

Marketing Wines

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Marketing is just not promoting or selling a product. Marketing is the process of buying and selling in a market. It involves all the commercial functions involved in transferring goods from producer to consumer. If you are interested in making and selling wine then you need to think about marketing your wine.

Traditionally there are four or five **Ps** in Marketing

- **Product** – What are you selling
- **Placement** – Where will you position your wine in the market
- **Price** – What will you charge for your wine
- **Promotion** – How will you promote your wine?
- **Packaging** – How you present your wine. This is often grouped in **Promotion**

Many people want to make wine and run a winery. They make the decision before they think of marketing the wine. You need to know where you will sell your wine. If you are going to make and sell wine, you need to think about marketing your wines. Don't make the mistake of making wine before you've defined, your customer, your target market. If you do, you're just throwing your time and money away.

Markets

Who will your customers be? What is your market? Are you going to sell wine all over the world? In the US? Iowa? Chicago? Kalamazoo? What and where is your target market? In my opinion, most of the small wineries in the US need to target local markets. For most small wineries do most of their sales at the winery. These are people that come by your winery, those that you can entice to come to your winery. If you think about it you can probably define the type of person you want to come to your winery. You can define your market, the type of customers you want. Your customers have definable and measurable characteristics.

This is your target market. Is it large enough to generate profits? Are those profits enough to sustain your winery? Does it have growth potential? Can you site your winery on a major road close to a large urban center? Customer volume will be much larger than if your winery is located in a rural area at the end of a dirt road. Your winery must be accessible to the people

you want to buy your wine or you need to sell your wine through a wholesaler into another market.

Product

What makes your wines unique? What is the need for your wine? You need a marketing strategy to define your wine and generate sales. In a lot of ways the product is not your wine or your winery. Your product is you. Your story is as important as the wine. Why are you making wine here? How are you making your wine? What is unique about your wine? After all, I could buy a nice wine from Chile or Australia and enjoy that experience. Why should I buy your wine? You are the best marketing tool that you have. Your personality, your passion and the pride you take in your wine are the driving force behind your winery. You are the one who knows the story of your winery and its wines. Without you that wine is just another bottle on the shelf. How you market your wine will determine the success of your winery and how happy you are.

Positioning Your Wine

You need to position your wine in the market relative to other wines. What are the features and benefits of your wines? How do they separate your wines from your competitor's wines? Pricing decisions often influences positioning. Is yours a high priced or a low priced wine? Price often denotes quality. If your wine is not high priced is it any good? There are product strategies for positioning your wine. Which wines should I offer? How many wines should I offer? Where should I position my wines? Three quality tiers is very common practice with high, medium and low priced wines.

Your product line is all the wines and services offered by your company. They might not all be wines. Maybe you offer winemaking classes. Similar and related products build on the strength of your company to broaden the customer base. Your product mix is the depth of your product line, the number of different products (wines) in your product line. You may have red, white and blush wines, sweet and dry wines, and three different price/quality levels in each class. You could have a large number of different types of products, including accessories and promotional items at tasting rooms.

Packaging

Packaging and labeling are one of the ways to position your wine in the marketplace. Packaging promotes and communicates your wine's image. Distinctive packaging can attract attention and promote sales. Packaging should be similar to connect your wines in the mind of the customer. You may want to use packaging to promote distinguish your different price and quality tiers.

Services

Your winery services are part of your product package. Services are the cheapest and most effective way to enhance your marketing effort. Tasting rooms generate sales. Treat your customers as your friends. When you have them in your tasting room this is an opportunity to tell them the story marketing you and your wines? If you do not like dealing with the public, hire people who do. You need to do everything you can to enhance the customer's experience. Happy customers are repeat customers and often tell their friends. Unhappy customers only tell their friends not to come to your winery or buy your wines.

Branding

Branding is creating a name, and an image for a product line. Your brands should capture the personality of you business. Effective brands will attract customers who fit your customer profile. When customers buy a name, they buy its values and promises. A brand associated with a quality product enhances your marketing efforts. You may have several different brands for different categories of products. Brands may have an image, logo, symbol or character. They should be easy to associate with your product. Brand image is communicated through a product's benefits and value, its packaging, advertising, and services. Create a plan on how to present your product, packaging and promotion. Look at the Big Picture; everything about your business needs the same clear look and identity. Plan and design your product carefully: use shape, color and design to identify and differentiate your product. Name your product: buzzwords and images allow the customer to remember and recognize your product. Package your product with care it is a message platform for your product.

