

Wine Business Solutions



The Wine Paper 49

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Customer Relationship Management. If, as Peter Druker famously said, “the purpose of a business is to create a customer” – is there anything else? (*I note that, currently, the Google search term “the purpose of a business is to create a customer who creates a customer”, ranks higher underscoring the best use of social media.*)

We were having dinner with a friend of mine the other evening and she claimed, like someone saying that they saw Jonah Lomu’s true potential in the sand pit, that she had seen Salesforce, the CRM giant, coming as early as 2002 when software as service (SaaS) first emerged.

CRM software had been with us for a good ten years before that in the form of ‘Salesforce Automation Software’ (another SaaS). For those ten years CRM had been a spectacular failure. Indeed, the global business community invested more than one Trillion dollars in tech. during the 90s without there being any improvement in workplace productivity. Still today there is tech. that people are desperate to use that adds no value and tech. that could have added enormous value, such as QR codes, that people simply won’t use.

So why did CRM fail in the 90s? Because the people least likely to enjoy filling in forms (i.e. sales reps) were being asked to do so increasingly and because sharing information about key sales prospects wasn’t always in a sales person’s best interest, particularly if they were contemplating switching to another company.

What my friend told me next about Salesforce, however, totally blew me away. Their ‘World Tour’, which touched down in Sydney recently, attracted 140,000 conference delegates globally and their revenues have now punched through the \$US10Billion mark. So, CRM must have changed, right?

The biggest challenge in answering that question is defining what CRM is today. Is CRM, for example, a noun (as in a software solution) or a three-word verb (as in the art of securing customer preference)?

If we concentrate on CRM as software, even that is becoming trickier. Mail Chimp, PayPal, and even your banking software have elements of CRM capability.

There are basic CRM products for small business like [Zoho](#) and [Capsule](#), enterprise level salesforce automation software platforms like [Salesforce](#) and [Sugar CRM](#) that can be used for small business (but probably shouldn’t be unless you really know what you are doing) and full marketing automation software platforms with social integration like [Marketo](#), [Hubspot](#) and [Infusionsoft](#). ‘Confussionsofted’ yet? You could argue, and I will, that all these are just ‘tools’ and that the ‘job’ of CRM is much the same as it was 5000 years ago – to create a customer, delight a customer and keep a customer. Acquisition. Retention. Loyalty.

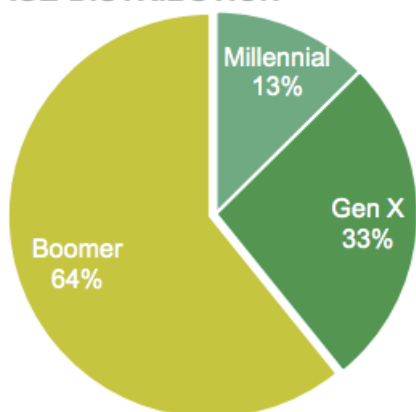
WHO ARE WE TALKING TO AGAIN?

People think, react and then write for different reasons. For me, invariably, it is a comment from someone in the industry that sparks me into action. I was reading a feature in a well know industry mag. the other day. The Club Manager of one of Australia’s best-known wineries claimed that their business didn’t know who their customer was!??

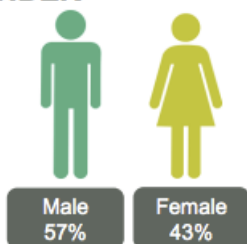
Maybe she was being coy. Maybe she genuinely didn’t know. Everyone reading this already holds a mass of free information on who your customers are, where they live, what their interests are, what age, sex, income and education level they have etc. If you don’t know how to access all that then do let me know.

Mary Jo Dale recently founded a business called ‘Customer Vineyard’. In a joint project with Sonoma State University, they took data from five wine businesses involving 130,000 wine consumers and three years of DTC sales. Roughly 500,000 sales transactions were examined. They were appended with additional outside “big data” so there were 50 million consumer data points considered, Cambridge Analytica style.

