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Regional Branding in California's Lesser-Known Wine Regions

NOTE: COPIES OF INTERVIEWS AND NOTES AVAILABLE FROM PROF. SUBODH BHAT (email: sbhat@sfsu.edu)

Introduction

The landscape of California's wine industry is rapidly changing as wine consumers become more educated and more adventurous. Napa Valley, undoubtedly California's most recognized and popular wine region, has built its brand image around lifestyle and high quality Cabernet Sauvignon wines. As wine consumers have become more educated, varietals other than Cabernet Sauvignon become more appealing; wines such as Pinot Noir and Zinfandel are attracting an increasing share of the red wine market. As wine consumers become more adventurous and open-minded, lesser-known regions are experiencing a great market opportunity to attract consumers in search of different varietals, lower price-points, and a more personal experience. These new market opportunities also create unique challenges: How do lesser-known wine regions market and brand themselves? How do small wineries cooperate and collaborate to position and differentiate their region's wines and wineries?

Background

Over the course of the past 25 years, the United States wine industry has grown from a small market to a powerful economic force. In the year 2000, there were 2,904 wineries in the U.S. By 2008 the number of wineries in the U.S. had risen to 6,368, an increase of over 100% in a mere eight years (Michigan, 2006 and Wine Institute, 2009). In 2009, U.S. wine consumption was estimated at \$30 billion. California is the fourth largest wine producer in the world and the leading producer in the U.S., producing more than 90% of U.S. wine (Wine Institute, 2010).

California's wine industry is experiencing unprecedented levels of growth. In 2008, California's wine industry was estimated to have a \$58.9 billion overall impact on the state's economy (Light, 2009). Also in 2008, California's wine regions attracted over 20 million visitors, making wine the state's second biggest tourist attraction after Disneyland (Light, 2009). As of 2008, California had almost 3000 wineries, up from 1,450 in 2000; this number is exponentially growing (Wine Institute, 2010). Winegrapes are grown in 48 of California's 58 counties; Over 110 varieties of winegrapes are grown throughout the state (Light, 2009). California has over 108 federally recognized American Viticultural Areas (AVAs) (Light, 2009).

Research Approach:

The bulk of this research consisted of direct telephone interviews with wine industry participants. Several types of participants were selected for interviews including winery association representatives, Winegrape Commission representatives, winery staff and owners, and winegrape growers. In an effort to conduct as many interviews as possible, 52 industry participants were contacted by email requesting an interview. After the initial email, I attempted to reach the individuals by phone. The individuals that responded to the email or telephone call and expressed interest in doing an interview were contacted again up to three times. After three unsuccessful contact attempts, unresponsive individuals were eliminated from this study.

The interviewees were asked a number of open-ended and leading questions regarding their region and regional branding. Some of the questions that were routinely asked during these interviews included:

- What is your role in the wine industry?
- How large is your business/ production?

- Are you involved with any regional organizations (winery associations/ winegrape commissions etc)?
- Does your region have brand recognition?
- What is the story of your region? What differentiates your region's wines from the rest?
- What kind of marketing/ branding strategies does your region employ?
- Do both wineries and grape growers share the same interest in regional branding?
- What do the wineries/ growers do to market themselves? Would they/ could they/ do they support regional marketing initiatives?
- Do wineries market themselves to outside audiences (other states/ international)?
- What type of visitors visit your winery (local, Northern California, business tourists etc.)?
- What is your view of the value your appellation/region/ county/ Northern California/California as a brand?
- Do AVA's help distinguish wines? Do consumers recognize AVAs?

Regional Branding and Wine

The wine industry has a long history of recognizing the importance of regional branding and place-based marketing. European regions such as Bordeaux, Burgundy, and Champagne have emphasized and capitalized on the importance of regional branding for many years. Recognizing the success of regional branding internationally and domestically, lesser-known wine regions throughout California are actively pursuing marketing efforts to promote, position, and differentiate their brands.

Regional branding is especially useful in regions with large numbers of small wineries, which all can share the benefit of collective and organized marketing efforts. Many of California's lesser-known wine regions are made up largely of small-production and boutique wineries. These wineries have a unique product and experience to offer, but often lack the marketing budget to effectively promote their wines and tell their story.

California's wines are often recognized and labeled by their region, county, appellation or AVA. In order to be labeled as being from a certain region, the wine must consist of at least 85% grapes from that region. An appellation is a broad term referring to the area in which grapes are grown. An appellation can be defined as a county, state or country. An AVA is a specific grape-growing area legally recognized for its distinctive and identifiable character. Many federally recognized AVAs also have additional AVAs or sub-appellations that exist within their boundaries. Lodi, for example, is a federally recognized AVA but the region also contains 7 additional AVAs or sub-appellations.

