

# WINES & VINES

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## Five Mistakes New Wineries Make

by [Dixie Gill Huey](#)

We've all heard the joke about making a small fortune in the wine industry, where the owner starts with a larger one and loses money. Launching a wine business is a tremendous undertaking, given the complexities of agricultural planning, production, regulation and compliance, marketing and sales and the unexpected hurdles that appear along the way. Some owners have the luxury of starting with that fortune, but many others add financial pressure and strain to the new business blend. In either case, there are five critical mistakes to avoid when launching the business. Even if yours is an established brand, implementing the recommendations below can help you become more efficient and effective.

### **Mistake No. 1: No business plan**

Too often, new wineries launch without a roadmap--a mission, vision, set of defined goals and aligned strategies and tactics. Countless hours are spent tending to vineyards or seeking grape contracts, and debating desired styles, aging vessels and even packaging; yet surprisingly little or no time is dedicated to concretely defining the initial and long-term direction of the business.

Buck Teal, director of commerce for Crushpad Winery, which has launched more than 100 wine brands, sees this situation frequently. "Most people focus solely on how they're going to make the wine," he said. "The more appropriate question in the beginning is, 'If I had this wine, how would I sell it?'"

There are many excuses for not engaging in business planning: "It's in my head;" "I need to focus on selling;" and my favorite, "I don't want to commit to anything while I'm starting out." While this may have worked 20 or 30 years ago, today the shelves are filled with competition. There are 5,584 wineries in North America alone, according to Wines & Vines' 2009 Directory and Buyer's Guide, and this figure does not include foreign imports.

If brand proliferation and resulting competition don't convince you of the need to plan, consider the following additional challenges: distributor consolidation trends, rising costs, and the effect of economic cycles. The current recession should remind us that good plans include best, likely and worst-case scenarios. From a microeconomic standpoint, this has led to fewer and smaller orders from wholesalers for many wineries, decreased on-premise business, especially for ultra-premium wines, and downward pressure on direct-to-consumer sales.

A macroeconomic view reveals that both personal expenditures and retail sales are down. The latest data released by the Bureau of Economic Analysis reports real personal consumption expenditures have declined in 2009. For example, when comparing February 2009 to February 2008, real PCE was down 1.4%; this negative trend has held since August 2008. Furthermore, the U.S. Commerce Department finds that Q1 2009 retail sales are down 8.8% from the same period one year ago.

Rather than serving as a delay mechanism or locking wineries into an absolute path, a business plan should be a dynamic document. It should be revised as the venture grows and knowledge is gained, and serve as a benchmark for progress evaluation. Operating without a business plan is like arriving in a new city, hopping on the freeway, and hoping to make it to your destination. You will get there eventually, but you'll also lose valuable time and money--and likely gain stress--without guidance from a GPS or map.

New wineries should include the following main categories in their business plans: wine product description(s) and pricing; research about industry competition and target markets; marketing and sales plan; operating plan; and financial assumptions and budgets. It doesn't need to be lengthy, but it should be documented and reviewed at least quarterly.

#### **Mistake No. 2: Starting with the label**

For many, the label is the "fun" part: It's the visual extension of the winery owner's dream, and it often serves as a memory cue for consumers among a sea of choices. It is common for new winery owners to have a label in mind as soon as the business is conceived, and many people start designing it well before they create a brand identity. This mistake tends to lead to a variety of less than ideal outcomes: Messaging is unclear or inconsistent; positioning is not considered, and the target audience is not effectively reached. Furthermore, creating a label before a brand often makes it more difficult (and possibly more expensive) to work with other service providers such as website designers, copywriters, and marketing and sales personnel.

#### **Mistake No. 3: Ignoring brand identity**

Failure to create a consistent and compelling brand identity is the wishful or erroneous thinking that a wine will sell itself because it's "good" or "made with passion." Consumers have thousands of wine brands from which to choose, and they are notoriously disloyal when it comes to their choices.

