



WINE MARKETING 101

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Wineries or wine companies need to have a clear understanding of what exactly the discipline of marketing encompasses in order to be able to effectively compete in today's saturated wine market. Only with a clear understanding can a company work seamlessly toward offering products to customers that are both willing and able to purchase them. I have read endless articles about the wine industry and met with several individuals that market wine. What I have concluded is that strategic vision from high-ranking officers does not incorporate marketing as a vital element toward fulfilling the mission of the company. Currently, wine companies are very much oriented toward producing wine and selling it. Sales are only part of the marketing process. From strictly a marketing point of view companies are oriented toward the promotional side of marketing. This includes the design of the label and other packaging elements, shelftalkers, case cards, store displays, tasting events, and the highly ambiguous ratings of Robert Parker Jr., The Wine Spectator, and other wine judges. These are important elements but should not be all a winery focuses on in terms of its marketing efforts.

The purpose of this first essay is to simply give a conceptual background as to what the discipline of marketing encompasses. The essay includes a definition as well as an overview of a generic marketing management process and how the elements of the marketing discipline coincide with each other to produce a comprehensive, cohesive and effective strategy.

Marketing Defined

Marketing is a discipline that encompasses a broad range of activities and, because of this, there are a plethora of definitions available. Two recent definitions are included here:

“Marketing is a total system of business activities designed to plan, price, promote, and distribute want-satisfying products to target markets to achieve organizational objectives.”ⁱ

“Marketing is the science and art of finding, keeping, and growing profitable customers.”ⁱⁱ

What is consistent in these definitions is that they are broad enough to encompass all that marketing involves. Notice the focus is on the consumer (target market). All decisions made in this realm should be made with the consumer in mind.

The Difference between Sales and Marketing

There seems to be a common trend in the wine industry of using the terms marketing and sales interchangeably. Again, sales are only a portion of what marketing efforts should focus on. Peter Drucker, a highly decorated guru of management theory and practice has indicated, “The aim of marketing is to make selling superfluous.”ⁱⁱⁱ To make this statement relevant to the wine industry, what is meant is wine and all that goes along with it (packaging, promotional activity, prices, public relations efforts, channels of distribution, etc.) can be developed very effectively when the needs, wants and desires of a target market are known. When needs are fulfilled, word of mouth can spread quickly and the product will sell itself. Selling is preoccupied with the sellers need to convert the product into cash while marketing is more concerned with satisfying the consumer by means of the product and those things associated with it.^{iv} The following is a short and simple illustration to try to illustrate the difference between sales and marketing.

There once was a winery owner from California that was looking to sell wine to a small island off the coast of Argentina. To see if this was a viable option for the winery she sent an order taker there to see if this was a market worth pursuing. The order taker called her on his cell phone after a few days on the island and indicated that the people there only drank water so there is no market for our wine. Still unconvinced she sent a salesman to do some research. The salesman called back after a short visit and indicated that the

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people of this island can only drink water because of a lack of fruit on the island so the market potential for wine sales is huge. With conflicting reports she then decided to send a marketer. This gentleman came back with the following report:

The people here don't drink wine because none is available to them. They drink water because no fruit or vegetables grow on the island to make juice with. I interviewed the president of this island and he indicated that the people of the island have grown bored with drinking water all the time and would probably be willing to try our wines. He has tried the wine and was enthusiastic about the taste. He estimates that probably 50 percent of the households on the island would buy a bottle at the price of \$20. We would probably sell 3000 bottles here in the first year. Our cost of bringing wine to the island and setting up a distribution system would be about \$10 per bottle. We will bring in \$30,000 in the first year, which, given our investment will give us a rate of return on investment (ROI) of 20 percent which exceeds our required ROI of 15 percent. We must also keep in mind the fact that we will be the first to sell to this island, thus giving us brand equity and a high value in future earnings. I would recommend we enter this market.

This fictional illustration is, of course, a research oriented example. Research of potential markets is one of the first steps toward a successful marketing effort. This example shows that a need does exist for this winery's product and that sales are projected to be successful based on this need. Having a market-oriented perspective in developing business strategy can drastically reduce sales force expenses. The difference between marketing and selling is more than semantic.

The Marketing Management Process

Developing and managing a marketing plan can be a very long and involved process. Entire books are written on this subject so the purpose of this section will be to give a very basic and simplistic overview of the process. Future essays may focus on specific steps more thoroughly.

1. Marketing Research and Segmentation

This initial step is aimed at identifying the markets that exist for wine or a specific niche, analyzing the competitive situation and assessing the organization's strengths and weaknesses. A market is a group of people or organizations with wants to satisfy, money to spend, and a willingness to spend. Alternatively, a market is any person or group with whom an individual or organization has an existing or potential exchange relationship.^v Those who drink wine is a market. This can be further broken down into niches such as those who are health conscious, those who love the taste, those who love specific varietals, those looking for prestige and admiration, or those looking to get wasted. Each of these sub-categories may also have sub-categories.

