

Report by Mike Paul – WineSkills Wine Business and Marketing Mentor, July 2012

1. INTRODUCTION.

@ This report builds on my previous five reports. All the points I've made in these reports remain valid.

@ My focus in this report will be on "Packaging" and also the topical area of "Social Media".

@ Before I get into those areas however I thought it worthwhile noting what I believe are the key points for individual producers across the whole marketing piece.

2. OVERALL THOUGHTS ON THE WAY FORWARD FROM A MARKETING PERSPECTIVE.

A). Producers should learn lessons from other countries, particularly New Zealand and prior to that Australia, about what happens when supply outstrips demand. Not only do prices inevitably fall but every producer (however premium and successful) gets caught up in the quicksand to some extent. Producers therefore, notably those who to achieve their goals need to build significant sales beyond the cellar door, should reduce the risk by rolling out their distribution into markets outside the UK.

B). Scarcity value is often not appreciated until it has disappeared. Most of the super-premium wines in the wine world owe their success in part to the fact that customers believe they are a scarce resource in addition to being of high quality. In fact the luxury goods market in general uses scarcity as a key marketing tool.

Currently English Wine has significant scarcity value given demand exceeds supply. As volume builds the ideal strategy therefore would be to roll out distribution (and therefore sales) just ahead of availability so in effect one is always short selling the market and therefore keeping scarcity value high. This is not easy, particularly in a category like wine where annual supply can vary significantly, but the disciplines this strategy implies are in my view vital in terms of keeping prices up or, looked at another way, reducing the need to discount to move stock. Scarcity value takes a long time to build up but can be destroyed fairly quickly.

Scarcity value is not a straightforward concept however. As an example, whilst in overall terms demand is currently greater than supply, in one part of the mix scarcity value is already disappearing. There are few good national distributors in the UK if one is looking for people to sell to the restaurant, hotel and independent off trade sectors. Most of these distributors now already have an English sparkling wine listed and often on an exclusive basis. New producers will therefore find

negotiating the best deal (or any deal at all) with such companies much more difficult than was the case even a year ago.

C) Producers will be living with early decisions made in terms of their brand name and to a lesser extent, with their presentation, pricing and choice of distributor, for a long time. All can be changed of course but the process is often highly disruptive and sometimes quite costly. It makes sense therefore for producers to have given a great deal of thought to their “end game “ and to have developed a fairly clear “ road map “ on how they intend to get there, before making decisions in these areas. For example, if you believe you can achieve your objectives by never selling beyond the cellar door then, because in effect you will always be hand selling, you can afford to be significantly more quirky with your brand name and presentation than if you will need at some point to venture on to the open market. But if you then change your mind you could well find that your brand just doesn't work outside the confines of your cellar door.

D) Marketing is an inexact science with the emphasis on the word “inexact “. There are therefore plenty of right answers and of course plenty of wrong ones. Any advice you receive is therefore not necessarily right, there are no “silver bullets “and when in doubt always remember that it is your brand, you are the producer and you know (or should know) your customers. Have confidence in your gut feel therefore; most people are much better at marketing than they believe.

E) Abraham Lincoln once said “If I was given six hours to cut down a tree I would spend the first four hours sharpening the axe “.Never underestimate the benefits of planning and a regular reappraisal of one's focus. It is surprisingly easy in business to find that whilst you are moving with a great sense of purpose and with enormous energy, on reflection you realise that you've actually gone off on a tangent.

F) In terms of developing a distribution strategy don't complicate things more than is necessary. If you can achieve your goals simply by selling from the cellar door then think carefully before branching out. Selling even to local outlets implies getting involved in logistics and credit control issues as well as thinking through third party pricing (wholesale and retail). Many producers will need however to find distributors and not only in the UK. Developing the right sales strategy is arguably the most complicated element of the marketing mix and also the element which producers, in my experience, tend to give least time. Understanding the nuances of how distributors work is crucial (ref. my last two mentoring reports) as well of course as ensuring your own objectives are clear in your own head before embarking on discussions.

G) The correct price is the price someone is prepared to pay....and most importantly, consumers are not just buying the wine in the bottle. They are buying the look and feel of your brand: its presentation, the appeal of any recommendation they've received or the appeal of your website and any other communication, the fact you are local or English, the fact they have met you or are visiting your vineyard and the fact that you don't have much to sell. Even the price itself can add (or subtract) value.

