

## MENTOR REPORT

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### BUSINESS MANAGEMENT AND MARKETING

#### INTRODUCTION

- All the points in my previous report, from March 2010 remain valid.
- This follow up report focuses on two areas which I believe were not covered in sufficient depth in that report ,namely “Route to Market” and “General Promotion\PR”.

#### 1. ROUTE TO MARKET

- OVERVIEW

As noted previously the decision on which route to market is taken depends on ones volume aspirations. The more volume one wants to sell the more it will be necessary to expand distribution beyond your cellar door and the locality and the more complex the decision making progress.

It is vital that a 3\5 year view is taken when making choices in this area. It can be very difficult to unravel a distribution strategy that is found to be inappropriate or ineffective.

:Ones distribution strategy plays a vital role in protecting ones scarcity value. Ideally one would roll out distribution points slightly in advance of availability thus always short selling and keeping ones customers hungry. The ideal is that one is always allocating rather than selling.

The ideal is also that prospective customers come to you ( following awards you may have won or other positive publicity ) rather than you having to chase them. This puts you more in control of the negotiations. Good buyers can always sense when a producer needs to sell.

If one is not yet selling, or simply selling in the local area and wanting to expand, then one should spend as much time as possible on research: talking to outlets about who they rate as distributors, talking to distributors themselves and to retail buyers.

Linked to this my suggestion would be a producer isolates the 50\100 outlets in the locality which would be ideal for a shop window as well as sales. These could be hotels, restaurants, off licences in addition to tourist attractions and farmers markets. These outlets should be the basis of the research above..

- BROAD DISTRIBUTION STRATEGY

Assuming that selling from the cellar door and \or selling in the local area is ones starting point then broadly the ideal distribution strategy could be described as “trickle up” viz:

STEP 1 Optimise sales from the cellar door

STEP 2 Optimise on line sales (fulfilled personally or delegated to a third party ).

STEP 3 Optimise local sales (one would need to define local )

If expansion is needed then:

STEP 4 Consider the following options, which are not mutually exclusive :

- : On trade \Independent retailers outside the local area
- : “Status accounts” in London.
- : Supermarkets...and Specialist chains ( eg Majestic )
- : Export.

The above steps assume that not only is the cellar door\local area the core business....in terms of sales and marketing....,but also that the margin is higher if selling direct. Distributors would normally require a 25% margin plus possibly a marketing\samples allowance, whilst major retailers would require more (30\35%).

Also, on line sales may be small currently and are often a hassle, given the time and cost spent fulfilling orders, but customers pay up front and a web site without an ordering capability is, in my view, leaving potential purchasers up in the air and frustrated. If the hassle\cost is considered too great then one can link with a fulfilment house, without the customer being aware that one is delegating the service. One option along these lines is to band with other producers in the area (or even nationally) which would give the added benefit of being able to offer mixed cases and special promotional offers (eg an Award Winners Case).

The temptation may be to sell direct to outlets in the locality or even beyond. This has the advantage of keeping the service personal and retaining the whole margin but the issues of credit control and logistics should not be underestimated. However strong the rapport with customers one can find that collecting money...and delivering panic orders ...takes up far too much time.

- SELECTING A DISTRIBUTOR

This requires a number of balancing acts :

Balancing the need to have a distributor who has status and power with the need to secure focus. You don't want to be at the end of a list the size of a telephone directory!

Balancing the need to have status and power with the need to have passion and control of the message. Crucially you need empathy with a distributor. The further they are from you the more, if you are not careful, you can lose control of the message. Be aware too that, whilst you may have great empathy with the top people at a distributor, in a big company they may not be doing too much of the actual selling.

Balancing the need to have focus with the advantages of a collective approach. It may be advantageous, in the early days at least, to be on the list with several other English producers (particularly in Export markets)

Balance the benefits a distributor brings with the margin they will take.

Balance your own desire (or lack of it ) to head up the selling with the advantages \disadvantages of delegating to others.

- MAJOR RETAILERS: THE PROS AND CONS

#### PROS

:Whilst some are rather apprehensive of supermarkets, if they are interested in your category ( which they increasingly are ) and/or in your particular brand ,and if they believe the resource is relatively scarce, then you will be in control of the discussions.

In addition (in my experience) major retailers are pretty loyal in addition to being very professional .They not only do not have the desire to change suppliers on a regular basis ( its a lot of hassle for a start ) but also are prepared to discuss your objectives\strategy in a very objective way. If they have the flexibility they will also consider regional listings.

They will always pay!

