

HOW TO SPEAK DIRECTLY TO CUSTOMERS

Abandon your fear of the database and embrace direct marketing, says Drayton Bird, one of the world's most notable authors, speakers and practitioners of direct selling. It's the sales tool that lets you build a personal relationship with each of your customers, regardless of how many of them you have.

Many years ago, in his memoir *With all its faults*, US advertising man Fairfax Cone said two interesting things: "Advertising is what you do when you can't be there in person" and "There is no such thing as a Mass Mind. The Mass Audience is made up of individuals, and good advertising is written always from one person to another".

If you could, you would send your best salesperson to see each individual customer - but you can't afford to. So direct messages are just surrogate salesmanship.

Direct marketing works by putting customers and prospects on a database and treating them, as far as possible, as individuals. Its great strength is that you measure your responses and sales, so you can test one approach against another. Often the results are astounding. I have seen a change in the typeface of a direct mail letter increase response by 60%. The morning I started drafting this piece we were rewording the instructions on a discount voucher for one wine firm. Why? Because the language was not appropriate to the positioning - or character - of the firm in question.

Do such small things matter? Yes indeed. In all marketing, positioning is vital. Redesigning that voucher some months ago had a very significant impact on sales.

But to set up a test in direct mail or the press, get the results and analyse them can take several weeks. The Internet is increasingly important

because it accelerates direct marketing. You can think of a test in the morning and have the results by evening. Your potential profits can measurably improve in hours!

Direct marketing principles apply in all markets because people are more



united by their similarities than divided by their differences, but I was rather surprised recently to meet a lady who runs a wine club in China.

Why does it work for wine?

Selling wine directly seems at first quite different to what the trade has traditionally done - especially when a new medium like the Internet emerges. People are mesmerised by

the new. We tend to think it changes everything. But this is very misleading. Times may change; media may change; selling channels may change. Customers don't.

Surprisingly, wine has much in common with something entirely different. Finance is by far the biggest direct marketing category, but the similarities are intriguing. Money is a mystery. People don't understand it. They are daunted by salesmen who use confusing jargon. They fear doing the wrong thing. They prefer to study and take time to make up their minds without pressure. Wine is also a mystery. How many really understand its jargon? Who has not ended up hurriedly choosing number two on the wine list as the sommelier hovers? Who does not worry about what to serve guests? Also, money and wine are both addictive - perfect for direct marketing, which aims to build continuing relationships with customers: book clubs and catalogues were the first examples.

But money and wine have one difference. People read reams of financial stuff and study tables not because they want to, but because they must to understand its complexity. They read reams about wine and look at pretty labels because they enjoy it. But how does selling wine directly differ from the traditional approach? Less than many people imagine, I suspect.

As I have been pointing out for nearly 30 years, if you strip away the pretentious jargon practitioners use to bamboozle people and liken every situation to real life, marketing is simple, though not easy. You can draw exact parallels between traditional retailing with what is done directly today. Attention to service; weaving stories round the product that charm people into buying; building a relationship with your customer - there is nothing new in this.

Old practices, new media

Imagine you are a guest at a Victorian dinner. When the Port goes round you comment on how good it is, and ask your host his wine merchant's name. He is flattered and introduces you. This is word of mouth advertising - direct marketers call it friend-get-a-friend, referral or viral marketing. No matter how or what you sell, research shows it is the easiest way to get new customers.

And how does your host's wine merchant greet you?

Why, as a good prospect, to be coddled, perhaps with a special deal. He impresses you with his knowledge and contacts among the shippers, just as direct wine clubs do, in a friendly way that actually reinforces your slight worry that you don't know as much as you should. Maybe he takes you on a tour of the cellars - which you can do today on the Berry Bros & Rudd website. He asks about your tastes - as Virgin Wines do - making sure you don't have to expose your ignorance by not asking for names of wines, but what kinds of wine you like. Regularly he suggests wines he thinks you might enjoy, just as intelligent direct marketers do by studying your order patterns. He surprises you with wines you'd never find on your own. If you are a good customer he talks to you more often than if you were an occasional one. Every now and then he sends you a thoughtful gift to thank you for being a customer - or perhaps invites you to dinner at the cellars.

