

## COVER STORY

one that guarantees mutual brand accountability between the winery and its brokers, distributors, and retail outlets.

2. Utilize higher-quality grapes that promote Chardonnay and Pinot Noir varietals more typical of the Carneros appellation. Secure the best grapes

available in Carneros and commit to sustainable farming from the 100-acre vineyard estate.

3. Produce better wine that focuses on market opportunity. Implement the most up-to-date practices, while honoring the needs and tastes of the modern wine consumer.

4. Build a team capable of executing against the plan. Create a company culture where each employee feels empowered to succeed.

5. Build the brand image with packaging that embodies the winery location and communicates Bouchaine's definition of excellence. Build an inclusive rather than exclusive public persona backed by a high-quality image.

The three business leaders recognized that profitability would come from building important business infrastructure. They also realized that achieving this vision would require a considerable commitment of time and resources and that attaining profitability would take three to five years. Most important, the owners had the courage and passion to initiate a radical transformation of their winery model.

**STEP TWO: Recruit a strong team that is dedicated to the vision and culture.**

Richmond and the Copelands agree on an essential operating principle. Richmond summarizes, "The first step in transforming a business from good to great is to hire the best leadership team you can possibly afford and to hold them accountable."

Greg Gauthier was Richmond's first hire as vice president of sales and marketing and a partner in the turn-around effort. Gauthier has considerable expertise in launching and relaunching brands. As the Chalone Group's California state sales manager, Gauthier ran all brands — one-third of the company's business. He was previously Northern California vice president of sales for Henry Wine Group and was responsible for product launches at Sebastiani Vineyards & Winery (Sonoma, CA) and Sutter Home (St. Helena, CA). He was instrumental in redesigning the sales and marketing effort at Rodney Strong Vineyards (Healdsburg, CA), beginning with Tom Klein's ownership in the mid-1980s.

Hiring and developing the new Bouchaine team took longer than expected. Richmond and Gauthier needed six months to assess the exist-

## COVER STORY

ing winery team, decide who should stay on the "Bouchaine Bus," and then hire talent capable of supporting execution of the new vision. However, an additional 18 months were required to develop a team that could work together and demonstrate new business discipline and to refine the company culture.

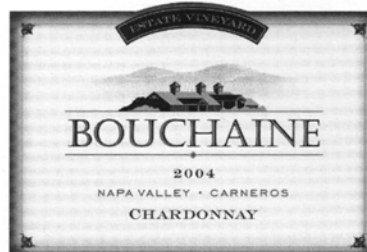
"Developing culture is a journey, not a destination. You are articulating, focusing, living, and fulfilling your vision," states Richmond. "We had to get the winery to think overnight as a sales company."

Richmond and Gauthier confronted several important cultural aspects of business transformation. They had to face reorganization fear and passive resistance to change. Ultimately, they had to make the really tough decision to let about 50% of the winery staff — those who could not evolve with the vision — "off the bus."

"At the core of our transition are marketing relationships developed by Mike and Greg," asserts Gerret. "They cleaned up the market and brought the new Bouchaine story to our distributor partners. They have hired a new generation of people to support our plan, including Lee Hodo, a marketing specialist known for bringing trade and community-backing to tired brands. They have communicated to our consumers a sense of place and our values, which include innovation, creativity, humor, and a long-term perspective."

**STEP THREE: Expect and plan for profitability to take a hit while business fundamentals are re-established: execution, leadership, and organization practices.**

Success for the Copelands, Richmond, and Gauthier depends on building profits, not on building volume. In



order to accomplish this, a proper business foundation needs to exist that delivers sustained profitability, while building brand value.

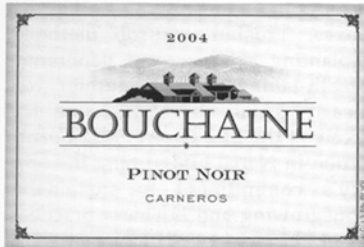
Richmond and the Copelands concur with another fundamental operating principle for successful transformation of their business: short-term profitability would take a hit while they rebuilt their brand and price in the marketplace. This meant establishing a strong sales and marketing infrastructure, changing wine style, and refining the brand through packaging and pricing.

#### **Establish a sales model**

"Historical emphasis was on *marketing*, not *sales*," explains Gauthier. "The staff tried to solve inventory build-up through marketing — not sales programming. The only leverage that the two regional sales people had formerly was pricing — lowering the price to \$35 and \$65 per case, which destroyed profits and brand equity. The existing Bouchaine label was being compromised and associated with declining performance."

"Marketing is useless without strong distributor infrastructure," says Gauthier. Richmond adds, "Building on our personal credibility with a handful of key wholesalers, with whom we had relationships in the past, Gauthier and I convinced them to stay with the brand, allowing us to keep cash flowing."

To achieve this, the Bouchaine sales team, comprised of Richmond and Gauthier and two regional sales representatives hit the streets and began rebuilding the winery's credibility and instilling a process for holding both Bouchaine and their distributors accountable for brand performance.



Each state presented its own set of sales problems. In several states, the winery was stuck with negative, irresolvable distributor scenarios, so they changed wholesalers. Many key distributors were retained and, with help from Richmond and Gauthier, pricing and inventory issues were resolved. Together, they eliminated un-saleable wine and discounted other wines.

"You don't want to waste a distributor's time and effort by dwelling on the past; you want to move them to the future," notes Gauthier. "We communicated and delivered our plan to restructure pricing, packaging, and profitability — and our promise that winery support was going to be there."

