



# Shiloh Estate

SHILOH VINES & WINES KNOWLEDGE BASE SERIES

[www.shilohestate.com](http://www.shilohestate.com)

## Tasting: Room for Profits

by

Reese C. Wilson

August 2004

Coordination Draft  
Comments Welcome

*Wine is first and foremost about pleasure. The fun comes in learning along the way ... so whether you are just discovering wine or a seasoned professional, we invite you to come explore with us!*

Peter Marks, Curator of Wine, Copia: see <http://www.copia.org/>

### Value to Stakeholders<sup>1</sup>

**Enterprise Success Factors**—Successful enterprises deliver value to stakeholders. The concept of *stakeholders* goes well beyond that of *shareholders* and includes customers and employees as well as owners, neighbors, etc.

In order to deliver value, members of the business enterprise need to agree on what constitutes value and understand the supporting factors.

**Top-Down Framework**—Many successful enterprises have a “top-down” strategic management framework that defines business purposes, values, longer-range goals, policies, and so on. Within this framework the various profit and cost centers comprising the business often develop their own mission statement, measurable objectives, strategies, and “bottom-up” action programs to achieve results commensurate with the objectives over a near-term time horizon.

### Tasting Room Goals & Profits

**Goals**—Tasting rooms (or hospitality or visitors centers) associated with wineries can contribute to overall enterprise values—including profits—through realization of goals such as these:

- Create, manage, and continually improve on a satisfying experience for customers and prospective customers through introduction and tasting of wines and “sale” of wines and other products (e.g., wine club memberships).

### Value Statement

1. Grow, make, and market extraordinary wines.
2. Create and serve satisfied customers.
3. Recognize that our employees are our most valuable asset.
4. Respect and sustain the environment through thoughtful winegrowing and winemaking practices.
5. Serve as proactive members of the communities in which we operate.
6. Generate the profits needed to sustain the enterprise and provide value to stakeholders.

- Encourage tasting room staff to deliver value to prospects-*cum*-customers via their satisfaction with the staff pouring the wine, the wine, and other “products” (e.g., wine education).
- Relate stakeholder values in terms of profit potential to the business enterprise within the tasting room to include primary (e.g., wine sales), secondary (e.g., wine club membership), and tertiary (e.g., addition to e-mail list) contributions to profit.
- Reinforce enterprise values such as respect for the environment (e.g., through vineyard and winery tours that include emphasis of sustainable agriculture, return of pumice to earth, cover crops, sanitation, etc.).
- Recognize that tasting room visitors can market your wines through word-of-mouth, logos, etc.

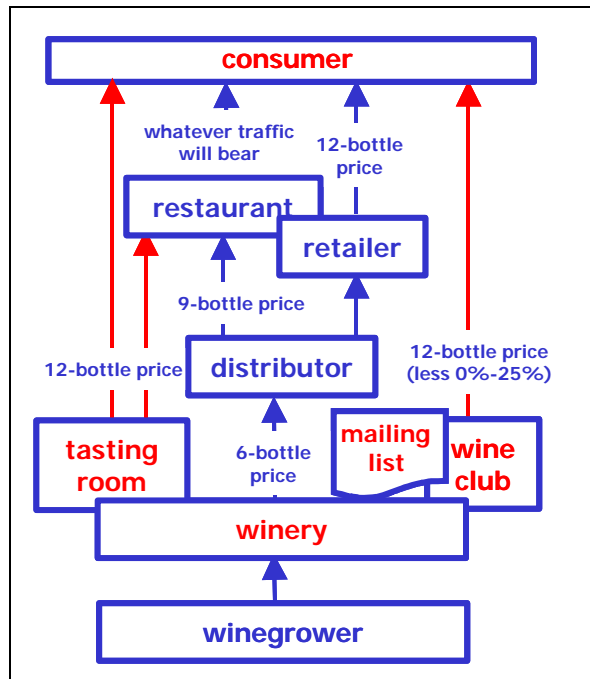
*Reese C. Wilson engages in home winegrowing and winemaking within the Napa Valley, and accepts occasional RWA strategic management consulting assignments. He holds M.S. degrees from Stanford and Syracuse Universities, a B.S.E.E. degree from the University of Southern California and, more recently, a Viticulture and Winery Technology certificate from Napa Valley College.*

**Profit Potential**—Most wineries sell their wines at the six-bottle price through distributors that are embedded in—and largely control—the three-tier system shown to the right. One-half of the *wine profit potential* is immediately lost.

