

Selling at the Source

Focusing on direct sales builds success for four Napa wineries

By Paul Franson

Many wineries are turning to their tasting rooms and other direct sales avenues to replace waning restaurant and retail business, but some have depended on direct sales all along. With that in mind, we interviewed principals from four wineries (two of which share an owner) that are very successful at direct sales.

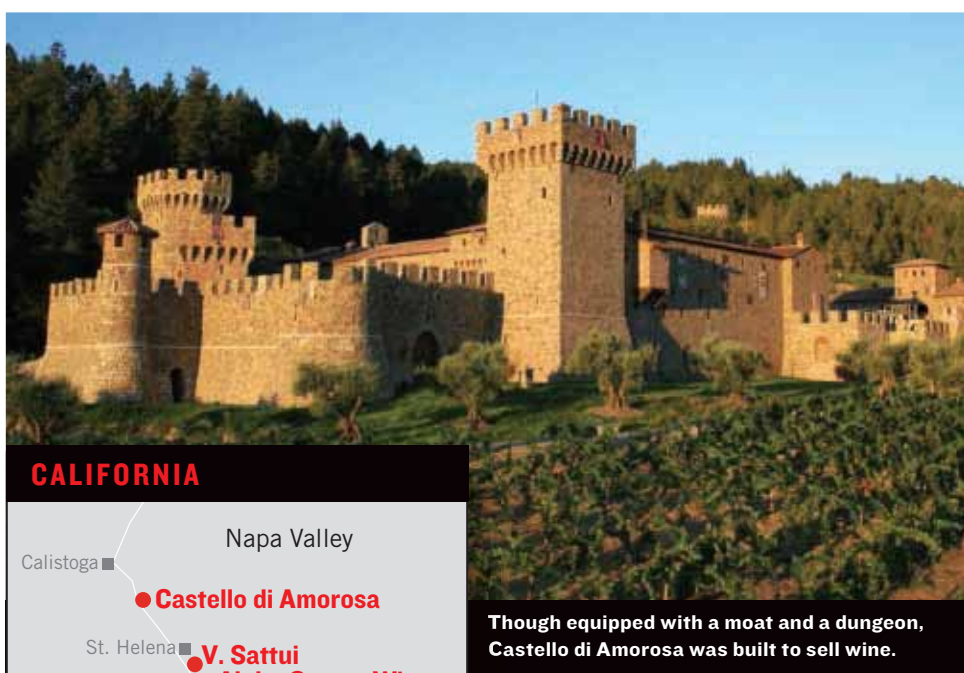
All are along the Highway 29 corridor in Napa Valley, an area hard hit by the slowdown because of its predominance of premium wineries. The four wineries involved, however, are very different. Two wineries boast two of the biggest attractions in Napa Valley. One is mining social media, and one is a new winery designed to focus on direct sales.

Alpha Omega Winery: Created to sell direct

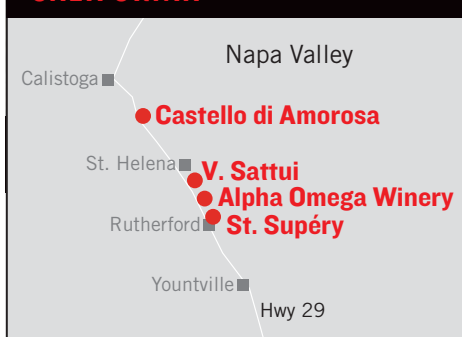
Alpha Omega Winery opened July 1, 2006, in space formerly occupied by Quail Ridge Winery just off Highway 29 in Rutherford. As part of the purchase, it acquired a public tasting permit, a real benefit since Napa County requires most new wineries to limit visitors to appointments and have other restrictions.

It was conceived to be consumer-direct from the beginning. Partner Robin Baggett had previously started Tolosa Winery in San Luis Obispo County (as well as Courtside Cellars, a custom crush facility), a winery dependent on sales through conventional distribution. That experience convinced him that he didn't want to depend on distribution for sales. Now more than 90% of Alpha Omega's sales are direct.

"The key is good wine and good people," Baggett says. He and partner Eric Sklar focused on high-quality wines, telling Swiss-born winemaker Jean Hoefliger that he had "no budget" for materials and equipment for making top wines and could spend whatever he needed. "We also promised him we'd stay out of his way," Baggett jokes. The partners also hired famed consultant Michel Rolland to help.



