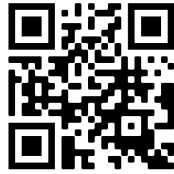




Zinfandel & Cabernet Sauvignon
Napa • Sonoma • California

A Dusty Dilemma with Brand Names



2.8

Several credible importers I have met in Asia on their business cards list on the backsides wineries they proudly import from different countries; no reference to grape varieties are given or indeed from what regions. The brand names themselves are supposed to inspire a sense of wonder and awe as though any wine just isn't exactly up to standard until minted under their hallowed signature brands. Superficially this tactic of importers at first seems to be useful by cutting to the chase to build credibility of their commercial viability yet it encourages their selections to being soon locked into becoming stale with dull and static *-not dynamic-* world selections. The large brand name may make a good Merlot but produce a marginal Chardonnay and an uncommonly poor Pinot Noir. Their forte is with Bordeaux varieties and therefore should probably leave the Burgundy varieties alone; they don't. Importers are complicit in pretending that the name flatly matters more therefore everything they make is wonderful knowing, of course, it is not. We are all judged at some level by association and brand names are only as good as their weakest link, ironically not by their best product. What is supposed to be a strength across the varietal spectrum can spin woefully into an impediment by clients that are put

off that the brand name was not as good as advertised. Actually the Pinot Noir was not up to par but the Merlot was good; perhaps the consumer is apt to remember from the marketing the *brand name only* and later fuzzy on the varietal. The emphasis on brand names for their own sake, puts the importer unknowingly at a disadvantage by being compelled to play it safe and avoid taking the appropriate challenge to explore new options from more competitive wineries by their native varietals.

Many of the major wine entities that are export driven are noted for their marketing prowess and should not be easily disparaged; however, importers need to be fully aware that their freedom for procuring new labels is perhaps stifled and even shackled to run free to see what is current and honestly competitive *in their own best interest*. The wine purchasing public is increasingly better educated, younger and curiously savvy to understand the basics and nuances of pairing wines with cuisines unlike previous generations in Asia. Wine importers that remain stagnantly inflexible and incorrigibly rigid in their selections will eventually suffer the consequences not of their actions, but unfortunately, suffer from their negligence by persistently clinging to deluded perceptions of staying conspicuously safe by never adjusting to ongoing market shifts to their own market credibility and commercial injury. The security found with a heavy reliance on branding at first appears appealing yet ultimately will prove, as so often the case with time, false. Time will reveal the truth and test the elasticity of the bonds. Just because one can rely upon how it has always been done *in the past* does not negate the fact that a brighter and shrewder methodology for selection criteria can be adopted *presently* to every importer's discerning advantage to build a future with added security through prudent adaptability.

Anyone bright continuing to read this insight, I would assume, would agree a bakery is best when serving fresh bread and not stale goods. The impetus for wineries to remain competitive needs to be encouraged and tacitly observed; as well, importers need to harness their responsibility to their market spheres of ensuring they are putting forth

optimum selections that are vibrant from both countries and regions. My observation is more than a few Asian importers have disparate stultifying selections with plenty of room for improvement. The key to solve the problem is to clean the lenses and refocus on the topic: *nearly every wine producing country of recognized vinifera produces unique varietals at levels whether in quality or volume that surpass other countries*. It is not static and has never been an even playing field, daresay vineyards on this topic, on every grape varietal. **The native dominant grapes from country and region will be your best guide, not brand names.**

We have Sangiovese and Nebbiolo in California but I have circumspect doubts if they can possibly compete in taste and certainly volumes with what is produced in Italy. We have a smattering of Malbec in California, but honestly, can that compare to what is produced in Argentina? If thinking of Tempranillo, don't think of Napa, let's think Spain. Australia has Riesling but I would go with Mosel in Germany or Alsace in France. *The current importer's focus on brand labels first as a preferred sourcing tactic disregards what are really the best grape varietals that can be sourced and from where.*

The fresh approach is for importers to focus (a) primarily on dominant native varietals then (b) secondarily on brands that produce the varietals in concert per country and regions to maximize returns on investment by propelling faster inventory turnovers.