On the other hand, wines that are sold in the tasting room—or through a wine club or mailing list—**directly** to consumers can approach the 12-bottle price and thus realize up to 100% of the wine profit potential (although wine club sales usually include discounts that generally vary from 10% to 25%). Yet, direct sales have twice the profit *potential* of indirect sales.

In addition to direct sales over the counter, tasting room staff can add to enterprise profits though signing up visitors to the wine club or mailing list, public relations and wine education, sale of other products (e.g., logo-adorned attire), and so on.

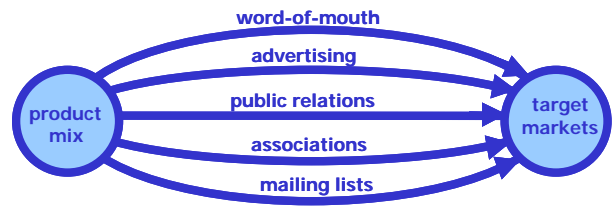
Tasting rooms, wine clubs, and mailing lists are extremely important to the bottom line of wineries. Tasting room staff often represent the human side of the enterprise..



### Marketing Mix



### Promotional Mix



## Marketing & Promotional Mixes

**Marketing Mix**—Tasting room staff add to their enterprise’s bottom lines through direct sales across the counter coupled with contributions related to tasting room promotional activities as well as by gaining feedback on all marketing and promotional mix components shown above. Feedback may be captured through consumer survey forms completed by visitors in the tasting room augmented by management-staff sessions that include feedback as a focused agenda item.

**Promotional Mix**—Given that the *enterprise* effectively promotes the product mix—including the tasting room and wine club—tasting room staff can concentrate on public relations, direct wine sales, and wine club and mailing list sign-ups. Marketing and promotional activities at the enterprise, winery, and tasting room levels are interrelated and mutually reinforcing with corporate product marketing playing a vital role.

**Tasting Room Staff Priorities**—The “care and feeding” of tasting room visitors—public relations—is crucial to creating new customers and retaining existing customers through provision of a satisfying and memorable experience. Just what a “satisfying and memorable experience” is discussed subsequently.

Meeting and exceeding visitor expectations is PR (that often relates to longer-range enterprise goals). The idea is to foster a customer-winery relationship that will persist for a lifetime.

Given the PR dimension, priorities next focus on objectives that yield more immediate results:

1. Pour, educate, and sell wine to customer on a cash and carry basis (or for direct shipment).
2. Sign up customers for the wine club.
3. Sell ancillary products (e.g., logo items, food).
4. Develop e-mail mailing list, survey forms, etc.

Good PR promotes the selling objectives.

## Prospect Profile

**Who Drinks Wine**—The 2003 Consumer Tracking Study of the Wine Market Council (see: <http://www.winemarketcouncil.com>), finds that 12.5% of U.S. adults drink 86% of the wine.

Consumer Segment	Millions (21+)	% Sample	% Volume
Core wine drinkers	25.4	12.5	86.0
Marginal wine drinkers	28.2	13.9	14.0
Beer/spirits drinkers	62.2	30.6	0.0
Non-drinkers	87.2	43.0	0.0
Total	203.2	100.0	100.0

Core wine drinkers drink weekly or more often. Marginal wine drinkers drink every 2 or 3 months.

Although tasting room visitors can fall into any of these four broad segments, they are more often than not either core or marginal wine drinkers.

