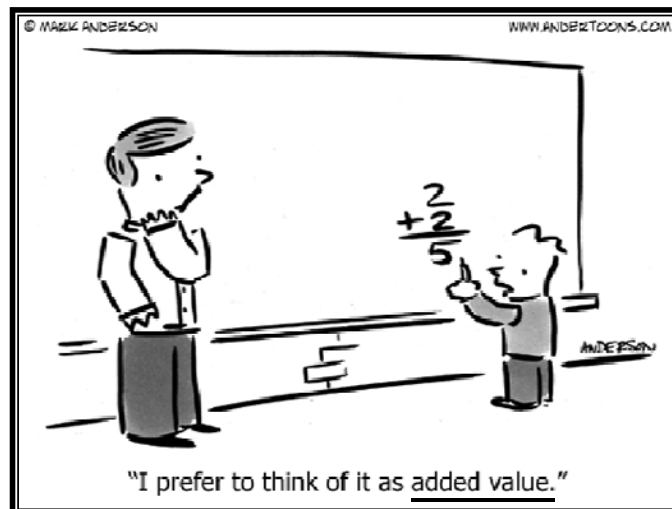




Building Value in Wine Brands

The Tools and How We Use Them

Managing Value Creation



Brand Value

- *“Price is what you pay - value is what you get.”*

(Warren Buffett)

- Value = $\frac{\text{(Wine quality x Brand Experience)}}{\text{Price}}$

(Rob McMillan, SVB)

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Brand Value

*When the experience exceeds the
cost,
brand value is created.*

Wine Industry's Common Mistakes

1. Underestimating the effort and resources required to successfully market a brand.
2. Not starting with the consumer.
3. Allocating too much capital to fixed assets.

".....if I make great wine, it will sell itself"

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Managing Value Creation

1. 5% Ideas

2. 95% Execution

Operating Best Practice

- Planning
- Financial Controls
- Info. Intelligence
- HR Strategies
- Supply Chain Management
- Marketing & Distribution
- Financing
- Asset Management
- Channel Management
- Portfolio Management
- Relationship Management

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Brand Building Perspectives

- **Martin Jones** – Houlihan & Jones – 35 years managing brand development, sales and distribution for wine, spirits and beer companies.
- **Timothy Allen**, CPA – Allen Wine Group LLP – 20 years finance and operations management with leading branded wineries.
- **Quinton Jay** – Bacchus Capital Management – 20+ years winery leadership and wine investment portfolio development.

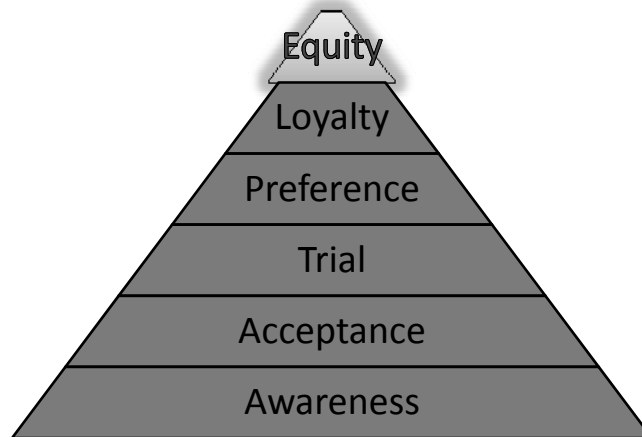
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The Corner Stones of Branding



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Branding Is A Long Term Process



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The Great Misconception

Brands are not:

- Packages
- Labels
- Names
- Trademarks
- Advertising
- Wine

Brands are an experience built from relationships and reputation.

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Branding Principles

1. Perception = Reality
2. Customers define value
3. Marketers help influence customer perceptions
4. Acquiring a new customer costs five times more than retaining an established customer
5. Gatekeepers require direction, management and supervision – *“People do what you inspect, not what you expect.”*

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Branding Best Practice

A. Relevant Brand Proposition

1. Understanding the market and the consumer.
2. Clearly understood brand position.
3. Defining distinguishing characteristics - competitive advantage.
4. Planning an access to market strategy
 - Channels
 - Distributor management
 - Direct to consumer
5. Establishing a pricing strategy - trade and consumer.

