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Developing a Wine Marketing Plan for a New Winery

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There are more than 6,000 wineries in the US. There are an estimated 60,000 labels (including imports) available in the US wine market—and even more SKU's, considering there are often more than one vintage per brand. The goal of wine marketing should be to enhance the value of your brand, thus creating brand equity. The management of every winery should be able to answer the question (in ten words or less): What makes your wine different? Why should customers buy your wine?

In many cases new wineries began as a dream to participate in a style of life that is both attractive and potentially profitable. Decisions about what varieties of grapes to plant or styles of wines to make are often made base on personal preferences of the owners, or even what varieties of grapes are already available on the farm. This philosophy is at odds with marketing theory—you cannot follow in the footsteps of hundreds or thousands of other wineries or vineyards and expect to create something that is unique or even slightly different!

Who needs a wine marketing plan? Start-up firms certainly do, as a part of a complete business plan. Existing firms also need a marketing plan when considering major expansion or when considering access to outside capital. In these situations, a business plan with a well developed marketing plan is useful, even essential, to communicate clearly with bankers, financial advisors, and/or potential outside investors.

The ultimate purpose of the marketing plan is to explain how you will get your wines known and purchased by customers. You should start by identifying the target market, or group of customers to whom you will aim your marketing effort. The target market is not simply whoever is buying or will buy your products, but rather those individuals or businesses that you identify as your most desirable customers.

Use the following questions to identify your target market: Who are your most desirable customers? Is this segment of the market profitable, and does it offer growth potential? Does your firm have a competitive advantage in meeting the needs and wants of customers in this segment? Is your competitive advantage in this segment sustainable?

In the late 1990's it was the baby boom generation that drove an increase in wine consumption in the US. Now wineries are focusing more marketing efforts toward the millennial generation (born between 1979 and 1994 and including 81 million persons), who are likely to drive the next few years of increased wine consumption. About 50 % of Millennials are now more than 21 years of age, and thus can legally drink alcoholic beverages. This group is challenging to reach from a marketing perspective.

Target Market and the 4 P's



Marketing strategy is more than just promotion and advertising! Once the target market is identified, the next step in building the marketing plan is to develop strategies for the other elements of the marketing plan—I.e. product, price, distribution (place) and promotion.

- Product strategy examines the products being sold, packaging, and position in the market.
- Pricing strategy involves analysis of various methods of formulating price strategy and looks at the impact of various prices on sales and profitability.
- Place strategy examines various distribution channels and discusses activities involved in moving goods from the producer to customers.
- Promotion Strategy focuses on getting your product known. It examines promotional techniques such as advertising, public relations, sales promotions, and social networking.

Each of these elements is approached with the target market in mind. To reach the Millennial generation, specific approaches often revolve around on-line marketing—e.g. wine ads on Facebook for Millennials of wine drinking age. Millennials spend much less time than their parents watching TV, but they do watch TV on-line. They enjoy winery events where they can go with friends in a group to taste, enjoy music, wine, etc. Not every winery will find it advantageous to target Millennials, but the industry in total needs to understand how to succeed with this generation!

One commonality among small wineries is the challenge to succeed in wholesale distribution. Since the winery will receive just 50 per cent of the final bottle price for wine sold through wholesale distribution, most small wineries rely heavily on sales through the tasting room, where the winery receives 100 percent of the final bottle price. This dictates a strategy built around attracting tourists and visitors to the Finger Lakes (or the Hudson River Valley, and Long Island regions, for examples). This strategy makes the wine trails an important element of many New York small wineries' promotion strategies, which are often built around active membership in the wine trails, joint promotional programs, and highway signage.

This strategy built around wine trails, which has been successful for many New York wineries, has certain implications for the product line. Since the emphasis is attracting drive-by traffic to stop at the winery, it is difficult to target the consumer who would pay, for example, \$50 dollars for a bottle of wine. Reliance on tasting room sales dictates that these wineries

typically have 12 to 20 wines for visitors to taste, with prices ranging from about \$8 to \$20. These wineries find it advantageous to have “something for every taste”. Thus small wineries are likely to have a range of native, hybrid, and vinifera varieties available for visitors to the tasting room. Typically, wineries find it possible to move about 6,000 to 7,000 thousand cases annually through the tasting room. Wineries larger than 7,000 cases in annual production find it necessary to develop other outlets (selling to retailers or restaurants, or selling to wholesalers) where margins are lower.

One thing to keep in mind, especially in developing the financial plan for the winery, is that the promotion strategy usually results in as much as 10 to 15% of wine which is produced but not sold, but will be used for tasting and other promotional events. Wineries may pour about 10% of wine produced in the tasting room, 2% could be given to staff/investors/owners, 1% may be reserved for a library program, and about 1% may be distributed to media events/fairs/tastings, or given to charity.

Wineries producing more than 6,000 to 7,000 cases annually may find it advantageous to pursue a dual marketing strategy: work jointly with a wine trail to get visitors and to try to make the winery a “destination.” As wineries grow beyond this volume, they will need a strong branding strategy to develop a market for the balance of their production. This element of the marketing plan involves decisions about the product label, bottle shape, type of bottle closure to use (natural cork, synthetic closures, or screw caps). The emphasis becomes one of trying to influence visitors to the tasting room to become regular customers who will purchase the winery’s products at retail stores, restaurants, or by ordering directly from the winery. Wineries find it to their advantage to develop means of keeping in contact with customers who visit the tasting room by devising a method to get names and addresses of customers who buy wine at the tasting room, and to attempt to stay in contact with them through e-mail list serves, newsletters, etc. A well-designed web site is often central to this approach of staying in touch with customers who have visited the winery and/or have tasted its products at various other events. E-mail list serves and web sites have the advantage of being much less costly than direct mail, and is more in tune with the communication preferences of the millennial generation, who will be the drivers of increased wine consumption in the next decade or so!

Some links for developing business plans and marketing plans for small wineries:

E. B. 2002-06 http://aem.cornell.edu/outreach/extensionpdf/2002/Cornell_AEM_eb0206.pdf

E. B. 2002-07 http://aem.cornell.edu/outreach/extensionpdf/2002/Cornell_AEM_eb0207.pdf

“Smart Marketing” is a marketing newsletter for extension publication in local newsletters and for placement in local media. It reviews elements critical to successful marketing in the food and agricultural industry. *Please cite or acknowledge when using this material.* Past articles are available at <http://marketingpwt.aem.cornell.edu/publications.html>.