below Search in terms of shopping cart conversion, also according to Vin65 research - the same people, remember, who co-authored the Five Tribes report.

Phone & Email / Search / Social Shopping Cart Conversion Rates – Cellarmasters and Vin65 Respectively



On that basis, you might then ask – well why not do away with Social Media altogether? The question then becomes - how do I build my brand in a cost effective way that works across platforms where my customer's eyes are? More importantly, how do you build a brand with emerging consumers?

A good starting point is clarification about what Social Media is and how it can / should be used. It's not one thing but many. It's what its users chose it to be. It doesn't replace anything else.

Originally, marketers thought it to be primarily about brand building and brand awareness. Certainly social media can get you that but it's relatively poor at it, compared to more traditional media in that viewers have so much more fighting for their attention, so much more choice about what gets it and spend so little time looking at any one thing. There had to be a better application.

The best 'Crowd Culture' driven brands pick out something that is of immense importance to the target audience and participate with them in driving change in an innovative, meaningful way. [Josh Cellars](#) for example, support community fire fighters. Post 9/11, this really touched a chord with a great swathe of America and the brand grew from 100,000 cases in 2012 to just under 1 Million last year. One of our clients, Limestone Coast Winery with their brand, [The Hidden Sea](#), are using a similar strategy of direct community donations, this time targeting preserving 'the earth's remaining natural places'.

Social Media can be used most powerfully as a listening device. For example, wineries such as Cornerstone Cellars are using integration between applications such as Vin65 and Vintank to track social media conversations around visiting wineries and are directly influencing people's decisions. These campaigns are highly measureable with a known pay back. You can also act as 'concierge' for your customers. What is the most valuable information for 'Anna'? Who should know more about where to eat and drink than we do?



Clearly, the ‘A Number One’ piece of Social Media content for the majority of wineries is – “this is me at your place enjoying fantastic food and wine”. From a marketing perspective it’s about facilitating the feeling that “I can see myself there, I want to taste that, I would be comfortable learning more with these people” through your web site. This scene, of course, is going to change dependent upon who is coming to lunch.

Unless your business is so big that your direct sales are not one of its most important parts, your sales and marketing funnel is going to look more or less like the one below, social media being just one part of your overall communication strategy. The key then is to sit Sales and Marketing together, each understanding how one is critical to the other, to then go back to that summary of ‘who says what’ and map out how you want all of these actions executed so as to build your brand at one end and drive sales at the other.,



Lastly you might ask – Why is our own social media usage so ordinary? Why is WBS not all over every social media channel all of the time? Is this the cobbler's shoes?

As we encourage all of our clients to do, we innovated our communication strategy. We took the decision not to shout into the crowd. I knew that if I started a blog, that no one would read it. That if I posted videos on LinkedIn, that no one other than my mother would have watched them and that if I had have simply retweeted every bit of wine business news, I would have been 'unfriended' mighty quickly.

We research not only what the most important issues are for you but what sort of media you read and how you read it. We decided to create a unique piece of communications collateral (i.e. this newsletter). We designed it to be consumed in a way that is almost unique in these times (even though there is nothing original about it). That is - in full screen mode as a *.pdf. We did so in order that people can always read it comfortably no matter what platform they're using or where they are.

We realised that there was a demand for analysis that goes deeper than what a magazine article has space for. We realised also that it needed to still be succinct so that it could be consumed quickly. We get a lot of feedback that the recipe is right. If you disagree in anyway at all, if you think that the under 8 rugby ballet really is more entertaining than the drunk guy in budgie smugglers then please do let us know.

The key point is - Richard Branson is a billionaire, not because of 'out there ideas' but simply because he dared to challenge convention every time something that should work simply didn't. Remember that you're always safe challenging ideas about how to communicate with people when they have been designed by 18 years old tech guys and engineers.

Coming Soon –

The theme for our workshop program for the rest of the year will be 'Winning Direct to Customer and Wine Tourism Strategy'. We'll announce details shortly but please be in touch if you have any questions.

Our sales training program is going from strength to strength and is getting fantastic feedback so if any Australian wineries are looking to improve the skills of cellar door staff, we can help with that as well.

Finally, we've just commenced the first ever investigation into what is on independent restaurants' wine lists in the US market. We'll let you know more about that soon as well.

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

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, wherever possible. Everybody knows they should do this. Few do. The difference in the 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.

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