

Wine Business Solutions



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The Wine Paper 60

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Despite what we hear so often, there are good things about getting older. And you cannot write 60 of these without feeling older.

One is that, over time, you get to catalogue the memoirs of those who inspired you most and you get to talk about them without openly embarrassing them because they have moved on, one way or another.

We all have people who inspired and continue to inspire us. Never have we needed inspiration more. It's a tough time. Time to talk about some tough people who have made overcoming adversity an art form. Time also to talk about some who learned the most important lessons in life, a little too late.

My first full-time job in the wine industry was working as a sales rep for a division of Hardy's called Rhine Castel Wines. Despite the very dodgy name, we sold great brands like Piper Heidsieck, Tahbilk and Redman. Hardy's, at that time, was populated with great people too, many of whom are still friends today.

It is one discussion over a Friday night beer (the drink of choice of wine professionals in the day) after my first five days there, however, that has stayed with me for the rest of my life.

I was talking to a hugely charismatic gentleman by the name of Mal Thompson. Mal was the State Manager for Hardy's in NSW, the 'King Pin' sales job in Australia at the time. The drinks session was for Mal's farewell. Fresh out of university, I was as keen to learn and listen as he was to unload his life's great lessons.

He simply said to me "Peter, never let the grass grow under your feet". Mal had realised, all too late, that too many days on the golf course had ultimately cost him.

He didn't have to tell me that as a young ambitious, new arrival to Sydney who had seen the crippling impact of arch conservatism and the smallminded thinking of rural communities when growing up. I was as determined as anyone, I believed, to always be innovating, pushing the boundaries and striving for better.

One of the biggest traps, as you get older, however, is that you want to believe that there will be a time to slow down. A time when things will run themselves. With Mal's words ringing in my ears, always, I'm reminded that the only thing to be doing is to find a way to go harder. So, thank you Mal.

Otherwise, get comfortable with the golf course, I guess. And as Australian advertising guru John 'Singo' Singleton once famously said – "Golf, Bowls, Death".

Hardy's, was all about people, yes, but CEO Stephen Millar hated HR. He would not have it. One of our best friends spent his entire career at Lion, most of it as HR Director. Lion is recognised as one of the best companies to work for in Australia, period, not just in the liquor industry, so am I am sure they could have an interesting conversation...

Stephen Millar was the CEO of the Berri Renmano Loxton Cooperative (BRL) who were broke when they merged with Hardy's, a 'broke-er' family wine company. Steve managed to turn that into the world's largest wine company (Constellation) headquartered, for a fleeting moment, in Reynella, South Australia. There simply has never been a bigger success story in the history of the global wine business, if growing sales volume during a mere 10-year period is the measure (whether it should be or not is another question.)

His philosophy was, start with people that you like and trust and get them to hire the same sort of people. Those of you who have studied HR academically, or who have worked for big companies or who read the Harvard Business Review, even, can probably think of a million reasons why this shouldn't work. But it did.

Better still, by leaving good people in place for a long period of time, they got better at what they were doing. Hardy's sales and marketing leadership used to, famously, lock themselves in a hut on a remote beach and drink red wine until they came up with their most 'brilliant' innovations. These included the likes of cask sangria and nasty cider well before the market was ready for a better version of them. But over time, they reduced their new product failure rate to under 40% and this proved the difference between them and key competitors Pernod and what is now TWE. That and practicing / getting better at, product launch.

Meanwhile Lion's Kevin Roberts implemented the 'Shark Principal' meaning that if you weren't moving, you were dying and managed to turnover middle managers at better than the global average of every 14 months. I witnessed firsthand the 'brain damage' that that approach causes, dealing with distributors in New Zealand.

Keeping good people was one key success factor but motivating them really was the other. I've never encountered a more goal orientated business. Sales Director, David Woods, was infamous for phoning his State sales managers the morning after they had just achieved another momentous sales goal and asking them how this month was looking. That is why his ex-managers are some of the most tireless in the industry.

You do need more than just sales, ultimately and that is why the Hardy's portfolio failed in the US. Constellation thought they were buying brands that had been built the same way they did. Consumer first. What they got instead was a bunch of product that owned shelf space in Australia through sheer hard graft.

Everyone needs some luck in order to succeed. As they say, the harder you work, the luckier you get. My big break came when I applied for a Scholarship in International Marketing to complete my Master's thesis. What I hadn't realised was that Leslie Fritz, the provider of the \$10,000 prize, was also the owner of a vineyard. That gave my project – "Improving Channels of Distribution for Australian wine in Europe", a bit of an unfair advantage.

Leslie was an amazing guy. He had fled Hungary, chased by the communists, with nothing but a four-carat diamond wedged between his back teeth. He arrived in Australia, unable to speak English and unable to get the respect of even the bus drivers, he told me.

His philosophy of doing business was one that he called 'Socialist Capitalism'. What that was in practice was an early form of business incubator (before governments got a hold of the idea and turned it into a magnet for parasites). What he would do is underwrite the debt of complementary start-up businesses and facilitate their collaboration through providing shared premises, all the while assisting them with strategic advice.

Over 140 businesses called TCG's site in Camperdown home at one point or other and one of them, Hypercom, listed on the US stock exchange for \$US600 Million. Their close proximity to the University of Technology, Sydney was another key aspect of their collective success. All had ready access to talent.

My life seems to be about themes that are destined to repeat themselves. One of my clients today, is Domaine Gayda's Anthony Record MBE. He and his son used the same principles to help more than 600 businesses in the UK, this time via crowd funding and mentorship. Themes and connections.