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Branding Best Practice

B. Building Consumer Relationships

Luxury brands require personal contact and interaction:

- Tasting rooms
- Wine shows
- Regular communication via multiple and interactive mediums
- Trade contact
- CRM – (*customer relationship management*)
- Reinforce mass communication with personal communication

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Branding Best Practice

C. Branding Is An Investment

Requiring a discipline of managing

- Tangibles - Place, price, product, promotion
- Intangibles - Perception, peripheral (*competition*), performance, people

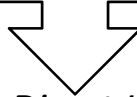
Manage and track it like any other investment

- ROI
- Value creation
- Cost accounting systems that measure tactical effectiveness

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Branding Best Practice

- D. Scale Provides Leverage and Efficiency
- i. Diverse portfolio
 - ii. Volume



.....Having a Direct Impact on:

- *Way to market – distribution, trade relations*
- *Operating efficiency*

“The 5 Habits of Successful Wineries”

1. Relentless data collection
2. Commitment to customer service
3. Focus on brand experience
4. Setting metrics, standards
5. Consistent execution

(*Per Benson Marketing Group - 2007)

Building Iconic Brands

Common Attributes & Strategies

- Dare to be different
- Define consumer trends
- Evolve tastes and preferences
- Define status – *Fashion and lifestyle leaders*
- Define standards of excellence
- Intense focus – *specialization*
- Authenticity
- Clarity
- Success
- Leadership
- Relevant – *aligned with consumer values, interests and lifestyles*
- Intimate consumer relationships
- Create memorable experiences – *occasions and emotions*

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Execution

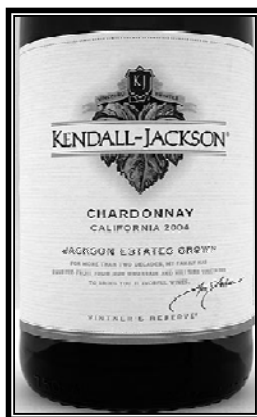
1. Be singular and direct – don't overextend the brand.

"The power of a brand is inversely proportional to its scope".



Execution

2. Narrow your focus. Contraction can build power.



Execution

3. Publicity creates brands; advertising reinforces and expands awareness.



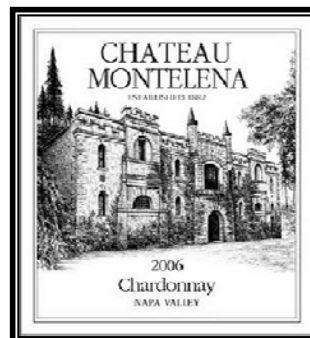
Execution

4. Names and words must be owned to have strong meaning – there's no place for generics.



Execution

5. Build credentials – the crucial ingredient in success is its claim to authenticity.



Execution

6. Quality is important, but brands aren't built on quality alone.



Execution

7. Build the category, while building the brand.



Execution

8. Be visible – be intrusive.

- Can your label be read from 20 feet?
- Is your brand part of the culture its attempting to reach?



Execution

8. Be consistent – brand success is measured in decades, not years.



Execution

9. Change to remain relevant – consistency does not mean avoiding change or ignoring a changing consumer.



Execution

10. Mortality is a reality – no brand lives forever. Know when to cut your losses and remain objective.



Building Value in Wine Brands

- **Focus** - The master of one, *not the jack of all*
- **Experience** - A transaction in the absence of a memorable impression is unsustainable
- **Brand Investment** - Hard assets appreciate because of inflation. Intangible assets, (*brands*), can appreciate exponentially faster with the solid marketing
- **Consumer Engagement** - Brand value is driven by consumer relationships

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The wine road is littered with
unguided passion, misallocated
resources and excellent wine!