A market analysis should only focus on those markets that have a specific need and/or want they need fulfilled and be both willing and able to purchase your wine. Once potential markets have been developed factors such as market size, growth, and accessibility should be assessed as well as market demographics (age, gender, education level, expenditure patterns, family life cycle stage, income, ethnicity), psycho-graphics (personality, life style, behavioral intentions, usage rates, attitudes, interests, opinions), cultural factors, and technological aptness.

The competitive situation that exists in the industry should be developed according to, for example, who potential competitors would be for specific markets, their strengths, weakness, and what their overall plans for their product includes. This may include the price they are offering, how they are promoting their wines, where their wines are being distributed, etc.

Developing the winery's strengths and weakness is also important. Does the winery offer exceptional wines at moderate prices? Does the winery offer outstanding customer service? Does the winery have brand name recognition? Etc.

There are several practices and data sources to find this information. They include observation, secondary, and primary research methodologies. I hope to address these in a future essay.

For a winery, discovering all of these factors would probably not be cost effective. Again, the purpose of this essay is for winery to see all of the elements of the marketing process. It is up to the winery to develop which factors are most important to obtain and develop.

2. Targeting and Positioning

Targeting markets offers an opportunity for a winery to focus its business competencies on the requirements of one or more specific groups of buyers. Its purpose is to consider the differences between markets and what those differences are based on.

Wineries will need to target those segments the company can offer something no one else offers. This is their differential advantage. For example, Clos Du Bois has several market segments they are targeting. One includes the homosexual market. They have conducted market research to come to the conclusion that this is a profitable group with both the ability and willingness to purchase wine. This is why they have spent \$800,000 on advertising to the gay market over the past four years.^{vi} In the wine industry, this is a sizable figure to focus on one market.

An example target market statement that may reflect the Clos Du Bois market may include:

Gay men, age 35-45, with a household income of \$100,000 to \$200,00, living in the western region of the United States.

This statement will guide the development of promotional materials: where advertisements are placed, channels of distribution, public relations efforts, etc. A more complete explanation of these elements is encompassed in the following section.

Once the market has been targeted it is up to the winery to position their product. Positioning seeks to place the product in the mind of the consumer and distinguish the company, product, or brand from the competition. In order to effectively position wine in the minds of consumers a marketing mix strategy needs to be developed oriented toward a specific target market. For wine companies it is important to be extremely consistent in the development of the marketing mix. If one element is not consistent with the others the specific wine or line of wines may fall from the consumer's tacit memory, thus destroying the winery's positioning.

3. The Marketing Mix

From a winery's perspective the marketing mix involves how a specific wine or line of wines will be developed, priced, promoted, and distributed. The development of the marketing mix is dependent on the target market. This market should always be the source of reason for choosing one element over another. It may help to look at the marketing mix from the consumer's perspective, such as customer value (not product), cost to the customer (not price), communication to the customer (not promotion), and convenience (not distribution).^{vii}

Product (Customer Value): The basis of wine development from a marketing perspective should be to differentiate the wine in the mind of your target market from the competition. Only if the wine is differentiated will the consumer choose it over another, especially if it is offered at a premium price. Elements of the product that can be taken into account in marketing wine includes product variety (different varietals within a single brand name), quality of the wine (although this is ambiguous because

people's tastes differ), design (artwork on labels and casing), features (seal type), brand name (logo, colors), packaging (types of casing, bottle or box shapes), sizes (of bottle), services (order options, interaction), and return policies.

Price (Customer value): The objective in pricing wine is to give the customer a sense of value. Many companies in the wine industry price products according to how much it costs the company to produce the wine plus a markup (cost-based pricing). Others will price the wine according to the estimated amount the consumer will pay for it. They don't charge that amount but something less (value-based pricing). Discounts, allowances, generous payment periods and credit terms are good methods of conveying value.

Promotion (Communication): This is the most involved portion of the marketing mix and what many misconstrue as to what marketing is. The elements of promoting a product are referred to as the promotional mix. Sales promotion, advertising, sales force, public relations, and direct marketing are the broad elements contained in this portion of the marketing mix. Some examples are as follows:^{viii}

Advertising

- ▶ Print and broadcast ads
- ▶ Outer packaging (bottle and/or case)
- ▶ Packaging inserts
- ▶ Brochures
- ▶ Posters and Leaflets
- ▶ Directories (telephone book)
- ▶ Billboards
- ▶ Display signs
- ▶ Point-of-purchase displays (shelftalkers, case cards)
- ▶ Audio-visual material (multimedia)
- ▶ Symbols and Logos
- ▶ Video Tapes
- ▶ Internet banners
- ▶ Spam

Sales Promotion

- ▶ Contests, games, sweepstakes, lotteries
- ▶ Premiums and gifts
- ▶ Sampling (tasting events)
- ▶ Fairs and trade shows
- ▶ Exhibits
- ▶ Demonstrations (wine tastings)
- ▶ Coupons
- ▶ Rebates
- ▶ Low-interest financing (payment plans)
- ▶ Entertainment (winemaker dinners)
- ▶ Trade-in allowances
- ▶ Continuity programs (wine clubs)
- ▶ Tie-ins

