

Published in Wine Business Monthly – October, 2007

Using Databases to Build Direct Sales : An industry expert offers tips on more effective and profitable direct sales planning

Direct sales channels can provide the most reliable and affordable source of recurring revenue as well as the highest profit margins for wineries. One of the most effective ways to accomplish this is by building a database that will evolve into one of the strongest marketing tools that can continue to generate profit for years to come.

The direct to consumer channels provide wineries with the unique opportunity to build exclusive and personal relationships with customers. These channels are too often misunderstood – particularly by wineries that haven't revved up their direct to consumer channels and overcoming the logistical hurdles is now affordable and possible for all sizes of wineries.

Deciding which programs are best for your business may become more apparent after learning how other wineries have managed successful direct sales programs, including building a database that will evolve into one of your strongest marketing tools.

Getting started is relatively simple, but first let's take a look at the benefits. Tasting rooms, website shopping carts and wine clubs are all ways wineries sell directly to consumers. The power in each of these sources can be sizable. When combined, the results can be tremendous. For instance, here is what wineries stand to gain:

- Control: Each winery can control the speed with which new releases are introduced and discounts are offered. Direct sales are not dependent on distributor's and retailer's calendars.
- Year Round Sales: Club programs generate revenue all year. Sales are not dependent on costly advertising, seasonal weather or foot traffic.
- Quick Cash Flow: Short-term promotional offers can generate immediate cash flow.
- Affordability: Communications can cost just pennies per customer.
- Cost per Sale: Generating repeat customers provides the lowest acquisition cost per sale.
- Customer Loyalty: The opportunity for a winery to expand its value beyond a good bottle of wine increases customer loyalty.

Let's take a closer look at what each **program?** has to offer.

Tasting Rooms: Visitors represent more than an opportunity to taste wine and make a quick purchase. Wineries that present guests with an experience of different sounds, smells, tastes and friendship will create a memorable experience that can result in increased repeat purchases and development of a loyal customer base.

Friendly staff and good customer service are mandatory. Offering behind-the-scenes information, recent industry changes or even simple pairing suggestions can elevate the experience to memorable. The cost of the customer visit can be broken down into the initial advertising that brought the customer to the winery plus tasting room, staff and product expenses. Each time a customer makes an additional purchase the cost of generating the sale is reduced. The longer a winery can extend the customer relationship beyond the initial sale, the more cost effective the sale becomes.

Websites: Purchases made through a website shopping cart don't give the same full sensory experience of a tasting room. However, they do offer an opportunity to reach customers who may never walk through the door. Thus, customer experience is still a pivotal part of the sale. Following a few basic guidelines to develop the shopper's confidence in the sale can increase chances of repeat purchases. Websites should provide information that defines and sets the customer's expectations. Prices, sales tax rates, shipping

and handling costs should be stated. Regulatory limitations on shipping, adult signature upon delivery and the requirement for customers to be 21 years of age or older are all common knowledge but they need to be on the site.

The profitability of a single sale through a website may be marginal. The cost of the website, shopping cart and the expense of attracting visitors to the site must all be considered. Add in the actual product expense and the staff time to process orders and wineries can evaluate if this channel is right for them. However, turn those shopping cart customers into loyal repeat customers and the cost/benefit analysis can become quite profitable.

Shopping carts offer benefits that a tasting room can't. The ability for customers to shop and purchase specialty and boutique wines 24 hours a day, 365 days a year provides extended convenience. Offering additional value and treating these customers as VIPs can have profitable results. For example, sending out advance notice of new releases via a quick email can result in the new release being "sold out" in record time.

Diana Hirst, owner of Hi-Time Wine Cellars in Southern California, leverages the purchasing history of her customers. "When I know I am going to receive a limited amount of any product, we will search the customer records for clients who have previously bought the product. We immediately email those customers and give them the first opportunity at purchasing the new release. Often, we are able to sell the product before it even reaches the store shelves," she said.

Clubs: Over 75 percent of wineries have one or more wine clubs. A quick review of the numbers explains why. A club with 500 members, shipping four times per year at \$60 per shipment has a revenue potential of \$120,000 in annual sales. Additionally, loyal club members are the least expensive customers to maintain. This makes club members the most profitable customers to have.