Importers unknowingly have been putting the cart ahead of the horse by blindly following each other since this is what has always been done especially in Asia. Importers do not have the audacity to question what they do and how they do it. What should be driving selections is a better and sharper understanding of varietals from countries with a diminished mandate on first promoting brand labels for the sake of branding only without an integrated strategy beyond the brand's name. Large brand name labels from whatever country will be acutely concerned with this fresh approach because

it gives importers much more leeway, a greater flexibility, in recognizing the strength in their innate positions to import and adjust accordingly to lead their local markets.

Importers can still import many of the same labels but the shift in purchasing strategy is best served for the importer's ultimate advantage – not the wineries and conglomerates to whom many feel they are beholden- by recognizing the context of what best wine grape varieties from what countries and regions will serve the importer's requirements first; in contrast, not the brand for the brand's superficial yet singular glorification as the measure of successful market penetration.

I successfully imported air and ocean containers from Asia for many years before jumping into the shark tank with wine. Importing is investing capital and the wine trade too often gets confused with the perceived stability of large brand labels for veiled security and not maintaining the razor's edge *of sharp and decisive selections based first upon varieties*. Mutual funds as financial instruments, for instance, can add or drop stocks in their portfolios to maintain positive and expected returns. Importers can now consider reexamining their import portfolios to maximize returns with less regard to what exact labels from whom they may carry as though sacrosanct through the ages. Consider Kodak was a Dow Jones blue-chip stock fat and jovial as Plumpjack seated at a boisterous banquet table of plenty next to General Electric (which now has been dropped from the Dow Jones Index, I may add) at the end of the previous century before a rapidly advancing digital age in photography; now inconceivably famished in sales, hence sidelined as it never properly anticipated and adjusted to a world of change. Kodak is now chasing cracker crumbs being much thinner in ill-fitting baggy attire. Film, as we knew it as consumers, is now passé. Once mighty GE, lost its way. Amazon, Apple and Microsoft became trillion-dollar valued corporations before gravity took hold.

At the turn of this century, would a mutual fund director have been foolish to maintain the composition of their fund to always keep their Kodak position or did he or she prudently opt to diminish then drop Kodak's position with a viable stock replacement of

sustained growth? We know the answer as the requirements of the present outweighed the sentimental value of what Kodak had historically always been as a safe investment. The majority of the companies listed on the Standard & Poor's 500 just a couple or few decades ago, have been long dropped, buried and replaced. Maybe 80% of the companies listed 50 years ago have been dropped. Anybody remember Pan Am? Blockbuster Video? Is IBM or Hewlett-Packard held in the same esteem as Google, Facebook or Apple? Nokia got knocked-out. Intel was laying off; people don't buy PCs as they once did as existing computers already work well enough. I read Intel did not anticipate and adjust for a mobile smartphone world. You like rivers? Amazon up, Rio Tinto Group down. Australia's Penfold's wine is fine but birds in trees will chirp another song if sunny days ever turn to cold dark nights. What if the brand ever fell out of favor for any number of unseen reasons? Who can honestly predict the future 2, 3 or 5 years from now? Penfold's then could be known endearingly as Been-Folded if the conglomerate bosses take a new tact promoting new labels or is even bought by another entity with new designs. Stranger things have happened like auto manufacturers dropping major brands or aircraft manufacturers taking a swan song. Does recent history in 2008 of Drexel Burnham Lambert or Lehman Brothers ring any alarm bells? They should. Investors just knew how safe these mega-giants were until they fell thunderously down with their investments. Counting gold bullion after a lazy lunch in tailor made suits is different than pushing a broom after breakfast in coveralls. **We need in commerce to deal with what is *now* and not what it once *was* if we are going to keep our market edge and capital safely liquid.**

Bigger, we observe, does not always necessarily translate into safer or better. We can often delude ourselves that bigger is indeed safer. Should we rush to fly on a brand new Boeing 737 Max 8 with the latest eye-popping flight technology? Not me and not you kind reader either. Its a death warrant first blamed on the pilots then grudgingly found with the software. Who walked into the new jets, thought they were really safe. Wrong, tragically wrong.

Importing has financial ramifications and importers that get lost in the warmth of endless tastings munificent with puffed-up bulging brand names and wide smiles first, without a keen cold eye on sales with current inventory turnovers, need to first realign their commitments to nurturing their client's overall satisfaction in service and selections in their spheres of influence. **Importers need to be nimble and make the proper adjustments if surviving in a changing commercial landscape is of any importance. The environment is not static nor should you be.** This is a time to be fleet-footed and not heavy as an oak log waiting for a swinging grindstone axe to get mercilessly cut down to size.

