



3535 Hagen Road  
Napa, CA 94558  
707.258.9130 tel.  
707.258.9132 fax  
ScionAdvisors.com

## Sales & Marketing Agency solutions

### What are they & Who needs them?

Vivien Gay, *Scion Associate*  
[vgay@isoscelesgroup.com](mailto:vgay@isoscelesgroup.com)

The main challenge many wineries face today is the effect of consolidation in national distribution channels. The ten largest distributors now account for about 90% of all wine sales, creating a “distribution channel squeeze”. As a result, small to mid-size wineries are struggling to command the attention of distributor sales staff and build clout in the marketplace.

As sales and marketing costs escalate, frequently running at 25-28% of sales as compared to 15% of sales a decade ago, more wineries are investigating alternative and innovative solutions for selling wine. To meet this growing demand, new full-service sales and marketing agency models have emerged in the last 24 months. Catering to specific winery needs, these agencies are filling the gaps ignored by more mature marketing companies such as Kobrand, Paterno, & Wilson Daniels. We estimate there are at least thirty sales and marketing agencies in the United States today.

#### **What is a sales & marketing agency and why should a winery consider this solution?**

A sales and marketing agency, in effect, replaces traditional in-house winery sales and marketing departments with regional sales representatives who are knowledgeable in their individual markets: from the distributors to restaurants and retailers. These agencies might also provide promotional expertise, processes, systems infrastructure and alliances which allow wineries to participate more successfully in the market place.

In exchange for a percentage of sales, usually around 25% of wholesale, the winery gains a team of experienced sales and marketing experts to supply the elbow-grease and the pull to build their brand in an increasingly competitive global market place. Utilizing their knowledge base, sales agencies can strategically move wine inventories through broader channels and, with collaborative strategic planning, increase prices and revenue over time.

## **Important considerations**

For many wineries, the process of making the decision to move to a sales and marketing agency solution is an excruciating one. Winery owners and CEOs must accomplish necessary due diligence and understand how this potential sales strategy impacts both short and long term business goals.

1. How will I maintain control over my brand identity?
2. What is the net impact on my bottom line?
3. How do winery sales and marketing roles change with this shift in sales strategy?
4. How do I manage this relationship beneficially?
5. How do I ensure my brand receives appropriate attention from the new sales force?
6. What are my options among sales and marketing agencies? Within each option:
  - a. Size: How big is the portfolio?
  - b. Portfolio fit: Does my wine brand fit – price point, provenance and size?
  - c. Culture: Is our philosophy synergistic or similar?
  - d. Value added: What additional value does the sales and marketing company give me? Is the company set up as a sales company only or does it have a long-term view to building both brand equity and distribution? What additional alliances, market relationships, and sales systems does it provide?
  - e. Risk: How diverse is the agency's experience base? How broad and deep is the experience of its leadership team?

## **Conclusion**

The fine wine industry is growing at its most accelerated pace since the early 1980's. At the same time, the wine distributor network is shrinking in the United States and limiting its focus mostly to only the very largest wineries. "Distribution channel squeeze" has created the need for professionally-skilled sales and marketing companies to help small to mid-sized wineries maintain and build their brands.

Many wineries today realize that hiring sales and marketing companies for their national or global sales force allows them to concentrate on making the best wines possible. However, planning for a major shift in sales strategy should include thorough discussions about topics such as: changing distribution dynamics, market opportunity, differentiation from competition and navigating risk during a critical sales transition.

For that reason, winery leadership may find it beneficial to bring in outside advisors with a broad wine industry perspective; advisors who can ask the tough questions to ensure your go-to-market strategy is grounded in reality and supports your brand and profitability goals. That's how Scion can help. At Scion we work alongside wine business leaders with an approach that guides you through your planning process to produce more effective "Go-to Market" strategies that make the most sense for your family business.