Many winery owners that do start a club often say that they are only starting it because "everyone else has one." Their attitudes change quickly when the number of club members grows, the first two wine club shipments are released and the sales start to add up.

Tools and Resources subhead

While there will always be wineries that make it a personal business decision not to sell through one or more of the direct sales channels, those that are interested will be glad to know that tools, resources and education are available and affordable.

Deleted: is

The hurdles that have prohibited wineries from developing direct sales channels have virtually been eliminated. At minimum they have been greatly reduced. Consider these points:

- Solutions to support wine clubs are now affordable for wineries of all sizes
- A winery can quickly develop their own direct marketing database
- Virtually no technical expertise is required for professional looking direct mail and email programs
- The cost of communicating via email makes the direct sales channel affordable

Furthermore, managing a wine club of any size no longer has to be a logistical nightmare. By selecting the right solution a winery can quickly watch its sales increase. How quickly can revenue come in? Technology today enables a club of 500 members to be processed in as little as 12.5 minutes. That is potentially \$120,000.00 in less than 15 minutes. This does not include the time it takes to grow the club membership or the preparation required to have a perfect club run but, again, the right club solutions can streamline that part of the process as well.

Building a database is key

The heart of the direct sales effort lies in the list or database of prospective customers. Getting started does not require any significant change in winery operations or investment. Direct marketing has proven

so successful that wineries can select from a variety of companies that offer user-friendly tools and training.

Even without a direct sales plan in place, wineries can immediately begin by developing a database of prospective customers. When diligent about collecting information the database can grow quickly. "After only three years of being open we have a combined physical mailing list (snail mail) and an email list of approximately 6,000 to 7,000 names," said Janet Bittner of The Winery at Marijim Manor in Appleton, New York. The list represents a combination of people who visited the winery or website and even those who have participated in one or more of their events. "We are very fortunate and our members respond extremely well," she added.

Information gathered from customers can be as simple as an email address. Collecting additional information allows direct sales programs to be personalized. Gathering a secondary email address, the first and last name of the person registering, the birth date, physical mailing address, state, preferences and purchasing history can all increase its power.

POS (Point of Sale) systems may offer to collect customer information directly from the credit card's magnetic strip. Wineries should take note that it is strictly against Visa security rules to collect any personal information from Visa cards. Per the Visa policy, cardholders expect a company to safeguard any personal or financial information they may provide in the course of a transaction. Card account numbers and other personal information should be released only to your merchant bank or processor, or as specifically required by law. Any information taken from the magnetic strip is not allowed and should not be stored. This is why a majority of databases are built as customers register for a newsletter. The POS can then link sales in the tasting room back to existing names in their database.

"Businesses which depend on the POS solution to gather all the customer information are taking a risk," said Susan Kaiseroff, CamCommerce, a leading provider of Retailing & eTailing solutions. "We find that 40 to 50 percent of customers are still cash and carry. If a business depends solely on the POS system to gather the data then they are missing the opportunity of visitors who do not make a purchase as well as the people paying cash. We suggest offering a newsletter to all visitors,"

Once building the database has begun, it's time to make a plan. Identifying the goals and supporting strategy for a direct sales effort is key to its success (see "Maximizing Direct Sales," WBM, October 2006). Goals should be quantified and measurable within a specified time frame. For example, by the end of the current fiscal year, you will:

- Increase newsletter membership to 1,000 members
- Increase wine club membership by 30 percent
- Increase direct sales revenue by 25 percent
- Plan to communicate with newsletter and club members four times per year
- Improve delivery rates of emails to 95 percent or better
- Improve "open rates" to 90 percent or better

Support the plan by defining the tasks that need to be accomplished and set respective dates for completion. The plan may include items such as setting up an area that invites people to register for the newsletter; posting a sign on the bar that reads "ask me about the wine club," and updating the website and collateral with respective changes.

Subhed

Additional considerations for a successful direct sales plan include maintaining accurate customer data; respecting and securing customer profiles; and following the email Compliance Act.