**To Buy or Not to Buy**—The survey cited above also discovered several positive attitudes ...

Why Buy?	Core	Marginal
Makes a good gift	95%	95%
Really like the taste	95%	87%
Can buy good wine without spending a lot	92%	91%
Moderate use is good for you	90%	88%

... as well as “barriers” to consumption.

Barrier	Core	Marginal
Like having a bottle on hand	91%	70%
Open bottle stays fresh for [only] 2-3 days	61%	54%
Don't like to open a whole bottle for myself	36%	51%
So many brands—never know which one to chose	28%	43%

**More Wine Market Council Findings**—Adult per capita consumption of wine in the U.S. is at an all-time high thanks to 77 million Baby Boomers (ages 40 to 58 in 2004), 44 million Generation Xers (ages 28 to 39 in 2004), and 70 million Millennial generation (the eldest in this group will turn 27 in 2004, and they add 5% more new adults each year than Generation X). The number of adults comprising the Millennials—coupled with a receptivity to wine that leading-edge Baby Boomers exhibited—will make their market dominance inevitable. Taste and lifestyle choices of the Millennials offer the wine industry the kind of growth potential not seen in more than 30 years.

## Prospect Needs

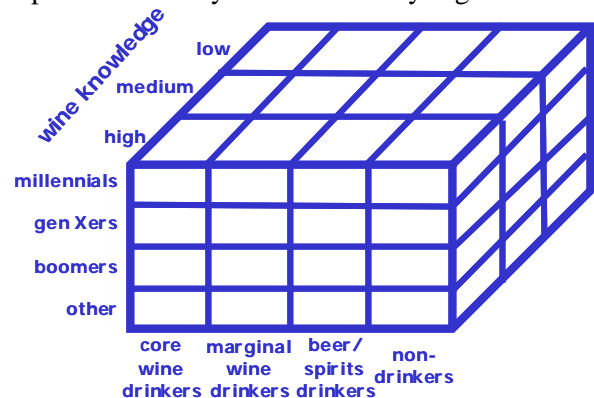
**Average Wine Consumption**—In 2003, an all-time record, 232 million cases of table wine were consumed in the U.S. (by adults over 21). If this is apportioned per the table to the left, the average core and marginal wine drinker drinks **9** and **1.4** glasses of wine a week, respectively.

Average Wine Consumption of Average Drinker		
Statistic	Core	Marginal
Number of cases per year	7.86	1.15
Number 750 ml bottles per year	94.3	13.8
Number 750 ml bottles per week	1.8	0.27
Number 5-ounce glasses per week	9.0	1.4
Number 5-ounce glasses per day	1.3	0.2

\* 25.36 oz per 750 ml bottle yields about five 5-oz pours

The Year 2000 Wine Market Council Survey found that nearly two-thirds of both the core and marginal wine drinkers were female. Additional findings: (a) wine is the first choice of beverage for a drink at home after work for 66% of core wine consumers, but only 43% of marginals, (b) wine is the first choice of beverage for a weekday dinner at home for 69% of core consumers, but again only 43% of marginals, (c) 15% of core wine consumers drink wine daily, 48% drink wine a few times a week, and 37% drink wine weekly, (d) both core and marginal consumers average about 2.2 glasses per occasion, (e) about 85% of core and marginal wine drinkers are Caucasian/White and have a much higher percentage of college graduates and those with post-graduate educations, and (f) core wine consumers have greater annual household incomes than the other groups with a mean household income of \$78,100 (\$63,800 for marginal wine drinkers).

**Visitor Market Segment**—Visitors may or may not be familiar with wine in general or your wines in particular. They can fall into any segment:



## Satisfaction

**The Imperative**—Tasting room staff must strive to provide a satisfying and memorable experience for each visitor—expectations must be met or exceeded. Establishing a positive relationship is crucial. Exactly what constitutes *satisfaction* for each visitor is difficult to determine as it's a “different strokes for different folks” proposition.