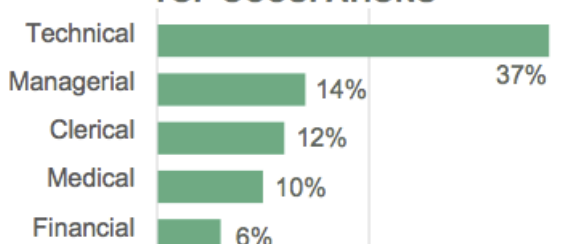
AGE DISTRIBUTION



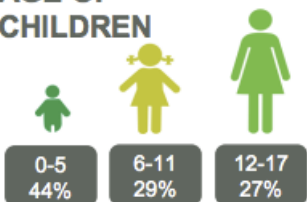
GENDER



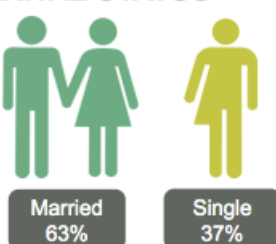
TOP OCCUPATIONS



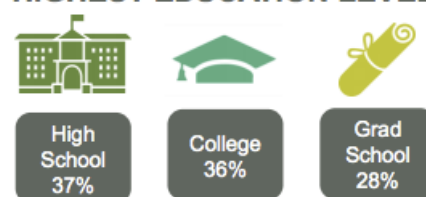
AGE OF CHILDREN



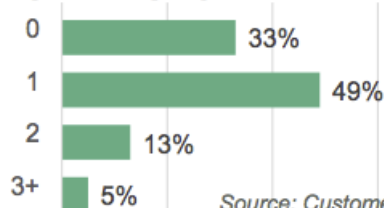
MARITAL STATUS



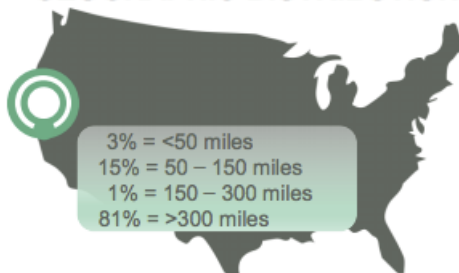
HIGHEST EDUCATION LEVEL



NUMBER OF CHILDREN



GEOGRAPHIC DISTRIBUTION

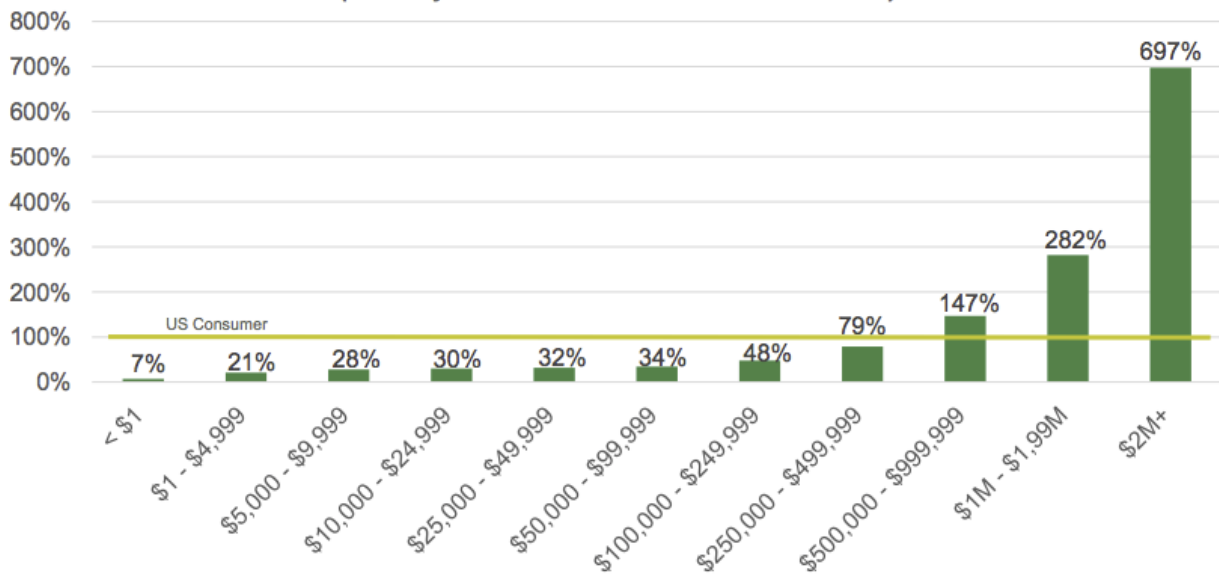


MOST COMMON SPENDING CATEGORIES



Source: Customer Vineyard Proprietary Database

Indexing by Net Worth (Winery Customers vs. US Consumers)



**57% of Wine Customers have a Net Worth of over \$1 Million
Compared to 12% for the Average U.S. Consumer**

Source: Customer Vineyard Database – made possible by Vinventions, Wine Business Institute at SSU & Rob McMillan of Silicon Valley Bank.

What they found was that the average wine consumer was even older and much richer than originally thought. 35 percent of these wine consumers are under 50 but account for just 18 percent of revenues. Another slightly more encouraging insight from this research, however, was that younger women are gaining parity with men in terms of purchasing. As I have commented on in earlier Papers, wine styles like Pinot Noir are starting to bridge that gap.

Most of our major consulting assignments result from a fundamental misalignment between a business’s natural customer (and what they’re prepared to pay) versus that business’s offer and communications.

There is no point, for example, in saying that “we are a young, hip, not so serious, happening wine co.” when that winery needs to sell that \$75 bottle of Pinot to make their business model work. They need people who know how to sell that and who feel comfortable doing so. That is why Michel Chapoutier employs business school graduates and not back packers. Equally, we’ve had clients where the owners have created a business that truly sings to the ‘Aspirational’ customer whose staff all tell us that their business is primarily for the wine aficionado (i.e. them).

