

Why marketing doesn't work (or how to make sure yours does!)

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Marketing is certainly the buzzword of the wine industry at the moment – and rightly so. It has been picked up and promoted by many ‘experts’, ‘gurus’ and ‘educators’ who have outstanding expertise in the theoretical components of marketing but very little, if any, experience in the practical implementation of wine marketing in Australia (or other markets). Consequently, what we are seeing now in the industry are efforts to adopt the marketing concept, radical innovations seeking to stimulate demand and many examples of world-leading practice in packaging, promotion and varieties. However, we are also seeing many wineries beginning to embrace marketing, only to find the expenditure is much greater than the benefits received. There are many reasons for this, from rather simple issues such as problems with inexperience amongst those guiding the effort (internal and external), to more complex issues, which this article will attempt to deal with.



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What is marketing?

First, it is necessary to understand the term ‘marketing’ itself. Wine marketing is often thought of (and even promoted by some!) as simply ‘branding’ of a wine product. Problem Number One – what does this mean in a practical sense? Ask many in the industry and they refer to this as the design, advertising and promotion of the wine product. Whilst all these form part of the marketing activities, they are not indicative of the mind-set

needed to actually have marketing efforts that bear the fruits of your labour.

As Peter Drucker – one of the world’s pre-eminent marketing ‘thinkers’ – puts it, “marketing is so basic that it

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cannot be considered a separate function. It is the whole business seen from the point of view of the final result". For a wine to be successful then it is the consumer that determines success, and all the pathways that make the road from the winery to the glass play a role in ensuring this success. With the wine business so heavily reliant on third-party firms for transport, distribution, warehousing, trade sales, retail sales, etc., it is then essential to view your marketing effort with a stakeholder approach. The goal is to build a brand; the actions weigh on everyone in the supply chain to perform responsibilities that deliver each member the success they seek.

Marketing itself is best viewed on a practical basis as how you arrange the 'marketing mix' to optimise your success. The 'marketing mix' consists of four elements (the 4 Ps):

1. Price – Not just the dollars you ask but your trading terms, the perception of value you deliver, where you position, etc.
2. Product – At three levels, (i) the core product, that is, why people purchase your wine, i.e., to entertain friends, to be decadent; (ii) the actual product, the tangible product they can touch, taste. This includes packaging, label design; and (iii) the augmented product, the intangible benefits derived from your product, i.e., how friends will perceive them, how good the bottle will look in their wine rack.
3. Place (or distribution) – How you will get to market. This function of marketing has responsibilities, such as the sales function, credit risk.
4. Promotion – direct mail, advertising, personal selling, PR, etc.

Whilst there is a lot to marketing, essentially it is commonsense. It is not rocket science but an art drawing from creativity, accountability and the desire to see planning through to fruition.

How is marketing viewed in the wine industry?

Wine marketing is seen, in most cases, in one of several ways, (i) education, (ii) advertising, (iii) sales or (iv) design. While all of these play a vital role in the wine marketing effort, they are not 'wine marketing'. We have seen many wineries committing their marketing budget to the attendance of training courses and seminars that are largely irrelevant from a practical view or delivered with very little real industry experience – in Australia or other areas of the world. This can be very disconcerting to the marketing newcomer to hear 'jingo' and statistics without having a knowledge framework in which to understand and learn what is seen and heard.

Advertising forms part of the 'promotional mix', which in turn is one of the four key components of the 'marketing mix' discussed above. It is admittedly the 'sexier' and fun side of marketing, but can churn through investment without results if it is not tied in with the supply chain's cooperation or without clear brand objectives in place. How does it fit into your plan? Sales is part of the 'place' and 'promotion' function and, ultimately, is the bottleneck through which all marketing activity must feed. This is discussed later.

Label design is certainly the component of marketing we see most often in the wine industry; it is a major player in the 'product' mix and is the mainstay of the actual product. BUT, is your money best spent on having a designer develop a label from scratch, or by developing a marketing plan that sets out positioning objectives, builds an emotive story with which the buying public can create an emotional link (and, hence, have a real sustainable brand) and then having the label designer work from the brief? Should label design be one of the first things you do when deciding to have a new brand – or should it be toward the middle of all the activity that needs to happen? Should it be one of the last 'development' activities?

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Why then does marketing fail?

One of the most common reasons marketing fails is accountability. Marketing effort spans to include (i) planning, (ii) implementation, (iii) measurement and (iv) review. The planning stage is just the beginning – success relies on much more than meetings and discussion. Sooner or later someone has to take stock of the situation and begin implementation. This implementation must be capable of being measured and it must be very clear as to who has ultimate responsibility for each activity being undertaken. If you are chasing new trade customers then measure the effort by counting the number of new trade customers that actually have the cork pulled for them and taste your wine. Gather details of what they say and the sales numbers or follow-up action required.

Accountability should, as often as possible, fall to one specific person per activity. It is part of the planning stage to plan the implementation, how it is going to be measured, who is responsible for what along with how and when it will be reviewed. All too often this is not followed through as a whole process, leaving a disconcerted marketing effort that delivers only part of the results that it is capable.