Understanding that, to many, wine is a treat, a minor luxury and therefore an emotional rather than a rational purchase implies that how you surround the wine itself ...how you optimise the balance between substance and style...is crucial to your success. If you simply focus on getting the quality of the wine right then you will have little chance of optimising the price.

H) There is no correct range. Some producers are focussing 100% on sparkling whilst others are focussing more on still wine. However the range you decide to make should not be considered in isolation from the rest of your marketing approach. For example, the likelihood is that in terms of the export market and the level of interest of UK distributors for the next few years the primary focus will be on fizz. As a general rule therefore the more you need or want to sell away from your cellar door the more you should consider producing sparkling wine.

I) From a marketing point of view owning vineyards and having a cellar door on the same site has significant advantages given the perceived value of your brand is at its highest at that point. However I'm not sure that in marketing terms having a winery adds any real value (other than to specialist groups) whilst in the same way there is no marketing need for your brand to be entirely sourced from your own vines. There may be broader business reasons of course why you should own a winery or source 100% of your wines from owned vineyards but there is a danger that if you are production, as opposed to marketing, oriented that you make decisions for the wrong reasons in the sense that you may believe your target market are more interested in the production process than is actually the case.

J) Take every opportunity to build your database and regard every purchaser as a potential evangelist for your brand. Interacting with one's database is now easier in principle than ever before and on line communication can be an extraordinarily powerful tool to build one's brand. There are challenges however as noted in my report below.

K) A collective approach can often be more impactful than an individual one. On one level it's clear that the performance of any individual producer will increasingly be affected by the performance and perception of English Wine as a whole so it makes sense for individual producers to get involved to help ensure the industry is moving forward in the right direction as much as one can. On another level both in terms of sharing information and experiences and in terms of joint promotional initiatives the benefits of cooperation can significantly outweigh the downsides.

3. PACKAGING .

In my first report (March 2010) I noted, in summary the following on branding/packaging:

- Successful branding is not simply about coming up with a name and pack that looks and sounds premium; it must also reflect a producer's personality and aspirations.
- Branding is also about telling stories and these do not have to be all about the provenance of the wines. Wine is an emotional not a rational purchase, consumers want to be entertained, to be engaged, so catching them up in your story may well imply engaging them in ways that are not simply about how the wine is made etc.
- Marketing in general is about developing and promoting points of difference not emphasising points of similarity and if most producers (globally) are simply talking about their wine making processes and vineyard practices it makes sense to consider a different tack.
- The less one has to sell and the more one is selling from the cellar door the more provocative or quirky you can afford to be. Conversely, the more you are in effect

delegating sales to third parties and the brand/packaging has to stand on its own two feet (on a shelf with others) the more you need to abide by the rules of the market...whilst hopefully still standing out. Not an easy balance to achieve.

I would add to the above the following on packaging in particular:

- Reverting to the balance issue in the point above, recent research by Wine Intelligence endorsed the widely held view that the UK consumer is very conservative when it comes to packaging. Show them a classic Bordeaux label (and bottle) with a drawing of a chateau and a vineyard and this immediately says expensive and high quality. On the other hand eclectic and light hearted labels whilst they polarised opinion generally implied less expensive wine. Having said this, if one follows the results of this research too closely then your brand would not stand out at all.
- The research above applied to still wine only but it's unlikely that sparkling wine drinkers see things differently. In the one case the consumer is taking the cue from Bordeaux in the fizz category they are likely to be taking it from Champagne.
- Given the premium retail price positioning of English Wine, still and sparkling, these rules are even more relevant, but with the very important caveat noted above about the possibilities of being more quirky with cellar door brands.
- Another factor is volume. If you don't have too much to sell it is obviously less risky to take the "marmite brand" option (i.e. have branding and packaging that really polarises opinion) than if your aim is to create a fully-fledged international brand.
- In terms of the packaging itself I would note the following additional factors:
 - On the label there should be a very clear link to the website (and Facebook page /Twitter account if appropriate).
 - You should consider using QR codes on your label which allow you to give consumers information on the brand at the point of sale.
 - Neck labels/booklets are another way of telling your story whilst they also help your brand stand out on the shelf or add a talking point in a restaurant. They need of course to be appropriately premium.
 - Always look to add medals you've won to the presentation.