You’ve got to have perfect alignment between your offer, your sales staff, your communication and your core customer’s most desired experience or you will always struggle to make money. Making things more challenging, everyone needs to understand that your roll-up cellar door visitor, your club members and who your business sells to in the traditional market may all be slightly different. The most skilled operators use CRM strategies that manage communication and build relationships with all those audiences.

When Wine Direct analysed the factors that separate the 20% of their customers who make 89% of DtC sales from the rest, the biggest difference was the size of the winning group's database. On average, the Top 20% had a database 4 times the size of the bottom 80%. And no, that wasn't necessarily a function of business size. In fact, the largest businesses are typically the worst at DtC sales for a myriad of reasons.

How to grow a database is a core component of our workshop series this year. Yes, it is a numbers game at one level, but couldn't we do more with what we have?

That really is the job of CRM. In order to drive the value out of an investment in CRM software (on average it is going to cost around \$1000 a month for a medium sized wine business to run cutting-edge automation) you and all your staff need to understand what it is that you want it to do, stating what may sound obvious.

You need to understand who your customers are, what communication platforms they prefer, how they like to be spoken to, how often and by whom. And you need to answer the digital 'telephone'.

For example, the CEO of a well-known online retailer (or so it was alleged) sent me an email the other day. They use what has evolved into IBM's scarily named 'Watson' marketing automation software. Now I don't know whether their system figured out that I, in particular, would be more likely to respond to plain text emails than colour html 'corporate looking' communications or whether their whole business has decided that that is the smarter way to work, but the neatly crafted email did get my attention.