**Ingredients of Satisfaction**—Basic components of customer satisfaction generally include:

1. A warm welcome offered by staff to each visitor.
2. Clear description of wine tasting and other options available to visitors.
3. Discussion of visitor's general interests, desires, priorities; staff need to listen carefully and ask a few leading or clarifying questions.
4. Introduce and describe each wine poured in terms the visitor can relate to (e.g., aromas, flavors, finish, food-wine pairing examples, availability at home, health and other values).<sup>2</sup>
5. Ask visitors for their opinion on each wine and how it might fit into their lifestyle; tactfully suggest a few things they may not have considered.
6. Make suggestions and referrals to local businesses including other wineries.

**Tasting Room Staff Effectiveness**—A recent survey of staff within 61 California tasting rooms focused on perceived need for staff training:<sup>3</sup>

Tasting Room Staff Service Effectiveness Component	Need More	About Right
Basic wine and product knowledge (e.g., viticulture, winemaking, sensory terms)	71%	26%
Customer service (e.g., <a href="#">reading the needs knowledge level of customers</a> )	38%	53%
Professional sales (e.g., food-wine pairing based on customer needs, ask for sale)	34%	60%
Tasting room operations (e.g., serve and clean up, cash register, wine availability)	13%	78%

**Visitor Needs Assessment**—The key to providing a satisfying and memorable experience is to realize each visitor's need for information on wine and food-wine pairings as well as immediate and future purchase needs (e.g., wine, gifts, events). Questions to determine knowledge and affinities: Are you familiar with wine? Our wines? Where do you live? Work? Do have wine with meals at home? When you entertain? When you eat out? What wines go best with foods you like? Staff pour wine and suggest affinities with foods, lifestyles.

## Making the “Sale”

**Strategic Selling**—Although most tasting rooms have sales quotas that relate to moving wine and merchandise out the door and cash into the till, it is important that keep in mind that signing up visitors to the wine club may add more to the enterprise's bottom line over time (and, of course, add to visitors' satisfaction over the same time period). Anything that will encourage visitors to become regular visitors to the winery's web site can also pay dividends over an extended time horizon. Most importantly, for any kind of relationship to develop, visitors must feel comfortable with staff, wine, and winery—care must be taken by staff not to intimidate.

**Food-Wine Pairing**—Most wines are best when paired with foods, with food driving the choice of wine. As the world's foods become more-and-more available and as food and their flavors fuse, the old “white wine with fish/red wine with meats” dictum becomes inoperable. Yet, wine plays a few basic roles: cleanses the palate, complements central flavors of food, and solubilizes or volatilizes food flavorants thus accenting food appreciation.<sup>4</sup> Wines with these sensory attributes have a good chance of combining well with foods: crisp acidity, dry or slightly sweet, light or medium body, low to moderate alcohol, smooth or slightly rough tannins, neutral flavor.<sup>5</sup> Pairings for your wines need to be developed, (perhaps) demonstrated, and articulated.

**Conclusion**—Tasting rooms can make significant contributions to near-term, midrange, and longer range profits through a spectrum of services offered by highly trained, motivated, and knowledgeable staff able and willing to deliver a satisfying and memorable experience to visitors based on a determination of their needs and priorities. Not easy. Tasting rooms need to develop marketing and promotional mix strategies compatible with larger company and enterprise goals.

<sup>1</sup> Brief articles on management, including “Stakeholder Values” may be found at:

[http://www.shilohestate.com/se\\_rwaknowledgebase.htm](http://www.shilohestate.com/se_rwaknowledgebase.htm)

<sup>2</sup> Brief articles on “Sensory Evaluation of Wine” and a five-part *Toward Quality Wine* series may be found at:

[http://www.shilohestate.com/se\\_svwknowledgebase.htm](http://www.shilohestate.com/se_svwknowledgebase.htm)

<sup>3</sup> Liz Thach and Janeen Olsen, “Enhancing Tasting Room Service to Drive Revenue,” *Practical Winery & Vineyard* (March/April 2004)

<sup>4</sup> Ronald Jackson, *Wine Tasting* (2002)

<sup>5</sup> Marion Baldy, *The University Wine Course* (1997)