Affordable Luxuries

Strategies for Upselling Wine and Spirits in a Down Economy

By Roger Morris
Mark Esterman, a buyer for Midwest store chain, Meijer, wants to move up a segment of his grocery customers from their $5.99 white wine to a better one that costs $6.99. Dan Haas, a senior VP of Vineyard Brands, thinks that despite the slowing economy and a rising euro, there are still a lot of new consumers out there who will want to purchase his grand cru Burgundies. Mark Cornell, CEO of Möet Hennessey USA, is banking that young influentials will go into a bar and order his high-end rum brand, 10 Cane, without even thinking about it as a rum. Don’t bet against any of their chances for success.

In many ways, the business art of up-selling a customer is practiced almost naturally—even organically—whenever a supplier, wholesaler or retailer knowingly influences a consumer’s natural desire to buy goods and services that are a step up: A better house, a better car, a better vacation, a better wine or spirit. Of course, “better” is a relative term, but the savvy seller assists customers in improving the quality of purchases as their tastes, finances, or product knowledge improves.

Yet there also lurks a consumer desire to be a wise purchaser, a buyer who can root out something that is both better and cheaper. And this desire to spend less, without moving back down the value chain, is especially strong during periods of economic downturn. So how do Esterman, Haas, and Cornell plan to do it?

In talking recently with importers, distributors, and retailers of wines and spirits, a pattern of strategies emerged—some tweak traditional ideas, others are invented for the reality of today’s developing marketplace.

Focus on Relationship Selling

“We feel that buying wine is a personal experience,” says Debbie Marlowe, owner of The Wine Shop in Charleston, SC, and she thinks that the old adage, get to know your customer, is just the first step. “If it’s a new customer, I ask them three of their favorite wines and go from there with more questions,” she says. “Then I take them around the floor and talk about the wines.” She finds that the time involved pays off—most of her newly made friends come back.

Nina Sygnecki, manager of the Wine and Spirit Co. of Greenville, DE, says, “Most of our customers are regulars, so we build a foundation of trust. Most are well-traveled and very comfortable financially, but even those I will try to ‘inch up’ the value chain by talking features and benefits. And I always try to find value for money spent, whatever the price.”

This philosophy of relationship-building with customers is not limited to shop owners and managers. Mark Cornell says that he would rather spend his resources getting pull-through from consumers than concentrating on push-through through his distributors. “Our organization’s aim is to build the strongest bonds possible with the consumer,” Cornell says. Since he assumed his post in 2006, MHUSA has hired 40 consumer development managers and raised the number of “consumer events” across all the company’s brands from 304 in 2006 to more than 5,000 across the U.S. last year.

And Daniel Haas, senior VP of Vineyard Brands, knows that establishing “relationships and loyalty” with his retail customers is the surest way to convince their customers who now drink New World Pinot Noirs to try his large selection of Old World Burgundies. “If you don’t establish these relationships, why would the retailer work for you when you’re not around?”
Sell the Concept of “Affordable Luxuries”

“You can make the argument that in hard times affordable luxuries such as day spas, premium spirits, and fine wines can be even more important to people than they are in good times,” says Greg Furman, founder of the Luxury Marketing Council in New York, an invitation-only organization of 2,000 CEOs and marketing executives from 700 major luxury goods and services firms. “These become aspirational and symbolic rewards for the work they’ve done.”

In other words, continuing to buy—or moving up to buy—higher-priced wines and spirits becomes an oasis of comfort when anticipated purchases of more expensive homes, luxury automobiles, and overseas vacations have been put on hold.

“You have to persuade people that your brands are so good that it’s better to have a glass of them once in a while, rather than have something less interesting more often,” says Cornell.

Tap into Cultural and Social Changes

Marketers are beginning to develop strategies that target emerging cultural trends such as the desires for instant communications and instant fulfillment. Paul Hart, president of Hart Davis Hart, a Chicago-based retail and auction wine company, thinks HDH’s blend of traditional relationships and high-tech Internet communications appeals to the fast-paced world of modern buyers. The company’s retail wines are acquired on consignment, Hart says, “and we first inspect and describe every bottle closely, whether it cost $9 or $900.” Regular customers are quickly informed by e-mail about these newly available wines, but not until they are actually listed on the HDH retail website.

It’s a dynamic site, Hart says, built to appeal to customers who want instant gratification. Unlike selling futures, he says, “The wine is here. The customer doesn’t order a case, they buy a case.” Similarly, HDH takes great pains to have instant online inventory—as soon as a customer buys a wine, it disappears from the website.

Cornell agrees with Hart’s cultural assessment. “The customer is more anxious than ever before,” he says. “Everything is short-term, with less concern about longevity.”

Additionally, street buzz has always been a great source of building sales, and the rapid growth of wine and spirits blogs have now brought buzz online. “Blogs can be more specific in subject matter than magazines,” says Anne Riives of Anne Riives Public Relations in New York, “and they can get word about almost immediately.” She cites her introduction to the media this spring of the latest edition of the ultra-expensive, single-malt Scotch, Black Bowmore. “There were 10 blogs about it that week,” she says. “Things now happen overnight that used to take three months.” Riives now has a pared-down list of over 100 wine and spirits blogs that she keeps up with.

Turn Continuing Education into Connoisseurship

“We are seeing the rise of what I call connoisseurship,” says the Luxury Council’s Furman. “The boomers have worked hard to build their [retirement] nest. Now, all of a sudden, they are there. They have time and energy and want to travel. They want to learn things about fine cigars, wines, spirits. He continues, “The best marketing melts into sophisticated entertainment that exposes them to the best of the best.”

“We have a big Bordeaux tasting each year with a lot of first growths,” says Hart, “and we get around 200-300 people wanting to taste the wines and learn more about them.” Newcomers are prime candidates for HDH’s website retail marketing.

