

Wine Business Solutions



The Wine Paper 72

August 2023



The Best of The Best

Page 3 – The Best?

Page 4 – The Best Grapegrowing?

Page 6 – The Best Winemaking

Page 7 – The Best Creations

Page 9 – The Best Story Telling

Page 11 – The Best of Us

Page 12 – The “Top Ten Tips” for Building a Better Wine Business

Best is a dangerous word. Everybody reading this must be the best at something. That is the only way to compete in wine business. When you work with businesses of all sizes and types across the globe and you would like to continue doing so, calling out individual businesses for special attention might seem foolhardy.

But that is how our best clients excel. They look to learn from the best in the world, they observe what makes them great and they think about how those principles might be applied in their own business. And they don't straight up rip them off like the many, lame, 19 Crimes knockoffs that are now emerging.

I remember that the thing keeping John Casella awake at night, in the days when I used to work for him as Marketing Director, was the 37 (literally) Australian wine brands with a kangaroo on the label. "Why do these people want to steal from me?" he said to me, rhetorically. "Can't they come up with their own ideas?" As I said to him, "those that can are busy doing something else and those that can't, well... can't."

Sure enough, there is not one trace of any of those labels today. This is a business school basic but many of our clients did not give up years of their life to sit and/or teach in business school. Nor do they have the luxury of having talked to hundreds of other wine business owners about the same issues. They're busy.

So, who was my best client, since we are talking 'bests'? By now you must be thinking that I really am getting ready to throw myself off a cliff, politically. I'm not, at this point at least, talking about who of you is best at, growing, making and selling wine. I'm talking about who was best at being a client.

If that is the question, then I would say Phil Sexton. Many of you would know Phil as the inventor of the Little Creatures beer brand (sold to Lion), Devils Lair wine brand (sold to TWE), Innocent Bystander Moscato brand (sold to Brown Bros) and Giant Steps wine brand (sold to Jackson Family Wine Estates).

Phil, always seeking to innovate, sat me down at our first meeting and proclaimed that he didn't want this to be like any other consulting arrangement. He and I both agreed that this business of paying for a half or full day's fee to 'dipstick' into a business was less than optimal. Sure, a client can squeeze a lot of value out of your time that way. But getting the best out of each other takes time and needs a working relationship.

What Phil would do is simply tell me to get on a plane, put me in a corner in his boardroom and hammer me with questions for 3-4 hours. Some of those questions were to reconfirm his own thoughts. Some ideas were put up to be challenged. The best of this interaction was new questions that neither of us had previously thought to ask. Indeed, this newsletter is usually a response to those sorts of questions.

I've just been talking to Matt Swinney who has recently returned from Napa. Those of you that are regular readers may remember me talking about Matt in our Wine Paper 63.

Matt's vineyard won 'Vineyard of the Year' in the inaugural Australian Young Gun of Wine 'Vineyard of the Year Awards'. As I said at the time, this is not a story about how fastidiously the vineyards are managed, the amazing flavour profile shift when changing from trellised to bush vines or even the absolute quality of the fruit and site. This is a story about value capture.

Some children leave the farm to gain life experience and business skills with the best hope being that they can add value to the existing model. Matt Swinney returned to the farm to blow the business model up. He knew that there was no point in being a 'grower' in the classic sense.

When he took over, they had one key ace up their sleeve in that the vineyard had supplied fruit to the Jack Mann wines (Accolades' pinnacle drops ex Western Australia). At the time, they had just two customers. Quickly, Matt expanded his book of buyers to over 30 leveraging the Jack Mann status and delivering that quality. His average grape price more than trebled.

Now, and with very few people noticing, Matt has convinced Accolade that he would be better looking after their viticulture in WA. That means that, far from being a 'Young Gun' that we might otherwise not hear about again, he is now the biggest operator in the state of WA. He has the benefit of being able to defray cost across the state and to keep a skilled team together who can cover all those regional bases.

Meanwhile, quoting Ray Jordan – "History may show that the Swinney Farvie Frankland River Grenache 2020 was the wine that redefined this variety in WA."

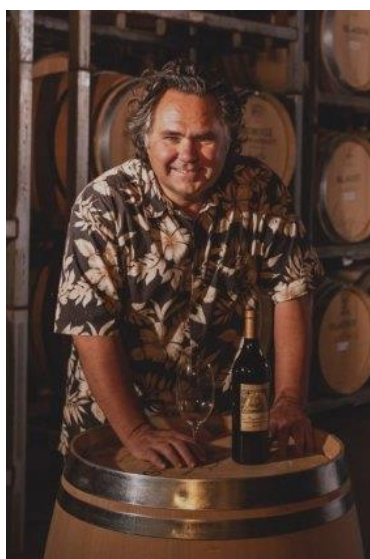
I said at the time that what he had done, without necessarily being fully aware of it (great ideas are generally had by many people simultaneously), was to copy the [Andy Beckstoffer](#) model.

I was extremely pleased to hear that along with visiting the likes of [Promontory](#), [Lokoya](#) and [Continuum](#) who represent some of the best grape growing, storytelling and allocation selling of wine on earth right now, Matt actually sat with Andy who, very generously shared his wisdom.

To me, this is winning. When you can get people to connect who can add value to each other's lives, that's how everyone gets to go forward faster. The best learning from the best.