Another reason marketing fails is that it is not objective driven. I always stress that the first decision to undertake in ANY marketing activity is agreement on what the objective is. This, in itself, will drive what should be done, whilst at the same time providing a yardstick for decision making throughout the process, i.e., ask yourself, 'If I do this how does that relate to our objective?' Objectives are not necessarily set in stone, but you need to think through before throwing them out – your business could depend on it. Keep moving the agreed yardsticks is something akin to the cricket captain moving his fielder to where the ball was just hit to the boundary.

Sales is a function of marketing and needs be closely integrated with the marketing effort. In the wine industry, as in

all other industries, it is vital to build relationships BUT relationships alone do not generate orders. Building the relationship is a precursor to creating more favourable environments to carry out the sales process. The sales process can be summarised as:

1. Prospecting – looking for potential customers not already dealt with, people not currently stocking your brand, i.e., 'looking for gold'.
2. Approach – Selecting a strategy of what to offer, key buying reasons. This is where the relationship shines, do a 'buying needs analysis'.
3. Presentation – Relating what you know of the customer's situation to the product/solution you are offering. Showing how you can increase your customer's business.
4. Handling objections – Most customers will say 'we're full' or 'call later' at first. The job of the sales function is to overcome these objections, not merely appear and take orders. Be creative and assertive.
5. Closing – Ask for the order. Even 'assumptive' closes of asking questions, such as 'would you like that delivered at the start of the week or the end?'
6. Follow-up – A sale is not over until the customer has been followed up. As a function of marketing, sales should make sure the stock arrived, was invoiced properly and find out how it could be better next time.

It's quite clear from the sales process above that sales are the bottleneck of success in the wine brand. Questions to ask: is it better to have a sales rep (or account manager) that has exceptional wine knowledge or that has exceptional sales skills? Is it better to have a focus on relationships or on outcomes, measurements and customer needs?

It has come up in discussion recently that perhaps the wine industry evolved too quickly. This past century has seen many other industries evolve through (i) a production concept of

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making as much as the new industrial revolution allowed, to (ii) a product concept incorporating numerous features and widgets into the product to make it better than everyone else's, to (iii) a sales concept of hitting the streets, knocking on doors and selling product through to (iv) the marketing concept of finding out what the market needs, wants and demands and matching firm resources to deliver products that result in profitable exchanges.

Until very recently, the wine industry has been very entrenched with a production philosophy – increase volume and quality and you'll sell all you can make. New varieties took us some way towards the product concept. Perhaps our successful (and monumental) growth is, in fact, a potential thorn in our side over the next two to five years. We embraced the marketing concept before we ever really got the selling concept right.

Conclusion

Competition will place significant strains on many of the industry's best producers of wine. It is essential to recognise what the 'marketing concept' is, the stages in successful marketing effort (planning, implementation, measurement, review) and, most importantly, the need to adopt a stakeholder approach in a concerted, coordinated approach to results. Sales is a function of marketing and only with the stakeholder approach will firms survive the oncoming competitive environment – getting the 'sales concept' and the 'marketing concept' spinning away, intertwined in an environment that produces results – not just great wine, great labels and great relationships.

It is time for marketers to get their hands dirty with accountability and recognise the role the 'sales function' plays in the implementation of the marketing effort – and for the

sales function to take up the challenge of the role they play in the marketing effort. It is only with this that success can be sustained over the long run, which is shorter than expected given the intensely-competitive environment in which we find ourselves. Not the best time to wake up – but certainly not a time to be sleeping in!

Steve Goodman is an experienced marketing consultant and corporate strategist. He specialises in developing marketing plans to generate results across the value chain. Currently completing his PhD at the Graduate School of Management (The University of Adelaide) in the area of wine business strategy, he also lectures in wine marketing, advertising and promotion. He can be contacted on mobile 0416 133 236 or via e-mail: steve@winepages.com.au. ■

It's wine regions not brands that count for wine consumers

Jacob's Creek and Grange move over – it's the region not the brand that has the strongest effect on consumer choice behaviour, a recent study has found.

Conducted by the University of South Australia's Wine Marketing Research Group, the study has shown that knowing a wine comes from the Barossa Valley, McLaren Vale or Coonawarra is even more important than price to many consumers.

The study of 300 Australian wine consumers interviewed over a month showed that purchasing wine from an established region was the most preferred attribute (chosen 29% of the time), followed by price level. The most preferred price was in the \$11.99 category followed by \$16.99.

Of special interest to wine marketers was the discovery that established regions have the ability to command a higher price for its products than a newly-established region.

The most preferred combination of criteria for consumers with low wine knowledge to choose wine was an established region and moderate price (\$11.99). Consumers with a higher wine knowledge stated that an established region was their main reason for choice.

Dr. Larry Lockshin, director of the Wine Marketing Research Group, said there were a number of implications from the research.



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