

# Value Creation, Brand Building & Exit

*(or - Why am I in this  
business?)*



# AGENDA

1. Introduction (**MCH, MAJ, Group**)
  - Michael Houlihan
  - Martin Jones
  - Houlihan & Jones
  - Group introductions
2. What **is** Value & What it **isn't**. (**MAJ**)
3. In the Beginning...start: (**MCH**)
  - *With a Solid Business foundation*
  - *Small – engineer a success*
4. Brand Building...12 Steps to successful Wine Branding (**MAJ**)
5. What does your brand stand for? (**MCH**)
6. Five habits of successful wineries (**MCH, MAJ**)
7. So, then what? The exit plan (**MCH, MAJ**)
  - *Leveraging your value*
  - *What are my options?*
8. Valuable wine brands and why (**MAJ**)
9. Wrap-up (**MCH, MAJ, Group**)

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# WHO ARE WE

- **Michael Houlihan:**
  - Founder, CEO & “Head Stomper” *Barefoot Wine*, (a 19 year overnight success).
  - Author, business blogger
  - Management consultant
  - Non profit director
- **Martin Jones:**
  - Corporate CEO - 30 years sales, marketing and operating management in beverage alcohol
  - Numerous acquisitions, mergers and sales
  - Management consultant
  - Public, private and non profit director
- **Houlihan & Jones: “...help wine businesses manage their operations better...”**
  - Business development, transition plans, exit strategies
  - Developing competitive advantage
  - Resource allocation, productivity, employee performance management, sales and distribution strategy
  - Optimizing value creation through brand building and operating effectiveness

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*Why can't I just make  
great wine?.....*



**2.**

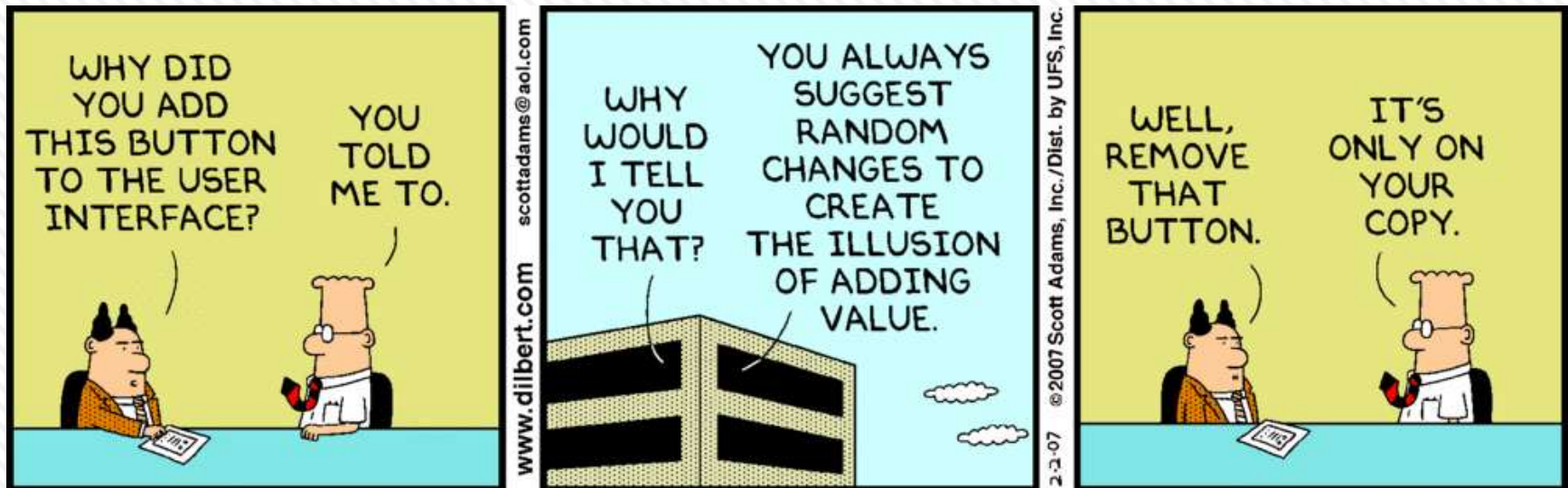
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# WHAT IS VALUE – WHAT IT ISN'T