But the thrust for connoisseurship permeates all levels of buying. Marlowe says her customers love weekly tastings where they can explore a particular variety. “We may do Cabernets for a month or six weeks for $5 a tasting,” she says, “with six wines costing between $7 and $35.” Marlowe also moves some customers up in class by offering them leftover Bordeaux futures she has purchased—at the opening prices. People who normally wouldn’t buy futures get to taste very good bottles of, for example, the fabulous 2005 vintage at reasonable prices, plus they become candidates for purchasing Bordeaux futures the next time around.

Furman emphasizes the potential retail pull-through value of the growing trend for expensive wine tours and wine cruises. “These tours and cruises have the added advantages of providing education in a low-keyed, intimate environment,” he says.

Capture the Lure of the New and Exotic

“Customers are always looking for what’s new and exciting and hot,” says Alex Joerger, buyer for Best Cellars/A&P in the Northeast. “You always need to present new things that are cutting edge with a perceived superior value.” This may include unfamiliar varietals, emerging production regions, or even new packaging concepts.
Another buyer, Mark Esterman for the Meijer store chain in the Upper Midwest, is working with a South American supplier to create a private-label line of organic wines. “Customers are used to paying a little more for organic food,” he says, “and we believe they are willing to pay a little more for organic wines.”

“I’m always looking for new sources of wine,” says Delaware’s Sygnecki, “something that not everyone else has.” She thinks that small, unknown producers have an opportunity to get into the market at a time when more-established brands feel the pressure to raise their prices. “This is their time to make a stand,” Sygnecki says, “and it gives me someone new to show my customers.”

Entice Customers to Taste the Product

“Part of our strategy at Best Cellars has been to get the customers to taste new wines,” says Joerger, “and we’re rolling that over to A&P. We have at least one wine open every afternoon, and it certainly pays off in sales just opening a bottle or two.”

Sygnecki is very strategic about her tastings. “From 4 to 7 on Friday afternoons, it’s ‘hit and run’ time,” she says. “We serve two wines—a quick hit so they can have something to drink while they’re shopping. But on Saturdays, it’s ‘linger longer,’” she continues. “We usually pour four wines and have a vendor explain features and benefits—it’s a cocktail party atmosphere.”

Such tastings also reinforce peer selling, a phenomenon perhaps more common with spirits buying. Every group has an informal thought leader or leaders. If that person buys, other follow suit.

“Trying and buying” is also the first step in Cornell’s strategy in using large numbers of customer events to allow people to enjoy his Möet Hennessey brands in a social setting, eventually building to brand preference and brand loyalty.

Don’t Stop Spending

Cornell believes that slow economic times are the best time to build brands through spending, whether that brand is a fine single-malt or an under $10 brand of Australian wine.

“First, other brands tend to stop investing in bad times,” he says. “Second, this is just the time you want to say, ‘Hey, don’t forget our brand’”—which ties back into the affordable luxuries strategy. Plus, customers remember in good times the brands and stores that continued courting them during bad economic times. Perhaps that is why no retailer we talked with had plans to cut back advertising, in-store tastings, or other marketing events.

Esterman regularly sells in multiples at Meijers, keeping volume up by giving a slight discount at “2 for” or “3 for” prices. But he also uses this tactic to get customers to trade up, convincing the shopper who might regularly buy something at 3 for $12 to invest another dollar or two for something better at 3 for $14.

Consider the Values of Cross-Marketing

Cross-marketing is well known in the retail and wholesale environment, but it is often under-utilized and not always imaginatively pursued. Over the past two decades, retailers have found that wine dinners at local restaurants have helped spark immediate wine sales while educating consumers about better wine and food pairings. These dinners have also reached out to the growing female audience in a highly social environment.

Now retailers are taking the extra steps of partnering with purveyors of fine cheeses, chocolates, and other foods to match with equally fine wines, often slower movers such as Champagne and dessert wines. Some have agreements with neighborhood restaurants to steer wine-list customers to their shops. Participating in openings and other events at premium auto dealerships, clothing and jewelry stores, and art galleries are ways for those stores to reward their customers with fine wines while retailers can tap into new customer bases.

Cross-marketing is key in selling premium brands. “In the old days, most luxury brands employed the mono-brand strategy, which was very European,” Furman says. “Now we have the American model where cross-marketing is much more common. Look at Rémy Amerique teaming up with Davidoff cigars.” Individual retail stores often borrow, or build on, these brand techniques. Joerger says that it’s not enough to simply have Muscadet available in the supermarket. “What you need to do is to have a Muscadet next to the seafood counter, if you want to spur sales.”

Go to School on Parallel Industries

Perhaps the most successful marketing strategies are those that creatively “borrow” from related lines of business. For example, Alicia Engstrom sells caviar for the family business, Tsar Nicolaï, in San Francisco. “We needed to find a way to get people hooked on caviar,” she says, noting that they were fighting two images—high-end caviar that was difficult to afford and cheap lumpfish roe in restaurants that was difficult to swallow.

So Tsar Nicolaï sought out fresh, high-quality caviar from roe less expensive than sturgeon eggs. They marketed whitefish caviar for sauces and other cooking purposes. Next, a prominent Bay-area chef helped them create a line of trout caviar infused with flavors such as brandy, vanilla and kaffir lime. Finally, the company set up a downtown caviar café where people could sample various styles and grades of caviars.

“There’s still going to be osetra for birthdays, wedding, anniversaries,” Engstrom says, “but now people can enjoy caviar just to celebrate themselves.”

Is there something that wine and spirits marketers can learn from caviar? If so, it can add to your arsenal of tools to continue to move your customers upstream, even when the floodgates of a challenging economy have been thrown wide open.