Andy Beckstoffer (left) and Matt Swinney (right)



Bruce Dukes, Domaine Naturaliste, Margaret River.

I don't often get to take the whole journey with a client from inception through to the pinnacle of global recognition. Matt Swinney was one case where I was fortunate to be involved right from envisaging what the wine concept itself needs to be. Bruce Dukes is another.

Bruce runs a 1000 tonne custom crush facility in Margaret River, WA. As his client base got slowly whittled away as people retired and new people coming into the industry found it increasingly difficult to access capital, that was the final push for Bruce to start a wine brand. That and the realisation that he knew how to identify great fruit and have it find its best expression via winemaking based on a vision of 'best'.

That may all sound generic but given that we are talking about the Willyabrup subzone which is, arguably, the best place in Australia to grow Cabernet and Chardonnay, greatness was possible. Bruce has just won the Decanter Wine Awards Trophy for Best Red Wine in Show with his entry level Cabernet.

Clients like Bruce and Richard Kershaw MW in South Africa (also a 'Zen Master' of Chardonnay) have what might seem an unfair advantage in that they understand not just what the greatest wine of the world looks like but what their greatest wine can be. That really is the secret.

I was having the same conversation with David LeMire MW, of Shaw and Smith. With not one but two MWs in that business, they really know great wine. I said to him that understanding that is a huge advantage in thinking about what their wine can be. Visionary winemaking and commitment to excellence showcases great fruit. He then said something that I will never forget – "Never underestimate the importance of our guys walking the vineyard every day and putting in that effort. That makes all the difference".



Another client that I've been right along the journey with is Creation Wines of South Africa. In what is one of the more extreme examples of charting your own path in the wine industry, they've made it all the way to Number Four in the World's Best Vineyards putting Caroline and JC in sight of being Number one.

Yes, the picture above does feature one or two of their staff but go there on any day of the week and this is what their audience looks like.

Their success is not just in putting wine, food and sensory enlightenment at the heart of their brand experience, it lies in understanding that everyone wants this when presented in the right way. They tea tastings for teetotallers, juice tasting for the children etc.

If you make your brand about showing people how to live better and enjoy life more, who is not going to want that?

If you make that accessible to all, then you can create something unstoppable. Once again, the best learning from the best, taking ideas and guidance from all over the world, was a big part of the success at Creation.



And now for something completely different.

I've just gotten back from Georgia and Moldova. I was asked to deliver Sales, Negotiation and Distributor Management workshops for the leading wine business in each country as a key building block of developing global competitive strategy.

What an honour and privilege that is, to make a contribution to the emergent countries who are, perhaps, forgotten recipients of the Russian aggression that is now so heavily focused upon Eastern Ukraine.

I've been to Moldova before. John Barker, now chief of the OIV, had gotten me involved in developing the country strategy for Moldova.

Georgia was something completely new. The hope, when you're a traveller, is that you find the exotic. Many places have the possibility to change what you think. Few have the power to change how you think, to deliver on that promise of changing who you are. Georgia is one such place. It is an unhelpful cliché to say that this is the 'silk road crossroads' or that it is where 'east meets west'. All that you know of the east and west is no more useful here than a knowledge of China is when in India. This place is unique. An ancient spirit, spirituality, culture, language, and alphabet, even. And 8000 years to work out how to make wine.



My clients, there, are Tbilvino, one of the only large Georgian business to stand up to their big neighbour and redirect all their sales efforts in the opposite direction.

They too have reached the heights. They too have won a globally recognised ‘best in show’ trophy for their entry level hero red wine, Saperavi, this time from the International Wines Competition.

This is but a small achievement compared to what a family friend, Alexi, has done for them in terms of [telling their story](#).

When you open the link above, you are going to see that 66 pages awaits. But don’t be afraid. This will draw you in. This will not let you go. This will tell the story of a brand at a level I’ve never encountered.

This is not ChatGPT. ChatGPT may get there one day, but this is the absolute opposite of what it does now and is best used for.

I had the privilege to speak to Alexi and ask him – “how did you develop this skill?” How did he work out how to use the English language with such extreme precision and to affect the reader in a way that is truly transformative? Most of all, how did he achieve this level as a non-native speaker?

He said he never studied English or literature. That didn’t surprise me. He simply read a lot and processed what, to him, constituted great writing. The best learning from the best.



Chateau Purcari is located just 15 kms from the Ukrainian border. If you look through the greenery on the preceding page, you can see it. Ukraine, that is...

It may be 'all quiet on the Western Front' for now, but you know that only a few kilometres beyond, people are dying because of one man's evil.

We heard on the news that over one million people crossed the border into Moldova at the height of the crisis. But stop and think about that for a minute. There are barely two million Moldovans left living in Moldova now. Can you imagine that frightened people were asking my friends at Purcari – "you're not going to kill us, are you?"

Purcari helped 13,000 refugees at their aid centre, provided 5000 people accommodation in the hotel I stayed in (and roundabouts) and helped transport 2000 people to refuge centres. Way back in 2014, after Putin invaded Crimea, Purcari launched their freedom blend comprising Saperavi from Georgia, Rara Negra from Moldova and good old Bastardo from Ukraine. All profits go to the people of Ukraine. So far, over \$US150,000 has been directed at buying Ukrainian children tablet devices to continue learning.



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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