CALIFORNIA



Though equipped with a moat and a dungeon, Castello di Amorosa was built to sell wine.

Baggett hired quality tasting room staffers who were focused on sales. "We believe in working hard and playing hard," says Baggett, who emphasizes that it's a team approach.

The key to success is obviously the tasting room, since that's also where wine club members are recruited. "People won't join a wine club unless they've tasted the wine," he says. "Few join the club except at the tasting room."

Because of the importance of the tasting room, it was vital to bring in visitors. To do this, the winery embarked on developing relationships with those who could help, including other tasting rooms, transportation companies, limousine drivers, concierges, destination management companies, restaurants and hotels.

It also arranged events at the winery, encouraged wine club members to visit (of course) and offered tours and tastings for 10 to charities for auctions.

Alpha Omega does no advertising, but it makes sure it's on all the maps it can be. "Every visitor has a map," Baggett says, mentioning that the one given out by Meadowood resort is especially helpful. (Alpha Omega doesn't pay for placement on maps, but most include all wineries, even if they highlight advertisers.)

The winery is open from 10 a.m. until 6 p.m., later than most wineries, but Baggett says there has never been a problem with unruly drunks in the late afternoon, as some have warned. Instead, Alpha Omega gets additional traffic.

Within the tasting room, the focus is on hospitality and creating a memorable experience for guests, combined with salesmanship. The managers enforce a rule to greet visitors with a smile within 15 seconds and make people feel welcome. The goal is to remove the snobbishness and intimidation that are often barriers at tasting rooms, turning the experience into a subtle interview.

"People purchase things from people they like," Baggett says, adding that he insists everyone be treated well: "You never know who the hot prospects are."



More than 90% of Alpha Omega Winery's sales are direct, a statistic partner Robin Baggett attributes to good customer service. "People purchase things from people they like," Baggett says.



Tasting staff at St. Supéry is hired primarily based on personality, not wine knowledge.

The winery has four locations for tastings: inside and out (for the usual nice days) as well as in the barrel room and tank rooms. At busy times, a greeter outside directs visitors to the right place, and guests are never two deep at the bar.

Visitors are offered a choice of the \$15 basic tasting of four wines at the wine bar, or a premium tasting in a private room.

In addition, the staff can offer "back pocket" wines that aren't on the regular menu, such as specials made for wine club members. A barrel tasting is used to sell futures.

The crew waives the tasting fee if the visitor buys wine. "It's rare that they don't buy wine," Baggett says.

Sales representatives always ask for the buy, if politely: "What would you like to take with you?" for example. They have daily sales goals and team incentives including signing up people for the wine club.

The winery sets sales goals based on historical data and expected business each day, and if those goals are exceeded, the whole team on duty then shares in 10% of the excess. Because this is calculated

daily as well as weekly, employees get immediate feedback. This practice encourages the staff to take good care of late-arriving guests. "It discourages them from locking the door," Baggett observes.

Since sales are up significantly at the winery, employees have been meeting their goals often this year. Employees get a \$20 bonus for signing wine club members, but they are only paid after the member stays in the club two months.

The wine club offers a basic 20% discount and six shipments per year; incentives for signing up include 30% off the first purchase and invitations to events. The club now has more than 3,500 members, with 30 to 40 new members joining each week. For \$5 more, they can ship using Wine Assure packaging in hot and cold weather. (*See "Direct Shipping Carbons Evolve" on page 74 to learn about trends in packaging.*)

One thing the winery has learned is that many credit cards used by wine club members won't work, usually because they've expired. Rather than forfeit or postpone 15% of sales, one staff member calls people—usually in advance, because card expiration dates are on record—to update their credit card information. Now, fewer than 10% aren't valid.

Baggett says that sales last year were up 30%, and for this year, they're up 50%. "We're seeing good traffic; I think the economy is coming back," he says.

Alpha Omega doesn't carry much merchandise—just logo shirts and hats supplied by Straight Down from San Luis Obispo. Copper Peak provides its logistics, and the winery uses only Riedel glasses. "It's important to have the best, and Riedel glasses are," Baggett says.

For their wine club and other accounting, they use Microsoft RWS software, and eWinery created and maintains the winery website.