Maintain Customer Data: Building a database is not enough. Customer information is changing all the time and, when records are not updated, the value of the contact information is lost. "Maintaining the customer

data is the most difficult challenge,” said Jenny Helman, owner, North Coast Wine Group – Wine By Phone. “Every single name is important to us. When an email bounces back as undeliverable it is critical that we immediately call the customers to update our database.”.

Secure Customer Profiles: When people share personal information it is important to protect the information from internet scammers, hackers and other possible threats.

- Work with a company who provides secure storage and access to the database or maintain your own security program which provides virus protection, defense against hackers and security risks.
- Back up the database and store the back up at a secondary location. This will reduce the risk of losing the list in the case of any technical failure, security breach, virus, fire or other hazard.
- Provide customers with a privacy policy which clearly states that the information they provide will not be shared, sold or used for any other purpose than stated.

Respect Email Compliance: There are laws and guidelines to consider when planning a direct sales program. The Can-Spam Compliance Act defines the law for electronic marketing. A highlight of the most notable requirements state that the physical mailing address of the sender must be provided in the email. Customers should have opted-in to receive and have the ability to opt-out of receiving electronic communications that are “predominantly” used for marketing purposes. The subject line should represent what is included in the content of the email.

Refining the communications for a direct to consumer program takes time, experience and a bit of creativity. A variety of companies offer training, tools and support. Taking advantage of these sources can decrease the learning curve and greatly impact a program’s success.

For example, understanding how people determine whether to open or delete a message or knowing the current factors for spam filters can drive changes in the content of messages. A few of the items are listed below.

Increase Delivery and Open Rates: Sending emails and postcards no longer requires a graphic design studio and professional printer, resulting in mailboxes over crowded with junk and people scrutinizing each message. When emails are not from a recognizable source and/or the content does not consistently provide value to the reader, the messages are quickly discarded into the trash bin and the direct sales effort fails.

“When it comes to providing value wineries have a great advantage,” said Eric Groves, senior vice president of the sales and business development division of Constant Contact (www.constantcontact.com). “People are extremely interested in learning about vineyards, wine and the overall industry. Receiving emails from a winery is like getting insider information. The more readers value the content, the greater the chance that the emails will be delivered, opened and read. In turn, this increases the chance for successful program.”

Reduce Messages Blocked by Spam Filters: Emails that are returned as undeliverable can be caused by spam blockers and filters that are used to protect the recipients. There are specific words such as “free,” multiple exclamation points and even specific colors that identify emails as potential spam. Also, an individual server that is identified as sending a mass number of emails can quickly be identified as a “spammer.” Once categorized this way, the Internet Service Provider (ISP) may quickly block all emails sent from the specific servers, disabling all electronic communications to the people who use the specific ISP service. Making sure a server is not blacklisted is key. Each ISP maintains its own list and criteria to identify spammer, so stay current with the criteria as it changes.

Newsletter Registration Ideas: When a winery gets busy, people focus on business at hand and often forget to offer the benefits of the letter. Laminating the most recent newsletter and displaying it next to the newsletter registration list allows visitors to see the value of the letter, said Groves. The laminated letter

can speak for itself. Adding a promotional offer or new release notes at the end of the email will provide a bonus to the reader and should increase the customer response rate.

Tools and Continued Education: The complexities of building a powerful database for direct sales, sending mass numbers of emails and increasing their respective effectiveness have resulted in several companies that specialize in direct email and print communications. Classes are often free or available for a nominal charge. Topics that will help a winery begin a new direct sales program or refine an existing campaign include Getting Started, List Management and email Marketing Makeovers. These classes are provided by Constant Contact, which also offers classes that will provide any winery with the tools to plan and build a successful direct sales database and campaign.

As the number of wineries and highly rated wines continue to increase, so too does the competition. Good wine is not enough to hold onto a market. Wineries need to take action and build their own personal communities of loyal customers. The hurdles that use to be technically or cost prohibitive no longer exist and now it the time to take action.

##

Written by: Theresa Dorr, Active Club Management