I then decided to write back to 'the CEO'. I informed him that his assessment of me and my wine preferences was about as far off track as it could possibly get and made suggestions about what might interest me in a way that he, the actual CEO, would know that I was winding him up. A week later. Nothing.

Likewise, another online retailer who boasts having 500,000 members, posted on Facebook about their launch into a new country. 3 Likes.

These people are not digital marketing gurus, as many people think, let alone Customer Relationship Managers. They're 'churn and burn merchants' and the last place people should be looking in terms of how to do this.

One US winery recently cut their database down to 1000 members in order that they focus on providing exceptional service to that group. If I was the owner of that business, I would resource scaling that idea.

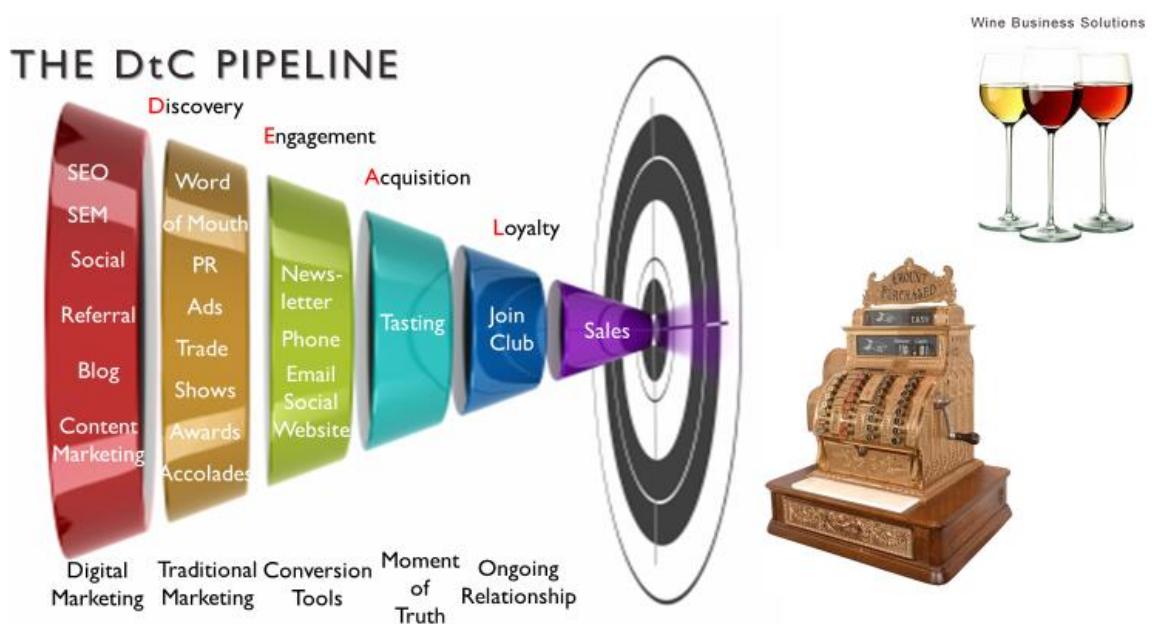
SO, WHAT IS IT NOW THEN?

The state of the art in CRM today is mapping customer journeys. Just as we get our workshop participants to fill out a 'customer experience blueprint' for what we want to happen at cellar door, each business needs to map out what happens when a customer or potential customer:

- Visits your cellar door
- Buys wine
- Joins the club
- Subscribes to your newsletter
- Registers for an event
- Books your restaurant
- Gets a wine shipment
- Contacts you via phone, email or social media.

You then need to work out what happens next and whether that action is a candidate to be an automated process. Obviously you want to automate everything that is not customer facing and that is what wine club software platforms like [Wine Direct](#), [Cru](#), [With Wine](#) and others do, to a greater or lesser degree.

You need to be equally clear cut about what you will not outsource. Best practice in outbound telemarketing exercises typically involves giving your wider list to the likes of Langtons, Vinomofu or Grays but keeping a list of your best customers with whom you talk directly. How authentically the outsourced part of the campaign represents you really comes down to how much effort you put into training their staff.