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# Value

- **Purpose of any business is to create value for:**
  - Customers
  - Employees
  - Investors
- **Value is what something is worth to an interested buyer**
  - Measured by a market, not an owner
  - Sum of tangible assets + intangible assets.
- **Brand building increases the value of intangible assets**
- **Brand equity is the result of successful brand building**
  - Effects accruing to a brand name vs. what would accrue to the same product without the name
- **Value can be leveraged for:**
  - Capital
  - Strategic partners, (distributors, marketing agents, brokers)
  - Employees
  - Exit, (sale)

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*Creating value starts  
with sound business  
practices.....*

**3.**



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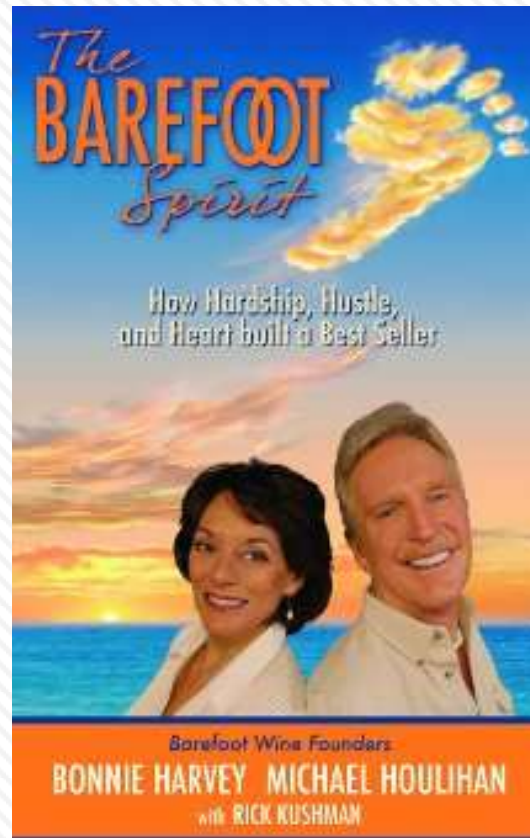
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# Real Value Creation

## A Story Of Intangible Assets



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# Success Starts With A Solid Business Foundation

1. Have you put yourself in your customer's shoes?
2. Have you put yourself in your distributor's shoes?
3. Have you put yourself in your own people's shoes?
4. Have you put yourself in your creditors' shoes?
5. Are you willing to take a smaller slice of a larger pie?
6. Do you know how to make mistakes right?
7. Do you understand that sales provide all the income for your business and pay all your salaries?



# Start Small, Test the Waters Engineer a Success

1. Be humble
2. Start Small
3. Start Slow
4. Take notes
5. Don't believe everything you hear
6. Do the other guy's job
7. Build a Hot Seller reputation



*Branding: The value  
building proposition.....*



# Wine Industry's Most Common Mistakes

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

*“.....if I make great wine, it will sell itself”*



# US Wine Business



1. Largest, most competitive wine market in the world
2. 60,000 different wines!
3. No brand loyalty? – consumers thrive on choices
4. Many wineries plan backwards:
  - make great wine
  - rely on under-funded, hard working sales people
  - Rely on personal relationships
  - wait for 95pt. Rating!

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# Brand Building = Art + Science

## 1. 5% Ideas

## 2. 95% Execution

- Simple - uncomplicated
- Common vocabulary
- Practical
- Relevant communication
- Accessible
- Executable – *“The operation was a success but the patient died!”*
- Sequential, strategic – *“Ready, shoot, aim!”*