St. Supéry: Using social media

St. Supéry Vineyards and Winery has always been known for a good visitor experience, with educational displays about winemaking, demonstration vineyards, informative tours and even a dog-friendly patio. Still, visitor center sales have been down a bit during the past two years. "It's tougher to get people in the door," laments Lesley Russell, the vice president of marketing.

The winery is trying some new ideas to improve traffic. For one, it has reconfigured to replace some of its upstairs display with sit-down private tasting rooms. In addition, it's working more with tourism partners.

It is also using sites such as Twitter and Facebook for outreach. "This allows us to reach a broader audience," Russell says.

The winery is using Internet services to encourage visitors. Results are still mixed. "It's not driving hundreds and hundreds of visitors yet, but it helps," Russell says of the traffic, as high as 70,000 per year.

An interesting development is the growing importance of Yelp!, the online service that allows individual consumers to rate products and services. The tasting room personnel at St. Supéry monitor these services and find that the winery is getting mostly good comments. "It tells us how we're doing, and if someone does post a bad review, we can respond and even apologize to them. We've had some change their reviews as a result."

Russell says that the winery hires its tasting room staff primarily based on personality, not wine knowledge. "We can educate them and send them to classes like the WISE Academy, the local college and the CIA," she notes.

St. Supéry offers team incentives, not individual ones. "We didn't want heavy competition among the staff trying to snap up the better buyers." She also didn't

Highlights

- These wineries on Highway 29 in the Napa Valley throw their efforts into direct sales.
- "Few join the club except at the tasting room," says Robin Baggett of Alpha Omega Winery.
- V. Sattui's vast picnic grounds and gourmet deli have a bigger purpose: to sell wine.

want them to overlook club members, who don't pay for tastings.

The winery has about 7,000 club members and needs to sign up about 300 each month to overcome the usual attrition. Club members are important to the winery: They account for a large portion of direct sales.

The winery allows members to "go on vacation," and suspend shipments for a while without actually leaving the club, which helps in times like these.

St. Supéry uses AMS for point-of-service, inventory and e-commerce—in fact, just about everything enterprise-

wide, says Russell. It uses Vertical Response for e-mail marketing and has a custom-built consumer marketing database. The winery uses Wineshipping for fulfillment and pours from Riedel crystal in the tasting room.

V. Sattui Winery: Food's the hook

No visitor to Napa Valley could miss V. Sattui in south St. Helena. It's the only winery in Napa County with a delicatessen, which it combines with an attractive picnic area to lure visitors.

Castello di Amorosa, which like V. Sattui is owned by Dario Sattui, is a \$35 million replica of an authentic 13th century Italian hilltop castle complete with moat and dungeon, but with a modern winery inside. A tour of the castle has become a vital stop for visitors to the valley, and even the most jaded are impressed with its quality, authenticity and detail.

Together, they attract about 400,000 visitors per year, according to Sattui.

Others in Napa Valley mutter about Sattui's profits from sandwiches and sometimes use the term "tourist trap," but they miss the point: Those are the hooks to get customers in the door. After that, it's all about customer service. Sattui misses no opportunity to satisfy the customer, and he's been extremely successful doing so. More than 40,000 customers receive wine shipments or buy at least a case of wine from V. Sattui every year.

Sattui acquired the site that became V. Sattui with great purpose: It was located mid-valley, since many visitors don't (or didn't before the *castello* was built) drive past St. Helena and its historic wineries. And it was zoned commercial, allowing him to start the deli, too.

It's also on the right-hand side going north. "They're tired and heading home when they're going south," Sattui says.

The picnic grounds are attractive, but expensive to maintain, and Sattui is fanatic about cleanliness and upkeep.

Overlooking the grounds is what appears to be an ancient stone building, which is really less than 30 years old. "People don't come to Napa Valley for modern buildings," he claims. "They like dusty caves and old cellars. They like them to look old."

Inside a lower building, which houses the deli and tasting room, the high-quality food is overseen by an Italian chef. Sattui notes, "Wines taste better with food, and we encourage customers to pair them. Then when they go back to snowy Iowa, they can recapture the experience when they drink our wine, and they pick up the phone and order."

The winery has four tasting rooms. The biggest one has a choice of tastings: a classic tasting of five of 11 wines for \$5, or a premium tasting of six of 11 for \$10.