That analogy applies equally to

the structure of the trade. Just as merchants have always sold through retailers, so now they can sell online through affiliates, who are just commissioned salespeople.

I have worked with a number of firms here and abroad, but I thought that rather than look at 'pure' direct marketers like Laithwaites or Cellarmasters in Australia, it would be more instructive to look at an older firm I have worked with.

Averys of Bristol have not just tried direct marketing; they have been transformed by it to the point that today 95% of their business is direct. But they have done so without ditching their traditional values.

Harness traditional values

Good direct marketing can often deliver a better service than many retailers, where often one person is trying to take money, with little time to advise - and sometimes too little knowledge. Good direct marketing can replicate that old wine merchant's service quite well.

For instance, Averys employ 15 telephone people. They act as 'personal wine merchants' for their customers, who trust them implicitly, according to MD Dan Snook. "They generate a lot of sales because they are highly trained and offer expertise and a personal service bigger firms find it hard to replicate. The phone is a huge loyalty generator and very effective in recruitment, though it's hard to find good people."

In direct marketing, the low-priced promotional offer is everywhere, because it builds the customer base - but you rarely make money on the first sale. One big direct wine firm's boss tells me they lost millions in their first two years, and had to battle hard to make the investment in customers profitable. "Now," he said with smile, "We're making millions."

I asked Snook about discounting, and he commented: "Customer recruitment certainly relies on it. We have tried to enhance our DM recruitment pack with more brand depth: heritage,

WIV, Germany



*Dr Johannes Pieroth,
Board member*

Until a scandal took the wind out of its sails in 1986, WIV was known 'affectionately' as Pieroth, the name of the family behind an empire that has brought forth not only businessmen, but also politicians. Although reputed to be the largest direct marketer in the world, even today it is difficult to decide just exactly what the company does. Not only does it own production sites in five countries that produce over half of what it sells, it also functions as an importer and wholesaler in numerous markets through companies like Domaines & Châteaux (DC) in Germany, runs the growing retail wine chain VINO and has just decided to resurrect the family estate in Burg Layen on the Nahe.

The company's story began after the war when the current generation's grandfather began direct wine marketing. This was not women selling door to door like the Avon lady, but salesmen responding to requests generated by mail or phone, often from doctors, lawyers and bankers. Earlier than its competitors, WIV also became active abroad, setting up business in Great Britain in 1962, Japan in 1969, the United States in 1972 and Hong Kong in 1975. Today, 57% of the group's turnover is generated offshore.

It was there that the company began to concentrate on importing and wholesaling, becoming the largest mover of classified growth from Bordeaux in Japan, but direct marketing, with the obvious advantage of accumulating margins, adding layers of service and delivering goods directly to the customer's doorstep, still accounts for nearly two thirds of total turnover.

Global sales in 2007 were down 0.4% to €468.2m in 2007. The slight fall

was due primarily to exchange rate variations. Adjusted for currency fluctuations, turnover was approximately 1% more than last year according to the company's annual report, which is why board member Dr. Johannes Pieroth spoke of 'stability' at his recent press conference. At €14.1m, profit remained stable.

€301.1m was done in direct marketing, with €120.4m in Germany leading the way. Another 21%, or €97.5m, was wholesale business. Interestingly, 13%, or €62.1m worth of business, was done in services, with both exhibition stand construction (Mac is the third largest company of its kind in Germany) and logistics (Top) recording strong growth.

Although Dr Johannes Pieroth spoke of stability at the annual press conference, the local papers high-lighted a sharp drop of sales in the domestic market.

"Specialists should be using direct marketing, especially the relatively cheap medium of the Internet, to spread the message that there is an alternative to mass produced bland brands and spurious half price supermarket deals."



Dan Snook, managing director of Averys

history, our chairman, John Avery, individual wines, so that there is more than just price. When selling to our customers, price is important, as are deals, but the real message has to be 'why should I buy this wine' - a couple of quid off is not the main reason why customers buy; they need to feel appetite and understanding for the story you are telling them."