# The Corner Stones of Branding



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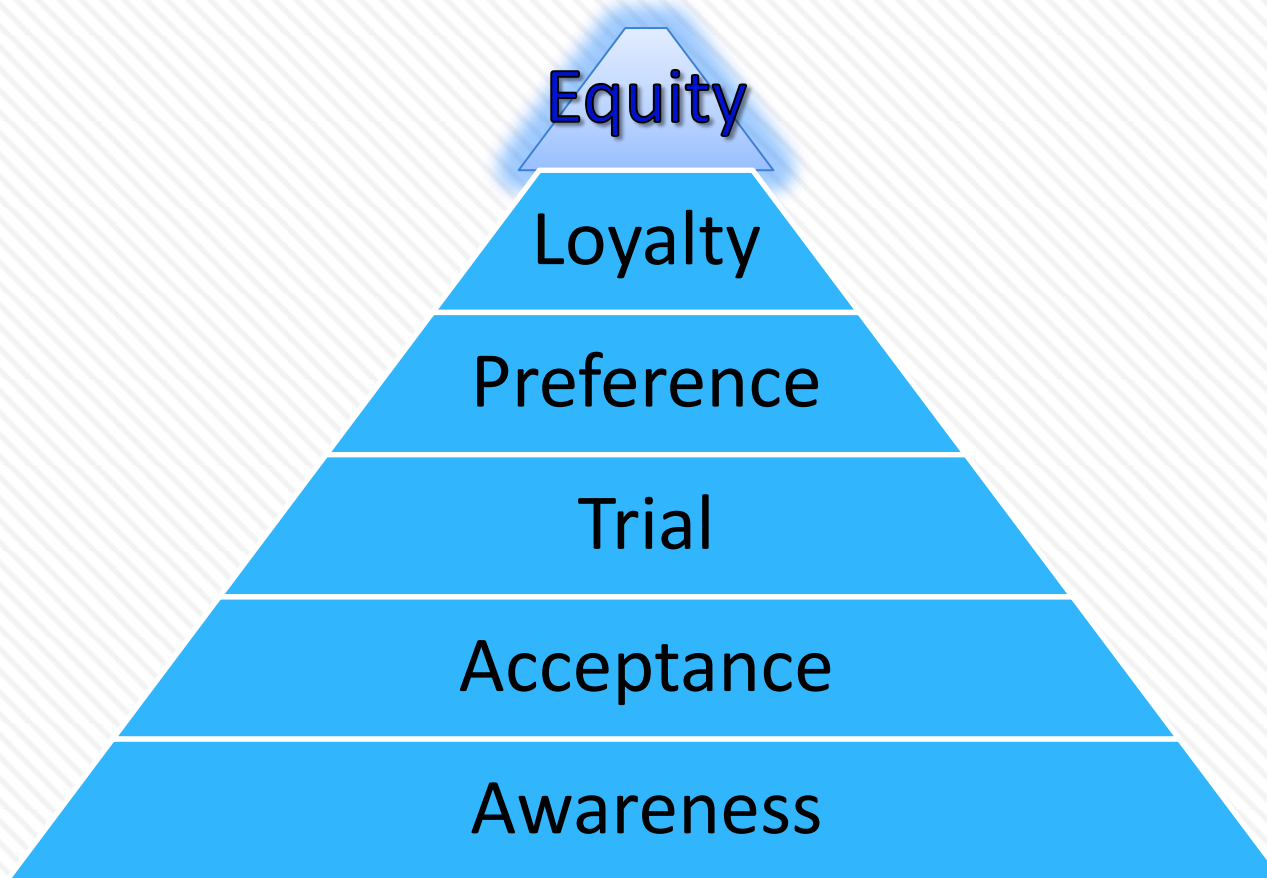
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# Branding Is A Long Term Process

(No instant successes)



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# The Great Misconception

## Brands are not:

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

## Brands are *an experience*:

- Experience + Context = Brand Impression



# “Marketing 101”

## Branding Precepts

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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# 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.



# Building Brands Requires Building Relationships

- *People make brands personal*
- *People make brands memorable*

Luxury brands require personal contact and interaction:

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

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# Branding Adds Value – Value Is Not Price

- *“Price is what you pay, value is what you get”* (Warren Buffet)
- Consumers won’t spend ten times more for something that is only three times better.
- Pricing is not about money, but the meaning of money.
- Value is personal – what it’s worth to me, not how much it cost to produce.
- Deliver brand values that reflect your consumer’s values: (cause marketing, “green”, artisanal, etc.)
- Consumers now demand that a product over-deliver against their expectations – meeting expectations is no longer enough.