Regional Branding: Support and Objections

Support for regional branding is widespread in California's wine industry. All of the industry participants that I spoke with during the course of this research expressed support for regional branding. The main objections to regional branding initiatives are rooted in two main issues:

1. How is the region defined?
2. Who stands to benefit from specific regional branding initiatives?

These two questions provide a framework for understanding the areas in which different interests diverge.

Support for Regional Branding

Regional branding is widely supported among both wineries and winegrape growers. Successful regional marketing initiatives lead to stronger levels of brand recognition among consumers. Increased brand recognition and reputation leads to increased sales, increased tourism traffic, and increased demand for grapes. All of the growers and wineries I spoke with

expressed support for regional branding, however, variation did exist in defining regional branding and how it should be done.

Objections and Issues with Regional Branding

While none of the interview participants that I spoke with directly objected to regional branding, many different opinions were expressed regarding how region should be defined. All of the interviewees belong to the California wine industry; some individuals believe that “California wine” is an important component of branding while others feel that marketing the name “California” dilutes the value of their region’s brand. Another discrepancy in support of regional branding is the timeliness of the return on investment. Wineries with tasting rooms will experience the direct benefits of successful regional branding initiatives much faster than the small-scale grape grower will.

The different opinions on regional branding are largely dependent upon who is asked and their role in the wine industry. A grape grower or large scale producer in the San Joaquin Valley has a great deal of interest in the brand recognition of California; many of their wines are distributed outside of the state. On the other hand, a small boutique winery in the Sierra Foothills that sells 80% of its wine through its tasting room is much more interested in branding and marketing Sierra Foothills than it is in marketing California. These differences can largely be deduced to an issue of production size and distribution.

AVA, County, Region: Which Brand to Promote?

Interview participants were asked to express their feelings and impression about various regional brands as they applied to wine. The interview participants were asked about to express

perception of California, Northern California, their county, and their AVA (if applicable). The responses were largely varied by region.

Most industry participants believe that it is the most important to promote their county (e.g. Lake County) or local appellation (e.g. Livermore or Lodi) first. Winery associations and winegrape commissions usually represent these larger regions (as opposed to sub-appellations) in an effort to achieve brand recognition on behalf of the region. Regions like Lake County that sell 80% of their grapes to outside regions (especially Napa Valley) have a strong interest in increasing the recognition and perception of their region. Lake County grape growers often refer to themselves as “Napa’s best kept secret” because Napa Valley wineries purchase so many grapes from Lake County. Industry participants generally feel better about marketing and labeling their wines according to their local regional brand than they do about marketing and labeling by their sub-appellation, broader region (e.g. Northern California), or California. Many regions have expended significant effort to distinguish their region and its grapes as unique. There is a general feeling that promoting California as a brand detracts value from the efforts these regions have made to differentiate their brands.

While most wineries and winegrape growers have the strongest affinity for their local region’s brand, exceptions to this rule do exist. Areas such as the San Joaquin Valley, California’s largest winegrape growing region, have a strong interest in promoting California as a brand. Interviews with industry participants in the San Joaquin reflect the sentiment that smaller regional branding initiatives are less effective and that marketing efforts would be better directed if they included initiatives focused on the larger California brand.

Another exception to the notion of branding by region exists when sub-appellations have had more success at building a stronger brand image than the larger region in which they are located. Anderson Valley is an AVA within Mendocino County that has its own winery and winegrape grower organization. Anderson Valley wineries and growers specialize in high quality wines (largely Pinot Noirs, Chardonnays, Gewürztraminers and White Rieslings) and a scenic wine-tasting experience, differentiating them from some of the large-scale and lower price-point wineries of the larger region, Mendocino County. Anderson Valley has had success at building brand recognition and positioning itself as a distinct destination and wine-producing region.

North Coast is another large AVA that consists of grape growing regions in six different counties which traditionally only market wines by their local region (Napa, Sonoma, Marin, Mendocino, Lake and Solano). While the North Coast AVA has not been used much in consumer marketing or labeling, lesser-known wine regions such as Lake County stand to benefit from a positive association with regions like Napa and Sonoma. As the dynamics of the wine market changes and preference increases for lower price-point wines, some Napa Valley wineries have considered labeling lower price-point wines as North Coast in an effort to capture a larger share of the market without diluting the value of the Napa Valley brand.

Wineries and Winegrape Growers: Different Perspectives on Regional Branding?

Many interviews with both wineries and winegrape growers indicated that the interest in regional branding may differ between wineries and growers in the same region. Both wineries and winegrape growers have a clear interest in the branding and recognition of their regions: wineries build a reputation and sell more wine, while growers can command higher prices for their grapes.

In regions with high concentrations of winegrape growers, growers play an important role in regional branding efforts because they have a strong interest in increasing the value of their grapes. Large producers that purchase the majority of their grapes fear that a better regional reputation will drive up the prices of their suppliers. These large wine producers tend to produce lower price-point non-appellation specific wines sold through major distribution chains. This issue is exemplified in Lodi where industry participants feel that some of California's largest wine producers worked to keep the quality of Lodi grapes a secret in an effort to keep prices low. In Lodi, the region's grape growers voted to create a winegrape commission to help build brand recognition and to market their region.