#### **Rebuilding price**

The real question Bouchaine faced was how to go about rebuilding price? The core of their pricing strategy was to introduce new wines at a different price point and to grow estate brand pricing by 50%. From the beginning, they promised better wines, better quality, and better consistency. Through every step, the new leadership team made sure they had the Copeland's commitment to sometimes far-reaching change.

Bouchaine also had to contend with the singular challenge facing all small wineries in today's convoluted marketplace: how to get their wines through the distributor bottleneck. To achieve this, Bouchaine's wines were carefully allocated by distributor; they created a fourth tier of gatekeepers by hiring the right brokers to put more feet on the street; and they started tracking and managing 100%

of depletions in all markets. "If you are not monitoring your depletions, then you are not monitoring the success of your distributors," says Gauthier.

Gauthier also describes early good news, "We realized the wines didn't have a bad reputation, we seemed to have NO reputation. The winery was making wines as good as it had ever been making, but the market had changed. The market evolved stylistically, and the wine style had not evolved."

The entire sales team delivered the message that, "We would produce the finest tandem team of Carneros Chardonnay and Pinot Noir available." They would also be there to support and monitor marketing and sales as needed in their marketplace. They had now moved the distributor scenario from a sell-in to sale-through (depletion).

#### **Adding a second label**

To support their commitment to their core brand, Richmond sourced better fruit and established more stringent selection criteria for the wines slated for the Bouchaine label, thus necessitating a second label.

The second label gives the winery an outlet for moving very good Pinot Noir and Chardonnay wine that does not meet the new standard for Bouchaine-labeled wines. "This wine still represented such strong value that it became the hook we needed to persuade people to take a new look at Bouchaine," adds Gauthier.

For the second label packaging, Richmond and Gauthier created new and stronger packaging which referenced the historic railroad station adjacent to the Bouchaine property. The second label was launched under the name Buchli Station to provide a good value in the \$13 to \$15 price range.

## COVER STORY

**New Bouchaine label**

Richmond is delivering a new style suiting today's market. Vineyard blocks are being replanted for wine quality, with a systematic plan to replant the entire estate. The production regime has been adjusted, new equipment acquired, and grape maturity re-examined with an eye toward a richer wine style.

Beginning in sales year 2004, the Bouchaine label was redesigned and repositioned to represent a new more sophisticated style. In that year, the winery sold 5,000 cases of 2002 Bouchaine Pinot Noir and 4,000 cases of 2003 Chardonnay.

"Within 12 months, new accounts began giving us 'thumbs up,' and we achieved sales growth of 50% in 2003 over 2002," states Gauthier. By reprioritizing sales management regionally, the winery had the infrastructure in place to enable the team to deliver stronger out-

reach and increased communications such as updates on winery activities, winegrowing, and winemaking.

**Visiting the winery**

When visiting Bouchaine, one is struck by its culture of rustic, down-home friendly hospitality. They have succeeded in designing a memorable place to visit; it offers a strong sense of locality for people who visit and return home telling stories. This is a hard thing to achieve as one winery among 1,142 in California, these days.

When I arrived to interview the leadership team, an unannounced group of European physicians descended on the winery. Gauthier invited them (and me) on a special tour of the estate; packing us into the back of a pick up truck.

We embarked on a bumpy, but exciting and educational, drive

through the vineyards — noting owl boxes, erosion control methods, replanting projects, and panoramic, breath-taking views. Gauthier was clearly proud that Bouchaine has received the first Green Farm Certification in Napa, underlining the winery's commitment to sustainable winegrowing and business practices. Even the winery structure itself is built from reclaimed, old redwood tanks.

These are brand messages that are evident to consumers seeking direct relationships with Bouchaine. Richmond has succeeded in getting the hospitality team's commitment and support to deliver both profits and long-term, loyal brand ambassadors through this channel.

During my visit, I discovered that Bouchaine's marketing team is preparing to launch the Bacchus Collection to a growing wine club

## COVER STORY

membership for the first time. These are small production wines designed specifically for this channel, to provide an exclusive and unique experience. The Bacchus Collection also provides a venue to foster the vitality of the winemaking staff by allowing them to showcase small lots of wine, sharing them with a growing group of winery friends.

This Bacchus Collection, while it shows great promise, will take several years to evolve.

Woody Allen says: "90% of life is showing up," and with four strong brand ambassadors constantly in the market and consistent, day-after-day winery communications, momentum has started to build around the brand nationally.

**Making a small winery prosper**

Richmond likens the success of Bouchaine to the same commitment required to make good wine. "We have to have faith and trust in the integrated system that we are working so hard to build for Bouchaine." He knows it takes three years to introduce a brand, to have it accepted, and to break-even. It takes five years to be profitable and sustainable.

What Bouchaine Vineyards and other, small producers are realizing is they need to become more specialized to survive and prosper. To do this, they need to do more than "Just show up." ■

*In an increasingly complex marketplace, Scion Advisors helps wine family leaders develop vital competencies so they can operate more profitably and build long-term brand equity. The founding partner of Napa, CA-based Scion Advisors, Deborah Steinthal, has been an executive across a variety of industries globally and helped companies transform from startup through high growth; restructure due to poor performance; integrate new acquisitions. Drawing from her broad expertise, Steinthal works along side wine business leaders to help them navigate important transitions in their businesses and families by working with them on reality-based strategic planning and execution practices.*