Put on your Dow Jones, Nikkei, Hang Seng charcoal gray pin-striped suits emboldened with another one of your shiny Swiss watches and get glacially cold by surgically calculating costs and margins by observing positions of inventory performance. This is best performed with your polished Ferragamo's firmly parked under the desk whilst puffing on an aged Havana Monte Cristo #2 as it rains outside on the 48th floor with a pot of tea. Should you be clever and now change the *fund-a-mentals* for your wine funds?

Ask yourself, what labels are over-performing and what labels are under-performing? If you ordered Spanish labels six months prior, are sales being properly supported? Don't expect labels to magically sell themselves as it certainly seems some importers are inclined to do. If labels are working then stick with them; however if not, they can be dropped from the Rioja & Ribera del Duero Fund just as coolly as any stock not best contributing in the fund. Is your Napa & Sonoma Eagle Fund performing? Should you change the composite of your American positions to what California produces best, such as Zinfandels in the Eagle Fund, which your Europeans funds do not produce? Why should the Eagle Fund compete directly in contrast to your varietals in the Bordeaux funds? At least you as the importer will not be fooling yourself as you will be enlightened with your purchasing strategy going forward and not easily swayed by a pervading

common one-size-fits-all brand label boot mentality. *There can and should be some varietal selection overlap in comparison to countries but the concentration is better served with a distinct inclination for vinifera of what each country produces best.* Now you got clever and the street, Wall Street or any street, never saw it coming. You control the market, the market does not control you!

It's high time to be courageous and think independently. That curt concept could be scary for many we know. That kind of thinking increases incomes and makes many think about the burden of higher finances. However, not examining best options is for those not willing to take responsibility to think for themselves unlike the proven out-performers in the field that get ahead of the pack who do. Mediocrity, so often it seems, just never wins medals.

As examples, importers can now give themselves the distinct advantage and flexibility of changing their portfolio components yet not undermine what varietals from what countries they import for maximum returns. *The labels may change but the varietal composite remains.* If you are instrumental in demonstrating leadership– not following but by demonstrating some daring by breaking from the past with an integrative sourcing strategy– truly leading the direction as an importer, this may have your interest for present digestion:



NEW Fresh Approach Solution		Brand Name Boredom
(Varietal First by Country & Regions)		(Current Brands Over Varietals)
California	Zinfandel, Cabernet Sauvignon Napa, Sonoma, Central Coast	Laughing Cow Cellar Tony's Red Table
Spain	Tempranillo, Garnacha Ribera del Duero Rioja	Bogedas Cabeza de Vaca Vicente's Vino Tinto Carlito's Danza Fantastica
France	Bordeaux, Rhone, Alsace	Chateau Crouton
Argentina	Malbec , Torrontes Mendoza	Gauche Arroyo Seco
New Zealand	Sauvignon Blanc, Pinot Noir Marlborough	South Island Sammy
Australia	Shiraz Adelaide	Thorn & Vine Winking Marsupial

I have met importers in which relationships, for whatever reasons, have faltered or died from noted wineries be they management changes, lack of expected sales, disagreements, clashing personalities, new export priorities or wineries even sold. Large wine conglomerate producers prefer importers to be misty-eyed and grateful that they are blessed to handle their labels in their spheres and kiss the pontifical Borgia ruby ring hand in sublime obsequious gratitude cherishing all the grandeur of their solemn majesty. Importers, however, can now stand up to protest and make a break to not be contained any longer in their own selection reformation. The trifling indulgences from over-reliance on name branding can be seen for what they really are. **Importers are encouraged to change their perceptions so that they can gain more control by first concentrating on grape varietals first to meet their needs and then promoting whatever labels that better fit their market priorities for positive leverage.** If you are concentrating on Cabernet Sauvignon from Australia, then consider importing Penfold's as the brand fits the *varietal requirement first*, but not just Penfold's for the sake of the name irrespective of grape varietal. There is a big difference on how to get the result!

What if a particular brand is not taking root after import yet the corporate office advises that they have higher sales in neighboring countries? The implied rhetorical question from conglomerate concerns is that the importer is at fault for not properly promoting and importing their labels to *their* expectations which raises temperatures across the board. Their wine has become your problem. Contracts may be reviewed and magnifying glasses pulled out for fine print. The winery names printed on the back of business cards may get a line drawn through them until new cards are reprinted. Questions are raised with cards of crossed out names. I've seen them. What started as promising devolves into a measure

of disharmony and disgust. The relationships may not have been as firm as first led to believe.