One of Anthony's best friends was Tim Rands RIP. Tim was, without a shadow of a doubt, one of the smartest people I've ever met. A fierce intellect and a wicked sense of humour, everyone loved Tim. He started a small fine wine agency business and it became the largest supplier to supermarkets in South Africa in just 5 years. How did he do that? Via something that academics might call 'relationship selling'.

Working with the largest retailer in the country, he showed them how to draw more people into store, how to relay for optimum routinised sales and how to merchandise to encourage impulse buying. This was so successful that they ultimately ask him to manage the category for them. But that was just the start. Tim understood brand building. He once said to me – "You must have a compelling idea, one that people can't get out of their heads. Great packaging, of course. You've got to know who to pay and how much (let's not pretend otherwise) and you've got to invest in the brand itself – "Very few people know how to do that."

We were having this conversation because I was working for a company who did – Freixenet. They also had an incredible run in the late 90s growing even faster than the Australian category at around 21% year on year. Exports grew from 3 to 9 Million cases in just 5 years.

They were about people, trust, autonomy, and longevity as well. If you wanted to work and you had ideas about what needed to be done, you would end up doing it. So I did.

It was also about leadership. Everyone should be lucky enough to have had one truly great boss in their life. Mine was a fellow by the name of Bernd Halbach.

My job was to do a lot of the fancy stuff around global brand positioning, business intelligence, mergers and acquisitions and so on. It was just an amazing ride.

His was a lot simpler. His was to lead the global sales and marketing team.

This he did by example. He answered emails and phone calls. He ran a business unit that I once calculated to be worth a \$US Billion in retail sales globally but he answered emails and phone calls. Success in B2B sales is all about ‘turning up’. Much more than the 80% Woody Alan talked about.

Like so many great leaders, when you talked to him, you felt like you were the most important person he had to deal with, even though you knew you, absolutely, were not.

But eventually I had to grow up and to give this business leadership thing a go myself. I found myself a small public listed company to run in Marlborough. It had five accountants on the board and a business ‘engine’ that ran like a Swiss sowing machine. So, it wasn’t much of a challenge.

The challenge, at the time, was to get anything done at all via Wine Marlborough, the regional organisation. That would require taking on the role of Chair and that was done with the support of another one of my heroes, Ivan Sutherland. Ivan, like Anthony Record, is still very much in the game and I hope that he is not embarrassed by this. Ivan is the very embodiment of humble Kiwi stoicism and never wants the spotlight.

Ivan won Gold at Olympics representing NZ in rowing eights and is still involved in coaching nationally. He understood, better than anyone I ever met, that if you want to get anything done collectively, it’s about all putting the oar in, one painful stroke after another, never losing site of the overall objective.

My greatest source of inspiration today is, of course, you. But just what is it that makes the wine industry what it is? Why is it that once in it, people never want to leave, no matter how tough things get?

People who make it their whole life's work to create something beautiful, whether that's a vineyard, a winery / cellar door, the wine itself and / or the food and other 'experiences' around it start with inspiration and are motivated by inspiring other people. In their heart and soul, these are 'good' people.

It is tough to see people who have already been through drought, bushfires, smoke taint, floods and hail now face a bigger challenge.

It has been more than inspiring (there's that word again) to see how you have all responded.

It is therefore going to be more important than ever that we maximise the number of people participating in this year's Direct to Consumer Benchmarking research. Understanding what businesses look like before and after the pandemic and how people have innovated is going to inform all sort of key decisions.

New Zealand kicked off this morning – [Here is the link to participate](#). I'll also be in touch directly.

South Africa also starts today – [Here is the link](#).

Australia launches next Tuesday. I'll send you the link then.

Just please remember the you will need:

- Your volume and value figures for the last two years to June 30<sup>th</sup>
- Your visitor numbers (if you have them but not essential) for the last two years to June 30<sup>th</sup>
- Your DtC volume and value figures broken down by
  - o Cellar Door
  - o Club
  - o Database sales
  - o On Site Restaurant wine sales
  - o Web sales

for the last two years to June 30<sup>th</sup>.

Thanks, anticipating.

Given all the great good fortune that I had had and the inspiring people who helped me along the way, it was the easiest of progressions to think about how I might be able to help other people.

Now I am not going to pretend that what I do day to day is somehow altruistic, but everyone needs a higher reason to get out of bed in the morning.

I knew that I would be a thousand times happier trying to help you than I would be working to make a small number of already wealthy shareholders richer.

That, of course, is how we finished up here, 18 years and 60 Wine Papers later.

And there is help out there right now. So, don't be shy.

In New Zealand, the Regional Business Partners Network is funding businesses 100% with COVID recover assistance. If you talk to your local representative, this is easily organised. I've already provided assistance to many businesses across the country. That's been an incredibly rewarding experience.

In Australia there is assistance available. [Here is a schedule](#). It is not anywhere near as easy to understand and access as the NZ programs, but it is there and we are being approached by recipient businesses.

In South Africa it seems as though the ANC government would seek to damn the sector all to hell.

As a group, South African producers have never been so united in terms of seeking to overturn a second ban on the sale and shipment to alcohol.

Whilst that ban stays in place, we will provide services at no charge to our South African wine business friends for the first two hours so please do be in touch if there is any way in which you think we might be able to help.

To everyone one else out there, you don't need me to tell you to stay safe or to be the entertainment during lockdown.

If you think we can assist, please just do be in touch. As always, we're here to help you build a better wine business.



## 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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