Having your wine on a major retail shelf is a very good shop window and mainstream press prefer to write about wines with such listings ( as consumers can more easily track their recommendations down )

Supermarkets are increasingly developing their own label ranges which now encompass premium wines ( eg Tesco Finest, Sainsbury's Taste the Difference ). English Wines are sure to feature in these ranges soon, which is a real opportunity for those with spare volume, which could otherwise jeopardise the scarcity value of one's own brand.

You can supply supermarkets direct, you don't need a distributor.

If you don't supply Supermarkets some of your competitors will. If they get entrenched it may be difficult for you to get listings if you want to at a later date.

## CONS

Many hotels\restaurants\independent off licences will not list wines stocked by major retailers as they are concerned about the price comparisons. Its a trade off therefore.

You are not in control of the pricing ( and they will run generic promotions at least twice a year which might offer 25% off ).Its not ideal to have a retailer selling the wine for less than your cellar door price.

- THOUGHTS ON EXPORT.

: Export markets can be cities not necessarily countries.

: Anywhere that “ Englishness” adds value is potentially a good market : eg various USA cities, Paris, Hong Kong, Singapore.

: Seeding key markets early on could be very beneficial.

: The collective approach in my view has great advantages. The PR impact, for example, of a tasting of 5\6 English sparkling wine producers in one of the cities above could be very significant and attract distributor\trade interest for relatively low cost.

: At worst export markets represent a safety valve should supply threaten ones UK scarcity value.

## 2. GENERAL PROMOTION\PR

- LOCAL MARKETING

To most producers the local area is of crucial importance. To optimise sales requires not only for the wine to be listed in key outlets but for the opinion formers in the locality to become “ ambassadors” for the producer.

Having defined what they mean by the “ locality “ producers should therefore consider looking to get opinion formers ( eg the media, the business community ,the tourist offices ) on side through activities such as putting on tastings, organising visits to the vineyard\winery and doing media interviews.

The impact for an individual producer will of course be greater if there is minimal English Wine competition locally and active marketing becomes even more important if the producer is aware of developing competition. The “first in” benefits are substantial.

Links with local food producers may also be worthwhile : mutual promotion could be very beneficial.

Vineyards are relatively new to the English countryside and full advantage should be taken of this .One can set up marquees in the summer, hold concerts, parties, Fairs, Farmers Markets, let out the space for functions or simply open up the space for picnics.

- AWARDS AND COMPETITIONS

Achieving awards either in UKVA competitions or the three leading UK competitions open to the world ( IWC, Decanter and IWSC ) ,particularly if they are Gold or Silvers ( or related Trophies ) are of great importance in differentiating one from the competition and in increasing awareness amongst trade buyers. They can obviously be used too at the cellar door and on the web site.

It follows that all these competitions should be entered....and care taken to ensure samples are in top condition...and that the process of using the results, if good, should be rigorous. The benefits can be substantial.

- PR

At least in the early days I believe its crucial that PR should be handled personally so that a producer gets to know the key influencers whether in the trade, the media or the locality.

Over the next two years there are key national events which are serious PR opportunities....the Royal Wedding, the Golden Jubilee and the Olympics...but in addition there will be relevant local events from which advantage can be taken. I would suggest a two year diary is drawn up of all such events and the promotional opportunities brainstormed.

- ENVIRONMENTAL\HEALTH TRENDS

:As a generalisation the consumer is becoming more environmentally conscious so from a marketing point of view ( in addition to any personal persuasion ) it would be sensible to reduce ones carbon footprint and adopt sustainable practices in the vineyard\winery where one can do so without the costs outweighing the benefits.eg using lightweight glass bottles.

It will be interesting to see whether the significantly lower carbon footprint of cork will reverse the trend towards screw-caps in terms of consumer preference. This should be monitored.

Consumers are generally more conscious of the alcohol levels in wine than they were and whilst low alcohol wines have never taken off there must be a market for 9\10 degree wines with good flavour levels. I think we will see quite a number of entrants in this area over the next few years.

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Organic wine has never really taken off largely because consumers tend to feel wine is a relatively natural product anyway.

My feeling is that if one has a strong environmental or health stance ( or a link to a cause\charity ) it is best not to make this central to ones marketing in the sense that the presentation should stand up on its own as appealing. The stance ..or cause..is then seen to add value to what is already an attractive brand. Consumers, as a sweeping generalisation, drink wine in part to escape the problems of the world not to be reminded of them .

Mike Paul, December 18<sup>th</sup> 2010