The mood throughout the room is very friendly. "We don't condescend to people," Sattui says. "We try to treat everyone like a friend."

And unlike most Napa valley wineries, Sattui offers everything from neophyte-friendly sweet wines priced as low as \$15



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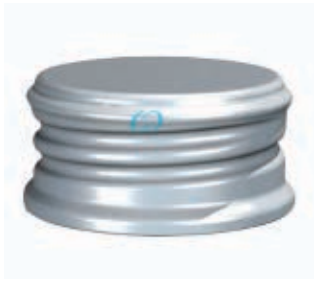
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“Life would be boring if all we drank was red wine,” notes company president Tom Davies, who’s been with Sattui for 30 years. “And few people start loving 15% (alcohol) Cabernets,” like those for which Napa is famous today. Davies adds, “If they don’t buy some wine, it’s our fault, not theirs.”

Upscale wine and food pairings are offered without an appointment Monday through Thursday, except during the winter.

In addition, V. Sattui has other tasting rooms. One, the Cellar Club, in the cellar of the stone winery building, is for club members, including those who buy a case per year. They get free tastings of the best wines, including from barrels. Sattui sells futures this way.

The small Vittorio Room, named after Dario’s grandfather, who founded a wine business in San Francisco 125 years ago, is in the tower and offers older vintage and reserve wine tastings for \$25.

The new Gold Room is for people who buy five cases, and it offers free food and wine pairings for members (\$25 for their guests).

Sattui has many long-term employees. He’s known to be demanding but fair, paying well (up to more than \$20 per hour) and offering benefits such as 401(k) plans and paid vacation days. The company offers incentives for wine club memberships and sales. It formerly offered team incentives, but some people worked harder than others, so now they’re individual. The company also pays half tuition for wine classes at local institutions. “But you have to pull your own weight,” Sattui says.



V. Sattui’s four tasting rooms and expansive deli are a natural pairing for its well-manicured picnic grounds in south St. Helena.

Is the strategy working? Sales are slightly up for 2010 after being flat in 2009, which Sattui considers an accomplishment, given that many wineries’ sales dropped 30% during the same period. Wine club membership has increased more than 10% from a year ago, and on-site sales are up as well.

In its retail operations, V. Sattui is using RMS as its point of sale software; its supplier is Elypsis. It uses use eWinery as its website and ecommerce partner and Netflow for eblasts. Mobile Roadie created its iPhone app. Navision is the company’s accounting software. All fulfillment is in-house and shipped exclusively with FedEx using ShipCompliant for all its wine compliance.

Castello di Amorosa: Napa’s most colossal attraction

Castello di Amorosa hides a state-of-the-art winery that specializes in making Italian-style wines designed to be food-friendly.

Proprietor Dario Sattui says, “I believe people are put off by modern, tasteless, boring architecture that is only about function and building cheaply. That is why I built the castle. People yearn for the past and have a romantic notion of it. Visitors expect a winery to look a certain way, and I tried to fulfill that wish. The romance of wine is an important component of the marketing strategy.”

He continues, “At both V. Sattui Winery and Castello di Amorosa I try to make a great product, sell it at a fair price (we can do this and still make a profit, as we sell everything direct at both wineries), give great customer service, make what the customer wants, create a beautiful environment and take care of all the details. We try to form lasting relationships with our customers.”

While the castle itself is a big attraction, and entry costs \$16, it’s there to sell wine. For \$31, visitors get a 1¼-hour tour of part of the 107 rooms and eight levels, including a barrel tasting and six wine tastes (\$10 more for a reserve tasting).

Groups can also get private tours and tastings, while club members can taste in the Passito Room.

Sattui emphasizes that it’s more about the relationships than the wines or the prices. “The customer is buying the salesperson he’s talking to....Treat people the way you want to be treated.” Since it’s about the people, Sattui says he shares profits at the castle.

Of course, the castle winery offers clubs. As at V. Sattui, you can also join the club by buying a case of wine. Buy a case and you get one free admission and 10% off the wine. Buy three cases at once and you get free admission, wine club membership and additional privileges when you return. Spend \$3,000 and you become a member of the 500 Knights with special attention. Club members are invited to parties, as well. **W&V**

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