



WINE INDUSTRY ROUNDTABLE

WINTER 2010

INTENTIONAL SUCCESS

How Wineries Are Combating the Doom and Gloom

“How do you start a winery?” That was the opening question posed by the moderator at our Wine Industry Roundtable event in Napa on February 3. Total Innovative Marketing president Tim Martin paused for a moment, then responded, “Why do you want to start a winery?”

His reply neatly encapsulated a fundamental truth: These days, the mechanics of launching a new venture—or even maintaining and strengthening an existing one—are less important than first identifying and establishing a clear business vision. Because it’s that vision, that intent, that ultimately informs a clear, full plan—one that accounts for all possible adversities. And it’s the wineries that adopt this strategic approach that have the best chance to defeat the economic doom and gloom.

Unquestionably, the wine industry is a cyclical one, and in 2009 it experienced tremendous hardship. But this hardship only heightens the need for businesses to have a clear vision of where they’re going and how they’ll get there. Let’s take a look at two examples.

Diverse Strategies

That both Benovia Winery and Blackbird Vineyards achieved growth in 2009 was an act of intentional, strategic will. At the roundtable discussion, Joe Anderson, Benovia’s proprietor, emphasized that to react to and survive extreme economic flux, wine-industry business-

es must have diverse strategies that carefully consider and have the ability to compensate for all possible cycles.

Blackbird president Paul Leary further illustrated the necessity of diverse, risk-averse strategies. Whether an entrepreneur wants to begin a winery as a hobby or as a multi-generational business, wine making “must be approached as a business,” he said.

For Leary, it’s not just talk. For example, to enhance business dexterity, Blackbird leverages multiple sales channels, including direct wholesale, direct to consumer, export, three-tier distribution, and California direct. Such an approach enables a winery to quickly adjust, lean on, and strategize through other existing channels without the burden of having to find a new one at a critical time.

The Right Product Mix

Our panelists also stressed the necessity of offering a diverse product mix, along with the ability to change that mix quickly to meet market demands.

Certainly, diversity is an imperative, Martin expressed. There are many buyers being ignored, both stateside (in places such as Oklahoma) and internationally. New opportunities exist. But Martin also cautioned business owners: “Just because a strategy works for one winery, it may not work for another.” And a winery shouldn’t confuse tactics with strategy. A business’s tactics must be strategy-driven, unique to its ultimate goals.

Creativity in brand strategy is also significant, Martin said. Too frequently, wineries work the sales process backward; rather than laying the

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groundwork for new products—talking to and surveying the market about a brand, discovering what the market wants at what price point, creatively strategizing how a product will be marketed differently—wineries often launch products into an unprepared marketplace. The result can be resounding silence. So while diversity is a key, preparing those diverse markets for a product is just as important.

Brand Buzz: How to Generate It?

One vehicle (that's increasing in speed) to prepare marketplaces for products is social media. While Martin, Anderson, and Leary agreed that social media hasn't yet produced quantifiable results, people are increasingly conducting business on social media platforms, particularly those platforms that attract members of the Millennial Generation. And gone is the day of buying wine based on reviews. Leary shared a statistic that only 40 percent of wine buyers refer to reviews, while the remaining 60 percent rely on referrals, friends' opinions, and word of mouth.

This peer-to-peer review is becoming increasingly important. It has the power to create a wave of enthusiasm toward a brand. Social media peer-to-peer review sites such as Yelp are powerful, says Leary, who presented the idea of using social media as a feedback loop to bring valuable information back to the winery.

Eyes on the Future

The future for many in the wine industry is uncertain, to say the least. Martin, Anderson, and Leary agreed that the industry is not likely to see rapid growth. Rather, they expect moderate recovery; a more permanent price resetting, particularly among premium brands; and increased competition among good (and some great) import wines.

The consensus was that wineries need to start asking themselves some important questions:

- What's your vision? Where do you want your winery to go?
- What's your plan, and how will you strive for business dexterity?
- What's your brand, and why is it unique? What are you doing differently from other wineries?
- Are you talking to your market? What do your customers think about your brand, and what to they want at what price?

"Why do you want to start a winery?" Every winery owner has had to answer this question. In many ways, our panelists agreed, success is dictated by how you answer that question. And whether you have a clear vision and a robust, diverse, responsive plan to achieve that vision.

THE MOSS ADAMS WINE INDUSTRY GROUP

Managing your resources is just the beginning of what it takes to compete in today's wine industry. To keep growing, you must also keep pace with environmental, labor, and safety regulations; federal, state, and local taxation; financing; and technology management. But knowing and navigating industry issues takes time—time better spent managing your business. The Moss Adams Wine Industry Group can provide you with the strategic business and financial planning as well as the tax and operational expertise you need to stay competitive.

Our commitment to providing business solutions to vineyards and wineries of all sizes starts with the

professionals who make up our team, each of which has proven business and finance expertise coupled with extensive experience in the wine industry. We understand that your business is unique, and we tailor our approach and services to fit your specific business needs. This helps us better anticipate issues that will affect your business and develop strategies to capitalize on new opportunities that lead to growth and improved profitability.

Our goal is to stay ahead of the market—and ensure that you do too.