So if it isn't a name or a label, what is a brand? A typical marketing definition is as follows: a collection of images and/or ideas representing an economic producer. I like to think of a brand as a set of experiences that creates values, ideas and a personality. Dennis Hahn, president and CEO of Portland-based ID Branding, and a speaker at the February 2009 Oregon Wine Symposium, likens a brand to "a culture," a comparison that is spot-on.

A brand identity is composed of a set of visual and communication assets, as well as the consumer's ever-important experiences. Visual assets include logo, label and website design; communication assets are printed material, website copy, newsletters, back labels, etc. Look and messaging serve together to create and communicate a brand's unique selling propositions, which attract consumers. A consumer's experiences with your brand--whether in your tasting room, at an event, or on his own--then create a brand culture over time.

Brand identity should lay the foundation for all winery communication, including marketing and sales strategies and tactics. A strong brand is consistent, efficient and effective. This creates value for the consumer, and by extension, it creates sales opportunities for the brand owner.

Below is an abbreviated version of the four-step process through which I take wine branding clients--notice the label design is not addressed until the fourth and final step:

- Define what the brand will be. Create a mission and vision to address what the winery will be when it launches, and where you would like to it to arrive in the future.
- Identify the desires of your core target consumers and how you will reach them. Define your brand's target segments and create a positioning statement that reflects a value proposition to these consumers.
- Translate what the brand is into what your customers want. Determine your winery's unique selling propositions and key benefits.
- Create visual and other assets to communicate your positioning and identity. Design supporting packaging and marketing materials including logo, label, website, press kit, etc.

#### **Mistake No. 4: Launching before it's time**

As the expression goes, "You get only one chance to make a first impression." Whether it's sending a press announcement before wine is available in a market, e-mailing potential customers well before the website is launched (or has been checked for bugs), or releasing a bottling before it's showing at its peak, all of these actions serve to diminish a wine launch.

In general, media won't write about a wine that's not available; consumers won't pay to reserve an unknown wine months before it's released, and bottles released while suffering from shock won't be well received. Financial pressure often drives the decision to launch prematurely, and this is another reason why building a business plan with targets and realistic timelines is a necessity.

#### **Mistake No. 5: Will they buy?**

Having an "If you build it, they will come" mentality is a symptom of a winery's lack of true marketing-driven strategies. Consumers do not automatically appear just because a new winery creates a website or opens a tasting room. In order to stimulate demand for a wine brand, owners and operators must focus on creating and cascading a compelling message (and of course offer well-priced, delicious wines), and building meaningful trade and consumer relationships.

Demonstrating this demand is especially important when seeking wholesale distribution. In addition to showing some traction in the marketplace, a winery should present potential distributors with a specific agenda for discussion that outlines goals and pricing, as well as some information on how its wines fit within the competitive set.

Unfortunately, many new wineries seeking distribution fail to study and understand the competition, and therefore tend to over-estimate demand. Michael Bathurst, CEO and managing director of Vin de Garde Wines Ltd., a wholesaler and importer located in Portland, Ore., cites this lack of knowledge on several levels: regional, varietal and geographic competitors.

"First, new wineries typically don't understand the critical differences between competitors in their own backyard. Then, on the second level, they fail to understand... 'varietal competition' or the differences between a Malbec from Argentina versus Washington. The third level is geographic--the U.S. market simply has so many choices on so many levels. Wineries must realize they are playing checkers in 3-D."

The good news for wine business owners who want to build their businesses strategically is that there is a wealth of information available. Successful Wine Marketing by Moulton and Lapsley, and Wine Marketing & Sales, by Wagner, Olsen and Thach, are two books with which to begin. Online tools for business and marketing plans are available on a variety of websites including the Small Business Administration ([sba.gov](http://sba.gov)), Harvard Working Knowledge ([hbswk.hbs.edu](http://hbswk.hbs.edu)) and Start Up Nation ([startupnation.com](http://startupnation.com)). Industry publications like Wines & Vines and Wine Business Monthly well cover best practices, trends and research. Lastly, there are numerous talented industry experts available to meet your marketing and management service needs.

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