# 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



# Marketing & Sales Planning

1. **Assessing the market and condition:** Understanding the segmentation, market variables and potential for a product in any given market or trade channel.
2. **Setting the sales and profitability goals:** By brand, type and SKU, (if necessary).
3. **Defining the target consumer**
4. **Brand Positioning:** Must be defined in terms that are understandable and relevant to everyone along the supply chain.
5. **Price Positioning:** Where it fits on a relative basis with its competitors and/or psychological retail price points for the category.
6. **Programming the distributor for retail execution**
7. **Trade marketing and retailer programming**
8. **On Premise Development and Promotion**
9. **Promotion and Support Materials:** Continuity across all elements must be reflected by a common message, theme and identity.
10. **Publicity/PR:** Targeting local wine writers and lifestyle editors for trade and consumer coverage.
11. **Sponsorship and event marketing:** These also need to reinforce the brand values and positioning.
12. **Compliance:** All federal, state and local regulations must be checked and satisfied.
13. **Scheduling, tracking and analyzing results**

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*Brand building  
harmony.....*



# Socially Conscious Marketing

## What Does Your Brand Stand For?

**An era of increasing transparency means brands must be more than products:**

- Integrity and Dependability
- The Environment
- Human Rights
- The Next Generation
- Labor Practices
- Enthusiasm and Commitment



*Best practice .....*



# “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)*

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*Exit: An option, once  
value is created.....*

7.



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# Selling your Business - Planning

## **Target, interest, and give the right buyer a sense of urgency**

- Who wants to buy my business and Why?
- How does it fit into their portfolio, strategy, distribution?
- Who would buy it if they don't?
- When is it too big to pass up?

## **Do the Acquirer's the due diligence for him**

- What is the Company and Products Description, and Mission?
- What is the Company Value to the acquirer – what need does it fill?
- How to Identify Hidden Assets that add value to the company?
- Who are the Major Customers and will they Continue to Buy?
- Will my Suppliers and Services continue?
- Has my Company or Product achieved the attractive Market Share?
- What is the company's or Products' Market Niche and positioning?
- What is the current and future Production Capacity?
- What about the Financials (P&L, Net Worth, Cash Flow, Tax Returns)?



# Selling your Business – Planning *(con't.)*

## **Prepare and perfect your internal documents**

- What contracts do I have?
- What Intellectual Property do I have?
- Do I have written Policies and Procedures?
- What about Checklists and Signoff Sheets?
- Do I have updated Job Descriptions?
- What are my Compensation Plans and how do they work?
- What Benefits do I offer my employees?

## **Maximize your human resources, and prevent catastrophe**

- How do I Protect my Sales and Prices
- How do I Keep my Employees
- How do I Save my key Relationships
- How do I Sustain my Market Share.
- How do I Maintain my Company Value



*Value creation: Who is  
the best.....*



# 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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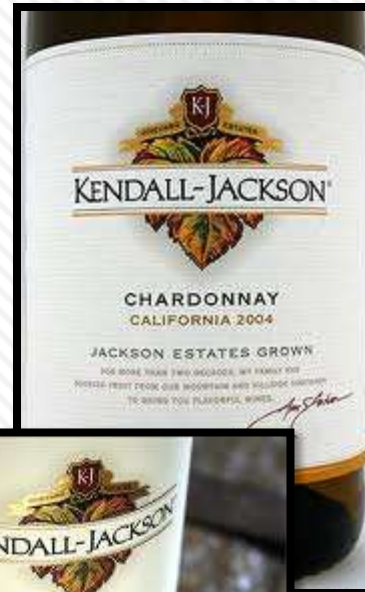