Most of the wineries in California's lesser-known wine regions are small producers. These small producers do not have the same distribution channels as major producers and hence rely on direct sales (winery to consumer) for the majority of their transactions. These wineries understand the importance of regional branding and are often the first ones to see immediate results of successful marketing initiatives in their testing rooms. Successful regional branding initiatives that increase tourism and recognition of a wine region can affect the revenues of small wineries immediately.

Small growers in lesser-known wine regions are often more reluctant to support regional branding initiatives than smaller wineries in the same region. Increased tourism to a region, for example, does not immediately benefit the small grape growers. Winegrape growers will not experience the benefits of regional branding until the actual demand for their grapes rises, which results from a gradual process. While small wineries are often able to see some direct benefits of regional branding initiatives, the benefits are often slower to affect the growers.

Marketing Initiatives

The various industry participants interviewed were all asked what kind of marketing initiatives have been done on behalf of their regions and which initiatives have been successful. The following list is composed of the major marketing approaches that have been undertaken on behalf of regional branding.

Media outreach: Media attention is considered to be a key component of effective regional marketing initiatives. Winery associations place a great deal of emphasis on attracting local, regional, and national wine-journalists to their region. Articles in local newspapers, the San Francisco Chronicle, and national food and wine magazines play a large role in helping these regions gain recognition. Lake County uses a helicopter to provide aerial tours of their region and its unique landscapes to wine-journalists.

Trade shows: Many regions participate in industry trade shows, taking their wines on the road to share the story of their region and its wines with journalists, distributors, and other industry members. Regions like Paso Robles have had success receiving grant money from the US Department of Agriculture (USDA) to take their wines “on the road” to trade shows and events, doing direct-grower marketing.

Consumer events (local and nonlocal): Regions such as Lake County, Lodi, Livermore, and Monterey County have experienced a great deal of success by hosting weekend consumer events. These events range from Lodi’s Zinfest to Livermore’s Barrel Tasting Weekend. Wineries that specialize in specific varietals also participate in variety-specific tradeshow and consumer events (Like Pinot Noir or Sauvignon Blanc events and the Treasure Island Winefest)

Signage: Regions with wine trails and signage (e.g. Lodi) improve the experience of wine-tourists and make it easier for visitors to find the wineries. Other regions without adequate signage (e.g. Lake County) express the desire for more signs and the importance of signage. Wine regions in proximity to major highways or thoroughfares have engaged highway authorities such as Caltrans to attract visitors passing by on the highway or in route to other destinations.

Social media and internet marketing: Social media, especially Facebook and Twitter, is a growing trend in the world of marketing. Many wineries and wine regions are capitalizing on social media as a way of communicating with the millennial generation and engaging with new customers. Many wineries expressed that radio, television, and print advertising are all too expensive; internet marketing is becoming an increasingly large part of their advertising strategies.

Partnerships and collaboration: Winegrape commissions and winery associations place a great deal of importance on building strategic partnerships with other businesses in the region. Winery associations work closely with concierge groups to assure that wine tasting and wine-tourism are considered to be a valuable tourist attraction or excursion in their region. Winery associations also work with convention centers, hotels, casinos, and local chambers of commerce.

Creating a story and communicating it: Regions such as Lodi that are experiencing success at building a regional brand understand the importance of creating a clear message about their region's unique qualities. Lodi offers a unique and personal wine-tasting experience and is home to numerous multi-generational family wineries. Lake County boasts its high elevation vineyards, natural beauty, and one of Northern California's most popular lakes. Mendocino

County claims that it is California's most sustainable wine region and that its "green credentials are unsurpassed by any other wine region in the world."

Creative regional labeling: How to geographically label wines is an emerging issue in California's lesser-known wine regions. Appellation-recognition is often very small among consumers, yet wineries have a desire to promote their regions. Wineries in Lake County have begun placing a small map of California on their labels to help consumers distinguish the geographic location of their region or appellation.

Promote the region's distinguishing characteristics: Regions that market themselves based on distinguishing characteristics (especially grape varieties) have experienced success at gaining brand recognition. Regions such as the Anderson Valley and Monterey County have positioned themselves as cool climate regions that produce excellent Pinot Noirs. Lodi has positioned itself as a leader in quality zinfandel production. Lake County has positioned itself as a leader in high elevation grape-growing.

Conclusion:

Emerging trends in the wine business have created an unprecedented opportunity for lesser-known wine regions to build their brand and increase their recognition. California's lesser-known wine regions are rapidly expanding as the number of small-production wineries grows exponentially. These small wineries generally do not have the budget or marketing experience to develop and implement successful marketing plans. Successful regional branding strategies provide an opportunity for small wineries and grape growers to pool their resources and participate in collaborative marketing efforts which can result in significant return on investments for all industry participants.

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