Pricing

I consider pricing very important but it is a complex subject. It is a more of a craft, than a science. Pricing is the bridge between your marketing strategy and the financial health of your business. The most important

thing to know when pricing your products is your costs. You need to price your product high enough to gain a profit. But, your price must be low enough to attract customers. Sales to the customer are the reason you are in business. You need enough information about your business costs and the wine prices in your market to price your wine. There are several strategies depending on your pricing objective. You want to cover costs and generate profit. How much profit? Do you need or want to undercut the competition and buy into the market? Can you raise prices after you are in the market? Will you lose market share?

Wineries operate in a very competitive market. Your prices reflect your position in the marketplace. But, price is only one factor that consumers use to choose wines. You could set your prices based on your competitor's price, but this does not account for your costs. You may not make a profit. Also, if you set your price lower than the competition, you may give the appearance of lesser quality.

Cost based pricing uses your costs to determine your price. You use you cost rather than other's prices to determine when you are breaking even. You must have a complete picture of what it costs you to make your wine. Without this information you cannot decide if your business will be profitable.

Costs

There are two types of costs, variable costs and fixed costs. Variable costs are the costs associated with units of production or sales. These costs vary in relation to production and/or sales. Some examples are; the growing costs per acre for your grapes if you grow your own or the cost of the grapes if you buy grapes, the cost of materials such as bottles, labels, corks, commissions you pay brokers or wholesalers and part time labor associated with harvest and bottling. Here is an example of the variable costs associated with a bottle of wine. (These figures are factious to make the math easy and demonstrate the principles involved in costs and pricing.)

Variable Cost Example	
Selling Price	\$10
Material Costs	\$ 3
Labor Costs	\$ 1
Commission 10%	\$ 1
Shipping	\$ 0.50
Total Variable Cost	\$ 5.50
Price – Variable Costs	
= Contribution Margin	\$ 4.50

Contribution margin is portion of the price remaining after covering your variable costs. Once you cover your variable costs you can pay the other costs of your business and generate profit. Contribution margin is the contribution of each unit of sales to covering the fixed costs and profits.

Once you have covered the variable costs on producing your wine you still need to cover the fixed costs of your winery business. Fixed costs are the general costs of your business not associated with production and sales. Fixed costs include, rents, services, such as phone and utilities, full time staff, insurance, accounting and loan payments.

You need to know your fixed and variable costs and set your price accordingly. Your cost is the minimum price to cover all your costs. You cannot make a profit selling below cost. You can still make a profit selling some products below cost as long as they have a positive contribution margin but other products will need to provide increased profits.

Cost based pricing uses break-even analysis to determine price. To determine your price, you use your cost rather than other's prices to determine when you are breaking even. You can determine how many units you need to cover your fixed costs. This is your break-even point.

Break Even Point	
Selling Price	\$10
Total Variable Cost	\$ 5.50
Contribution Margin	\$ 4.50
Fixed Costs	\$ 1000
Break Even Point	222 bottles/month

Notice that we still have not generated a profit. We have just calculated how many bottles of wine we need to sell at \$10 to break even. What if we change the price? We could lower the price to \$9 a bottle, or raise it to \$11.

Lower Price	
Selling Price	\$ 9.00
Total Variable Cost	\$ 5.50
Contribution Margin	\$ 3.50
Fixed Costs	\$ 1000
Break Even Point	286 bottles/month

Higher Price	
Selling Price	\$11.00
Total Variable Cost	\$ 5.50
Contribution Margin	\$ 5.50
Fixed Costs	\$ 1000
Break Even Point	182 bottles/month

People constantly talk about lowering costs to increase profits. Which costs can you reduce to lower your fixed or variable costs. Lowering variable costs increases contribution margin. Lower fixed costs decreases break-even point.

Profit Goals

Now you understand how to use costs to determine pricing to cover your costs. You can calculate a profit goal the same as you calculate a break-even point.

Profit Break Even = Profit Goal / Contribution Margin

Profit = \$1000 \$1000 / \$4.50 = 222 bottles

To generate a profit of \$1000 we need to sell 222 bottles a month more than the break-even point. You can also calculate a profit goal on Sales Volume

Sales Volume X Contribution Margin - Fixed Cost = Profit

Profit = (400 bottles X \$4.50) - \$1000

Profit = (\$1800) - \$1000

Profit = \$800

Pricing and Profits

Pricing is not static. Prices change as your costs and the market change. What is the minimum price I can charge? What is my competition charging? What will my customer's reaction be to price changes? Coordinate your price with other elements in your pricing strategy. Remember you can always introduce new product lines to use different price and profit goals. Plan for Profit! Your profit goals may be based on:

Percent Profit desired, Dollars of Profit desired or Quantity of product sold.