'The future' as observed in the Tom Cruise movie 'Minority Report' is already here.

The Facebook Pixel builds an intricate picture of who is visiting your web site. You can now upload your database to Facebook Ads Manager and get it to create lookalike audiences. You can then retarget ads 'like a pro' for what seems like a small outlay. Certainly, that is what digital agencies will tell you.

Be careful though. Many of the people spruiking Facebook advertising based on how 'cheap' it is can't add up. Facebook has yet to work out how to make advertising with them a sensible option for simply selling wine on an ROI basis. One major Australian online retailer came to this conclusion only after spending hundreds of thousands of dollars. Cost per impression may be low but cost of sales conversion can be high.

Perhaps it could be justified if converting a prospect to a lifetime customer, but you need to do your numbers very carefully. That is why the main people chasing you with retargeted ads on Google or social media are selling big ticket items like cars, insurance policies, mortgages etc. You need a big prize to cover the cost.

With Urchin Tracking Modules (Google), you can identify unique visitors, click paths, and return loyalty metrics including first time visitors, returning visitors, and frequency of use etc. This and the Facebook Pixel are how they do that creepy stuff where advertisements follow you around, as in Minority Report, or worse things like influencing election outcomes. Again, before loading your site up with these, watch that they are not slowing your page load speeds down as Google will, rather ironically, penalise you for that.

Ultimately, you can;

- understand who your customers are (or who they should be) in intricate detail.
- assess how and where they have or are likely to interact with you.
- be ready to respond
- if a customer interaction occurs capture it
- if a sale takes place, account for it
- if a status changes, see it change everywhere
- if a record is needed, easily locate it
- measure everything and
- respond to change

That is 'the holy grail' that one lady asked for at a conference I was speaking at a while ago. It is here now.

Summarising - the key to all this is to;

1. Make it as simple as possible.
2. Be innovative. Use your own voice. Challenge everything. Hardly anyone knows what they're doing.
3. Work out who your key customer groups are in as much detail as possible.
4. Use that to instruct how when, where and through what means you talk to them.
5. Map out customer journeys for each of the key consumer actions mentioned earlier in the Paper.
6. Don't be afraid of not doing everything.
7. Prioritise those things that move a prospect a step closer to being a loyal customer.
8. Prioritise listening and responding over posting.
9. Decide who or what, in terms of software, needs to handle each step.
10. Be very careful to ensure that a machine is not responsible for an interaction that requires a human touch.
11. Pick the best software for each job but try to optimise integration and automation. At the same time make sure that bundled software features are best in class rather than expecting them to be because you love one aspect of an offer.
12. Respect people's data. Otherwise they'll be coming for you and Mark Zuckerberg.
13. Make sure that, unlike the majority of marketing campaigns that I respond to today, that the customer doesn't end up somewhere or with something they didn't expect or want.
14. Make sure that there is a way to reengage with you directly and not a dead end such as a no reply email address. (Have you noticed how many corporates are actually getting worse at CRM whilst using more technology?)
15. Use digital agencies and developers as outsourced partners. You don't have to do it all, but you must understand it all in order not to waste money. There are plenty of activities involving technology and new media forms that people feel good doing but that don't add a lot of value and can't cover their true cost.
16. Know what outcomes you want. Make sure everyone in your team understands why they matter.
17. Test everything including running AB Tests on all major campaigns, especially on Facebook.
18. Record and measure everything you can.
19. Be clear about what your 'dashboard' is. Almost every piece of software has these today. The trick is picking out the key metrics that show the rest of the team what really matters.
20. Don't forget to have fun. There's a lot to learn and it keeps moving faster. I expect that that is why our upcoming workshops are full.

If we can help at all, that's what we're here for. I hope to see you all somewhere in the wine world soon.

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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