Averys, although an old firm, has always had a taste for innovation. They were among the first to introduce and vigorously promote New World wines. I asked Snook how he sees the relationship between direct marketing

and bricks and mortar. "Very close," he replied. "All communications must project the same values - on the phone, the Internet or direct mail. The customer must have a clear idea of who we are and what we do. Our heritage, lovely cellars, real people, old fashioned service reassures. Gone is the old mail order image. Wine merchants can no longer rely on a mix of business (wholesale, private client, retail, direct). Business requirements are too varied."

He feels that "Direct clarifies what we do and who our customers are because we must communicate clearly.

WHY YOU NEED TO BE IN OUR NEXT ISSUE

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Direct Wines, UK



Tony Laithwaite,
owner of Direct Wines

Direct Wines, the company behind Laithwaites, Virgin Wines, Averys of Bristol, the Sunday Times Wine Club and a long list of other direct selling brands, is a highly sophisticated, well-oiled, machine. It gets three basic things right. First, it knows what makes its customers tick. Averys, for example, inspires its greatest loyalty among older, possibly rural, males, while Virgin, as the brand would suggest, has proven far more successful with a younger, more urban audience. Across all of these brands – which all run relatively autonomously – Tony Laithwaite and his team can now predict the likely hit-rate of any particular introductory offer – and the effect adjusting its price would have on that hit rate. But, they

also understand the likely behaviour patterns of people who respond to different kinds of offers. So, taking five pounds off the price may raise the number of responses by x%, but y% of those extra respondents will simply take advantage of the attractive initial deal, and decline to buy anything else. And, of course, to a direct marketer, maintaining customers is crucial.

“Laithwaites now does 20% of its business on the web – and that is growing fast.”

Tony Laithwaite

This understanding is enhanced by the input received by the team of in-house telesales staff. However tempting it may be to encourage online sales and to outsource telesales, Direct Wines believe in the value of human contact by their own staff with customers. This helps to keep them on board, to learn about their tastes and to direct their attention to wines they might not otherwise have bought.



Secondly, they understand the need to stay fresh. Over two decades ago Direct Wines virtually invented the concept of ‘flying winemakers’ – the use of winemakers, usually Australian, to oversee and improve wines from traditional regions. More recently, this trend has been innovative blends produced at the firm’s own Bordeaux facility. Wines like these and generic Margaux produced “from vines grown just past the back wall of Château Margaux!” and promoted on videos on the Laithwaites website, have helped Direct Wines achieve the near-impossible feat of standing against the UK supermarkets.

It has made us more focused on wines, prices, and customers and how we speak to them. It has improved our sales and marketing creativity as we test and analyse to stay close to trends and the market”.

Trying to copy the big boys – direct sellers or the supermarkets – has not worked. He aims to offer “a viable alternative for customers wanting quality – not big brands from supermarkets – who want to be talked to in a knowledgeable, easy-to-understand, unstuffy way”.

Accordingly, they aim to focus on customer service, and wine sourcing. They want the product to be irreproachable and retain old-fashioned intimacy with easy access to the directors, dinners and tastings. What’s the difference between online and offline customers?

“Nothing operationally”, says Dan. “But you can show more range, say

more and be more agile on the web, as it is cheaper. You don’t need to design brochures to promote offers. And you can reach customers more ways. Web customers seem more independent, know what they want, whereas direct mail customers buy what we put in the catalogues”

Each firm’s customers differ. For Averys, the traditional wine plan or continuity deals don’t work that well. Their customers like to order what they want, when they want, rather than a prescribed case regularly. They have a Bin Club – an account customers pay into monthly, free to spend up to three times their credit balance.

They use the traditional direct measurement tools: recency, frequency and order value, and measure return on investment on recruitment to know where best to spend. Dan also sees every complaint and compliment they receive, so “we are listening to

what customers are saying”. They find questionnaires get an excellent response – “Customers want to talk to us”.