Promotion

Promotion is more than just advertising. Promotion is everything you do to communicate about you and your products to your target customer. It can be encouraging sales of your product or enhancing the image of your product. A large part of promotion is focused on just getting the attention of potential customers.

Signage is an often overlooked and effective way to promote your winery and your wines. Roadside signs allow you to get attention of potential customers and promote your products. Distinctive signs allow you to set yourself apart from others. Every winery needs good signage to direct customers to your winery. Big distinctive signs are very effective. Don't make your customers get lost trying to find you.

Advertising

Paid promotional messages for your product is advertising. Everyone one thinks they should advertise to promote their product and bring in customers. Think

about what you want to accomplish. What is your Budget? Most advertising is expensive. Is it worth the cost? Only you can determine that. What are your Goals? Before you talk to advertising salespeople and consultants you should understand some terms. Reach is percentage of the market reached by an advertisement. Frequency is how often the advertisement is repeated. Obviously, frequently reminding your target audience of your high quality wines and the fun they will have at your winery is more effective than once telling half the people in the state that you have a winery.

There are many different types of advertising media, Television, Radio, Newspapers and Magazines, where you buy time or space to promote you wines. The Internet provides an effective way to place ads and tell your story at a minimal cost that is there whenever potential customers go looking for wines. Direct mail is very effective and targeted.

Impact and cost are the two main criteria for determining where to send your advertising dollar. You should determine how much it costs to reach or advertise to each customer.

This will give you a standard for comparing where to spend your dollars.

Other Promotions

In many ways promotion is public relations. How do you present yourself and your business to the public? Always try to present the best possible image. Networking with professionals can be an effective way to penetrate new groups of customers. Generally any publicity is good publicity. Be sure to send the local media news releases about all your events. Sponsor community events. Hosting a charity wine tasting at your winery is great but having your name and logo at any large charity event reminds a lot of people that you are an involved member of their community and give back to the community.

It is worthwhile to establish a network with the media. Call them when there is news. Yes the harvest makes a scenic shoot and a 30 second spot on the evening news of you saying how good this vintage will be. If there was a frost that reduced your crop, you can probably make the news talking about how you need to adjust for this year but you will still have wine and probably the quality will be really good for what you have. Always try to put a positive spin on bad news. The pictures of you pointing out the dead grape buds or walking through the vineyard need to have the voice over of how you will adjust to this hardship.

Direct Marketing is something you can do with newsletters to customers and brochures at the winery and area tourist centers. You should create and maintain a customer database. You can use it for newsletters announcing how the growing season is progressing and your special promotional events. Emails can be very effective newsletters but be careful not to overwhelm your customers.

Customer Relations

With direct sales the customer experience is often more important than the price. Your sales staff must be personable all the time. Sell the joy of drinking wine. Describing subtle flavors in wines intimidate many people. Have your tasting staff avoid seeming too sophisticated. Make a game out of exploring your wines for new customers. You need to create a core of return customers. It is easier to retain a customer than it is to find a new one. Word of Mouth advertising is very effective and it is free.

Cooperative Marketing

Cooperative marketing is when similar businesses band together increase their market visibility. This can be especially effective with wineries when they market a region to the public. Wine trails where wineries and other businesses offer promotions to encourage multiple visits to wineries and other businesses in the area give people more than one reason to be in your area buying your wines. Cooperative marketing is a better option for smaller businesses. They can get value for their advertising dollar by purchasing more expensive advertising than they could afford individually.

Internet Marketing

The Internet is a fast developing marketing tool. Your website is always open, ready to tell the story of your winery and its fine wines. Be sure to have visually appealing frontpages that will capture a viewer's interest. I think you should post as much information as you can about your winery and your wines. Pictures are great. There are also several different ways to increasing wine sales. Depending on your state laws you may need to use a third party broker. If you are able to make sales directly from your website this will allow customers to purchase your wines without a trip to the winery and send your wine as gifts. It is a good idea to hire an expert, discuss what you want and keep changing and adding to your website if you want return traffic.