# Exclusive Luxury

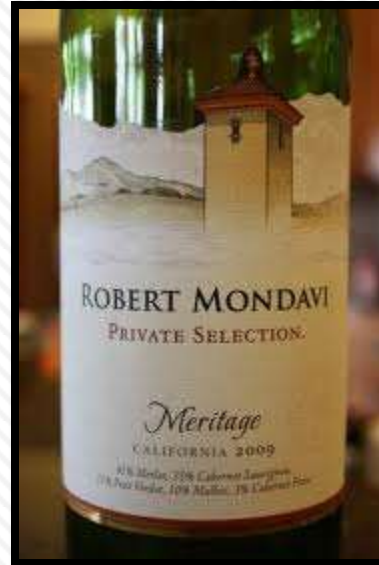


# The Outreachers – Category Builders





# Standard Bearers

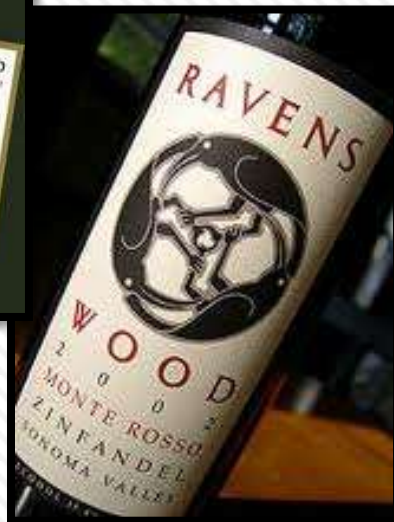
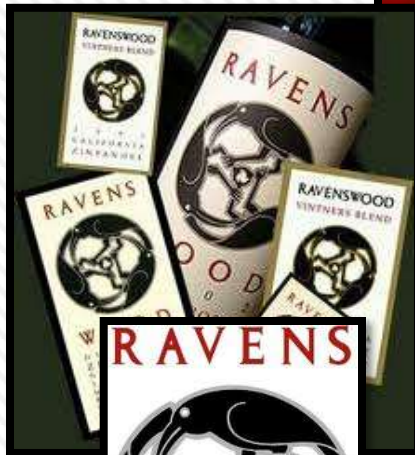


# Relevant - Bull's-eyes





# Pioneers - Definers

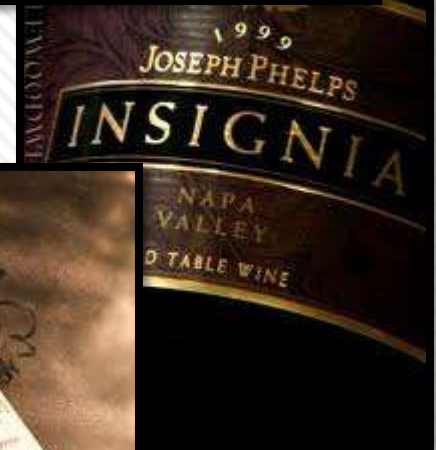
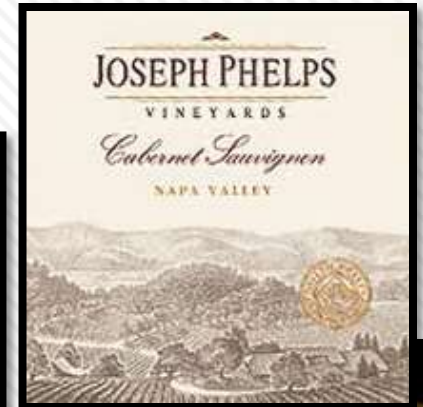
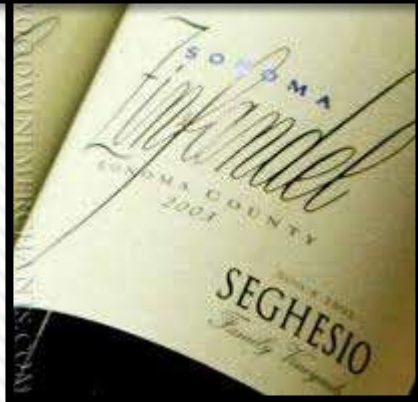
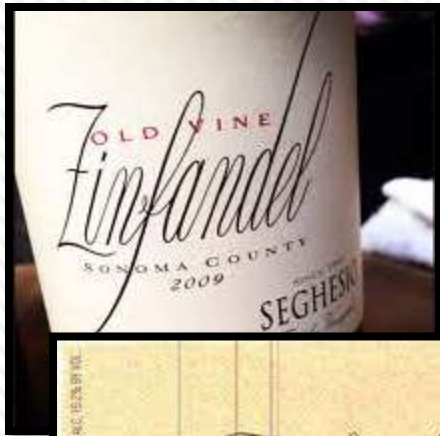


# Relationship Builders





# Artisan - Craftsman



# And the Conclusion is.....

- The master of one - not the jack of all trades
- A transaction in the absence of a memorable impression is unsustainable
- Hard assets appreciate because of inflation. Intangible assets, (*brands*), appreciate exponentially faster because of hard work
- It's the consumer dummy!
- The wine industry is littered with unguided passion, misallocated resources and excellent wine!





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