4. SOCIAL MEDIA.

@ As noted in Point J above producers should take every opportunity to build their database. The challenge then is to ensure that you are realising its potential. It costs apparently 9 x more to gain a new customer than keep an existing one so it makes sense therefore to keep them engaged and loyal.

@ Fortunately it is now less difficult (and less expensive) to do so than ever before given the possibilities opened up by the internet and more recently with Social Media. Prospective purchasers can be converted into purchasers and then into "evangelists" (to quote American social media gurus) through the use of effective on line marketing.

@ Even if one ignores the rather hyperbolic tone of some articles on this subject there is no doubt that using SM in a creative and way can not only help you separate yourself from the crowd

(which is not easy in a highly fragmented category like wine), not only build unprecedented levels of loyalty but also allows you, through “viral marketing “ t, in effect, delegate building awareness of your brand (and therefore sales) to a data base which will expand naturally through the efforts of your “evangelical customers “. Word of mouth has always been the most effective way of marketing Now, through mechanisms like Facebook and Twitter, the word can spread faster and to more people than ever before.

@ One can also use one’s database, one’s “community “, to gather feedback on one’s brand. As part of the interaction process one can find out what customers like and dislike...in terms of wine styles, presentation, cellar door service etc etc. It is potentially a very valuable research tool.

@ In terms of how to get the best use of the various mechanics such as Facebook and Twitter and how to link them with one’s website so that there is a harmonious feel about your total on line approach, it is advisable to take advice from companies with particular expertise in this field.

@ It is worth noting however that SM (or even on line marketing in general) is neither a silver bullet and nor is it perhaps for everyone. And I would note the following caveats to any producer.

- a. The danger with any marketing mechanic which becomes the “in thing” is that it doesn’t get subjected to the same intellectual rigour as mechanics which have been around for a while. This happened when web sites became “must have’s” in the late 90’s and a great deal of money and resource was wasted by companies who had not really considered how to get the most out of them. The same is true with SM.
- b. There are no downsides with the technology, what SM can achieve in principle I believe is unarguable. The problems come if you believe that just by setting up a Facebook page or opening a Twitter account that you have done the hard bit. The difficult bit in fact is how you achieve cut through in a crowded marketplace, in which your target consumer is being bombarded to an increasing degree by messages from producers across the whole consumer goods spectrum.
- c. This implies that you need a clear communication strategy. What are your objectives with SM? What messages and tone of voice should I be using? How do I keep my community engaged and keep the momentum going? What resource do I need? All the questions in fact that you would use if you were discussing a PR or mainstream media advertising campaign.
- d. One of the perils of interacting with consumers to some is that there will be negative feedback. And given that consumers are perhaps more inclined to give negative feedback on line than positive and given that as individuals we are perhaps more likely to be affected by negatives than positives, interaction can prove on occasion an uncomfortable pursuit.
- e. This also implies that one has to be careful when making decisions based on feedback which may be skewed. Not only could this come about because of the bias towards negativity but also because unless you are pretty clear on how, say, your Facebook community is constituted you might, for example, take the results of a research project into your labelling at face value. Obviously not everybody on your database has equal value so for any research project you would really need to segment it to ensure you are listening to the right people (the same discipline you would use in fact for any research project).

- f. Finally, the key word when considering using Social Media is the word “social”. Some people are naturally more social than others or better communicators than others. So some take to SM as a fish to water, others are obviously more wary. If you fall into the latter category then, in my view, you should think very carefully before getting involved. Doing SM badly is probably worse than not doing it at all. You may make brilliant wines, have a fantastic location, create impactful packaging but to the outside world, who haven’t met or visited you, the impression given by a poor web site or boring SM activity will be to create a less favourable or more anonymous impression.
- g. Of course in this situation you can delegate the task either to an employee or an outside agency. Given the increasing importance of SM this approach should be given serious consideration. A key caveat however is there must be real empathy and constant communication with any outside agency. To some extent effective use of SM implies spontaneity and, to an even greater extent, a consistent personality which is linked inextricably to the brand. This is not so easy to achieve if one is delegating.

MAKP\JULY 2012