Making the change for the better, if the importer says “Tempranillo” under Spain or “Zinfandel” from California there is never a discussion of exactly what labels *currently* are under import! ***The actual selection can always change but the varietals from each country can essentially stay the same.*** The importer’s sourcing flexibility is shrewdly to the importer’s advantage. Promoting the varietals carried from country & region gives the importer improved flexibility on their selection focus.

Sales staffs are often not well versed as to what recommended choices of varietals can be paired for native dishes. Staffs can be so enamored by wine alone that I wish that many would become more sensitive to what wines are best paired with various cuisines. **Understanding food pairings can have a direct effect on increasing sales of wines of higher price points.** If people are having a proper dinner party they should not be serving entry level wine. Staffs should be able to cogently discuss why some wines with the same grape varietals cost more which many are taciturn to do. Just because the bottles are the same size does not equate to how dramatically different the product is inside to gain satisfaction. **Indeed, sales staffs need to discuss and lead clients to new opportunities for explorations.** Some importers say they don’t carry Zinfandel because nobody asks for it. This is called excellence in impoverished narrow-mindedness. This is analogous to being content with craven ignorance. Combat this mentality if striving for competitive improvement is of interest. It is thinking like this that will put some divine opera divas and corporate coffin makers busy with steady orders. **And another one bites the dust.**

Years ago I had a client purchasing a good bottle of Chardonnay for a crab dinner. I politely requested he try my recommendation of a Viognier. The shop’s trust was earned not through words but by what is far more tangible: experience. He became a regular

client purchasing higher tier wines from us *with added confidence!* It was understood we cared and knew about what we were advising. He and many others were willing to drive by other shops knowing we had his back with wine choices. His social success with wine was indeed our success. Do not disregard this point at your own peril. This was proven over and over again.

In summary, importers can take a cue from the financial industry and utilize the growth and flexibility of mutual funds as a credible example to navigate their selections.

Markets are dynamic and never static; no longer fool yourself that what you import now is perfect always for the future. It is not and harbor this fact in your hearts faithfully. Have the wisdom to learn from the errors of others. Classify a fund as a grape varietal and exploit this with a distinct advantage on the market without an over reliance on any one or few brand name labels to sink or swim with unnecessarily. Use the open market to your advantage: open doors for opportunities and not close them. Manage your risk. **The key grape varietals should take precedence over any branding.** If the brands fit then keep them but know your star players in concert with varietals. How could a credible importer have California wines without including Zinfandel? Impossible! How could the same importer not have Chianti Classico from Italy? Crazy! Many importers quite frankly have baffling selections when compared to produce of country and regions. Syrah from Spain is not the best choice, think Garnacha. **Let the dominant native varietals be your guide to prosperity from country of choice.** Do not be led astray any longer by the garish rhinestone allurements of large brand names irrespective of native grape varietals from each wine producing country. Get what is best from Spain; get what is best from Italy; get what is best from Argentina; and yes, get what we have best in California. What are perceived initially as hard diamonds in hand, can in time prove to be an invested waste of pliable scrap paste. You as the importer will get holding the bag.

Start your own Zinfandel fund, not beholden to any one or two labels but ever faithful to grape varietal, and watch it bloom and prosper beyond the initial selection to achieve maximum profit results in the future. All of this will be to the satisfaction of those rare and highly esteemed temperamentally stressed modern urbane citizens your enterprise depends upon to keep its doors swinging open and lights on: the hospitality sectors you service and those high-limit credit card carrying clients who may own a weekend pleasure boat who never, believe it or not, never cared to visit Burgundy; however, your humble premises with their unmitigated admiration for constantly having such a rewarding world selection better than the local competition.

Any questions or comments, I will be pleased to engage them. Wishing each importer real improvements and sagacity with their selections and purchasing protocols on the journey forward. Importers do have real options to re-think positions from a higher enlightened vantage point. Make a break from the past to secure an adaptable future. Anticipate and embrace change and be rewarded by roundly prospering in the years ahead. Remember this now and ponder later again: 'Tis better to be a social sunny summer Bee, than a lonely and bitter iced-winged winter's Has Been.

Most Kindly,

Don Elam
Director



export@virada.com

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