

How families compete

In wine business, planning and focus are vital to survival

San Francisco Business Times - December 1, 2006

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Michaela Rodeno, CEO of St. Supéry Vineyards & Winery.

Making a success of a family winery in a rapidly consolidating global wine and beverage marketplace is a challenge. But to do so, experts agree, smaller, family-owned wineries must first understand where they fit in the overall pecking order.

"You don't need to compete with the big guys," says Michaela Rodeno, CEO of family-owned St. Supéry Vineyards & Winery near Rutherford, who says battling it out with international giants for shelf space in supermarkets and wine shops generally isn't the right strategy. For family businesses that are making good quality wines, she said, the key is finding an independent distributor "that is interested in your wine, (unless you're lucky enough) to get great scores from Robert Parker or Wine Spectator."

Most smaller wineries -- and by definition most of those are family-owned, she said -- are better off working to market their wares to restaurants and building brand awareness through tasting rooms, wine clubs and similar strategies. Another key is specialization, she said. "Focus on something. Don't make a jillion different wines."

After years of effort -- St. Supéry's wines first came on the market in late 1989 -- "distributors now are clamoring for us," said Rodeno, who earlier this month stepped down as chairman of the **Wine Market Council**, an industry trade group. "It's only taken 15 years."

Using strategy to stand out

According to recent research by Deborah Steinthal, founding partner of Napa-based wine industry consulting firm **Scion Advisors**, there are more than 4,700 wineries in the United States, sales and marketing costs are growing at a 20 percent to 30 percent clip, and the 30 largest U.S. wine producers account for more than 90 percent of sales. The result is what she calls "the fall-out of the weak," and the need for well-defined business strategies -- including succession and exit strategies -- for smaller family-owned wineries and vineyards.

A mid-October Scion Advisors quarterly poll of wine industry CEOs and owners found that the top issue for wineries making less than 250,000 cases per year -- which includes the vast majority of family-owned wineries -- is investing in e-commerce sales and online merchandising. More than 43 percent of the poll's 116 respondents said they're attempting to grow by expanding Internet sales.

Second on their list of concerns is whether to use a sales and marketing agency to improve national distribution, cited by 17 percent of those surveyed, followed by "the need to develop and recruit a stronger, more professional management team," cited by 14 percent.

The key question for smaller producers, Steinthal said, is "do you have a long-term financial plan and long-term management systems in place? Do you have a well-thought-out strategy for succeeding?"

A family affair

At Healdsburg's Jordan Winery, family owned and operated since its start in 1972, a new generation took the helm in July 2005, reflecting the need for a hands-on chief executive steeped in the family's values, but familiar with business demands.

John Jordan, son of founder Tom Jordan, took over as CEO from his father, who still spends much of his time and energy on the oil and gas exploration business. John, who holds an M.B.A. in addition to being a part-time law school professor, is the only family member on the payroll, but he plays a key role in running the business.

"Basically, my dad said he'd like me to run the winery," John Jordan said, because he wanted a family member who understood his goals and values in the top job. "This is a fun business, but there are some challenges. Brands, especially mature brands, must be refreshed. They require care and attention."

For Jordan Winery, which produces just under 100,000 cases annually, quality is the biggest concern, according to its 34-year-old CEO. "If we don't feel we can make a great wine (in those quantities), we won't make 100,000 cases," even if it means taking a short-term financial hit.

The winery takes a number of approaches to remain competitive, including paying close attention to quality measures, such as sourcing of grapes and extending the time its wines age in the bottle before sale. Jordan also has a large marketing and sales force for a winery its size, focuses on getting its wines into fine restaurants, and invests considerable sums to target overseas markets, including China, that may not pay off overnight. "We don't answer to shareholders and Wall Street," John Jordan noted. "As a privately held company, we can afford to take the long view."

Evolving from a hobby

That's true down in the Gilroy area as well, where former high-tech marketer Bill Murphy, his wife Brenda, and daughters Kristin Murphy and Cheryl Murphy Durzy, take a similar approach with their **Clos LaChance Winery**. They "almost overinvested" in marketing and sales initially, and now focus intensely on "the quality of the wine in the bottle," according to Murphy.

The San Martin estate winery evolved from a hobby in the 1980s to a winery that now produces 60,000 cases of chardonnay, pinot noir, cabernet sauvignon, syrah, nebbiolo, grenache, merlot and zinfandel varietals annually, said Murphy, who in an earlier career was an Internet marketing guru for **Hewlett-Packard**. He agrees with Rodeno and Jordan that success for smaller family wineries depends on quality and finding the right distribution channels, not competing with the Gallos, Mondavis, and Constellations for space in large supermarket chains. "They have economies of scale from a production standpoint," he said, especially for wines priced at \$10 per bottle or below.

Luckily, the wine industry is "very niche-able, and people like family wineries," he said, in part because smaller wineries can focus on varietals the bigger companies might not touch. For example, Clos LaChance produces a grenache varietal that's "great with turkey and cranberries," Murphy said, a perfect fit for holiday imbibing with family.

Chris Rauber covers the wine industry for the San Francisco Business Times.