Changing the pace works

And imagination matters. “Familiarity kills sales – just doing what worked last year is too safe – customers want innovation, excitement and passion. Wine, copy, design need to stay fresh and new.” Snook says Averys have direct mailed from abroad – France, Australia – and that change of pace on the envelope has worked. They also send a personal Christmas card signed by John Avery to the top 1,000 customers. “Direct response emails work very well. They are less intrusive than a mailing pack – customers are prompted to go and buy what they want from the site, not just what is offered.”

Direct marketing is an extremely detailed business. All sorts of thing can go wrong. I recall many years ago

Even in the Internet age, ink and paper still have the power to sell.

that my client American Express sent a mailing to H.M. Queen, Buckingham Palace (and got a reply!).

I asked Snook what major logistical problems Averys have. He instantly replied: "Competing with supermarkets' timed and weekend delivery as well as competing with those who offer free delivery. Customer expectation has been raised by what the supermarkets do."

Is the market saturated? Can new people still break in? He said: "No to the first, yes to the second, but size will matter. It is easy to be small and niche, especially with the Internet. However direct selling can be expensive. You need critical mass in turnover before you can resource your operations properly."

Amazon say they are going to go back into the wine business. Can a firm which carries everything imaginable compete with specialists? Snook has no doubt.

"Amazon's strength is their ability to cater for and talk to every customer individually. It should be really powerful. They can create specialist sections, like they have done with all their other products. Tesco have done it with their wine club, and really added value and credibility with their wines and magazines." ■

Cellarmaster Wines, Australia and New Zealand



*Kate Langford,
managing director
of Cellarmaster Wines*

If there's one company in the world that knows about using direct marketing to sell wine, it's Cellarmaster Wines, part of the Cellarmasters Group. When it began in 1982, Australians were still intimidated by wine shops. Cellarmasters, modelled on the Sunday Times Wine Club, gave them a 'wine club' they could join by mail. The club's chatty mailings offered not just wines by the case, but also a dollop of wine education. They also offered a money back guarantee, promising to refund the full amount if customers received a bottle they didn't like, regardless of whether it was faulty. That Australians are now confident wine buyers is, in part, a tribute to Cellarmasters' early work.

The company has changed hands over the years, being sold to Mildara Blass, Foster's wine division, in 1997. In April 2007 it was sold to private equity firm Archer Capital. But the direct selling strategy has remained consistent. While Cellarmasters offers customers 'proprietary' or branded wines, often as loss leaders, they also source wines from Dorrien Estate, part of the Group, plus have grower contracts. Their wine production lets them keep tight control on margins, allowing them to raise and lower prices, and offer customers what appear to be heavily discounted bargains. The quality of the wine has varied over the years, being particularly good in the 1990s, and not so good in the early years of this century, earning Cellarmasters the nickname 'Saladmasters' from other sections of

the wine industry. Nevertheless, many of their own brands have achieved notable critical and wine show success.

All staff, including the all-important telemarketers, receive wine training. From the beginning, founder David Thomas chose to hire actors for the call centre, figuring they could improvise when speaking to customers. Over the years, some major Australian stars have worked the phones.

But Cellarmasters' real jewel is its sophisticated database, which tracks the buying behaviour of the company's 250,000 active Australian and New Zealand customers. This allows the company to know the exact acquisition cost of each customer, the average spend, and the lifetime value.

Cellarmasters then target their customers with precision, whether by mail, telephone or Internet. Buyers of premium Shiraz, for example, may receive a phone call or letter telling them when their favourite wine has been released, or when there are only one or two cases left.

With such a large and active database, the company can also spot microtrends emerging and adjust their wine production accordingly.

To prove that direct marketing isn't just for big companies, Cellarmasters have often seen small wine merchants copy their offers and mailings, often to great effect. What a small company can't do, of course, is duplicate the efficiencies and savings of a vertically and horizontally integrated company.

The Cellarmasters Group also includes Nexday, a delivery service, and Vinpac International, a wine bottling supplier. At the time of the April 2007 sale to Archer Capital, the *Sydney Morning Herald* estimated the three businesses had a combined turnover of A\$250m (\$234m).

"We've evolved from offering a catalogue to offering a personal wine adviser. The fundamentals remain the same – making the right offer to the customer."

Kate Langford,