Public Relations

- ▶ Press kits
- ▶ Speeches
- ▶ Seminars

- ▶ Annual reports
- ▶ Charitable donations
- ▶ Sponsorships
- ▶ Publications
- ▶ Community relations
- ▶ Lobbying
- ▶ Identity media
- ▶ Company magazine
- ▶ Events

Sales Force

- ▶ Sales presentations
- ▶ Sales meetings
- ▶ Incentive programs
- ▶ Samples
- ▶ Fairs and trade shows

Direct Marketing

- ▶ Catalogs
- ▶ Mailings
- ▶ Telemarketing
- ▶ Electronic shopping
- ▶ TV shopping
- ▶ Fax mail
- ▶ Email
- ▶ Voice mail

Distribution (Convenience): Wine is distributed either through a middleman or direct to the consumer. By targeting a market geographical distribution becomes easier. If the majority of a target market is in southern California a national or regional distribution strategy probably would not be developed. Middlemen may be used for retail distribution while consumers outside the reach of these retail establishments can purchase these wines online or over the telephone. Elements to keep in mind when developing a distribution strategy are the channels in which you choose, the coverage reached, the assortments distributed, the retail establishments distributed to (high-end, low-end or somewhere in between), inventory management, and transportation costs.

4. Implementation

When implementing a marketing plan it is vital that all functional areas of the business communicate. Marketing needs to communicate with production, finance with accounting, accounting with marketing, etc. One of the main objectives of marketing any product is to deliver a consistent message. If the sales force is delivering a different message than the message being advertised the position of the wine will be destroyed and sales will suffer. Likewise, if the sales force is pre-selling more wine than is available for sale the reputation of the winery will suffer. The development of a system for cohesive and frequent communication between functional departments is the key to successfully implementing a successful marketing campaign.

5. Control

The work is not done yet. Controlling the marketing plan is just as important as the other steps to developing a successful marketing plan. This will lay the foundation for improving the marketing plan and

making any changes to the current plan. Controlling this plan may include marketing audits, collecting feedback from customers, intermediaries, etc. and making corrections. A close eye should be kept on the organization's income statement, financial ratios, market share, customer retention, customer acquisition, and customer satisfaction.

Budgetary Concerns

This process may sound too involved to be cost effective for many wineries. It is true that an initial investment will need to be made to accumulate intelligence and to develop a plan. However, once the plan is in place it can be used as a template for years to come. Changes will, of course, need to be made regularly to the specific elements of the marketing mix and research will need to be updated but the process of doing these activities will be reduced substantially over time.

This essay communicates what specifically marketing is, what its elements are, and how they coincide to produce a comprehensive, cohesive and effective strategy. It is important to remember that how a winery's product is perceived by a customer (positioned) is dependent on who the target market is. All of the elements of the marketing mix (product, price, place, and distribution) should be developed according to who the target market is, what their needs are, and how the winery wants its products to be perceived. By successfully implementing, monitoring, and periodically altering a plan that accomplishes these goals and is consistent with the mission of the winery the company will be successful.

Tincknell and Tincknell, Wine Sales and Marketing Consultants, is a consulting service that can develop a plan such as this and implement it. The partners of T&T have over 30 years of combined experience in the wine industry and this experience has provided the partners of this organization with an intimate knowledge of the wine industry. They partner with several sub-contractors (like myself) that can assist on such a project. Research, positioning, and a marketing mix can be developed. Once the plan is developed the winery has the option of implementing the plan themselves or having T&T develop a team that can implement it. It may involve all, some, or none of the winery's current employees. A methodical system of monitoring this plan can then be provided.

Contact Paul Tincknell at paul@marketingwine.com for a free quote for conducting such a project for your company. Come back to this web site often to read future articles written by partners Paul Tincknell, Jennifer Tincknell or myself.

Look forward to my next essay entitled *Building Brand Equity*. It will be posted in October 2001. Feel free to provide comments and constructive criticism to me at brandon@marketingwine.com.

ⁱ Etzel, M.J., Stanton, W.J., and Walker, B.J.. *Marketing, Eleventh Edition*. (San Francisco, CA: McGraw-Hill Companies, 1997), Pg. 6

ⁱⁱ Kotler, Philip. *Kotler on Marketing*. (New York, NY: The Free Press, 1999), Pg. 121

ⁱⁱⁱ Kotler, Philip. *Kotler on Marketing*. (New York, NY: The Free Press, 1999), Pg. 19

^{iv} Levitt, Theodore. *The Marketing Imagination*. (New York, NY: The Free Press, 1986), Pg. 153

^v Etzel, M.J., Stanton, W.J., and Walker, B.J.. *Marketing, Eleventh Edition*. (San Francisco, CA: McGraw-Hill Companies, 1997), Pg. 5

^{vi} Appel, Ted. *Winery Taps Gay Market*. The Sonoma County Press Democrat. (24, June, 2001), Pg. E1

^{vii} Kotler, Philip. *Kotler on Marketing*. (New York, NY: The Free Press, 1999), Pg. 96

^{viii} Kotler, Philip. *Kotler on Marketing*. (New York, NY: The Free Press, 1999), Pg. 107. The table here is a variation of a table included in this text.