

Navigating the US wine market today: Paul Wagner's advice

scritto da Fabio Piccoli | 6 Ottobre 2023



Deviating from the usual format of my Friday editorial, which typically delves into reflections on the world of wine (particularly on the Italian market), today I'm using this space to share an interview I recently conducted with Paul Wagner, one of the foremost global experts in wine marketing.

Paul Wagner holds the esteemed title of founder and emeritus president at Balzac Communications. With over three decades of remarkable experience in the US wine market, his consultancy work is both extensive and renowned, spanning prestigious clients such as the Union des Grands Crus de Bordeaux. Additionally, he has established fruitful collaborations with several Italian entities, making him an authority on the Italian wine system. Among his notable achievements, Paul is the author of several publications, including "Wine Marketing

& Sales: Successful Strategies for a Saturated Market”, which clinched the Gourmand Award for the best wine book for professionals in 2007. However, Paul’s impressive credentials are extensive, and I won’t dwell on them at the moment.

In the ever-evolving landscape of the US wine industry and the shifting preferences of consumers, maintaining a competitive edge in the American market is an increasingly crucial challenge for Italian wine producers. To shed light on the most effective strategies to deal with the American wine system, we turned to Paul Wagner. His insights offer a valuable perspective on the current state of the wine market in the United States and the practical steps that Italian wine companies can take to navigate it successfully.

About twenty years ago I was lucky enough to listen to you at an event in Sicily where you said that if an Italian producer wanted to conquer the US market he had to make American consumers fall in love with it. Is this statement still valid today? How important is “emotional” communication on the American market?

This statement is still valid and doesn’t only concern wine. American consumers buy things for emotional reasons, just as consumers all over the world do. Apple doesn’t sell computers; it sells a lifestyle and an image. Wine producers need to understand how consumers think about wine—and it’s not about rocks or rainfall. Consumers want a story about real people. You can’t tell a story about a thing—a story needs a main character, a person, to engage with the public. Wine producers need to learn to tell the story of their wine in a way that charms both the trade and the public. And the brands that are successful have done this. So yes, it is about seducing your customers. and all too often wineries try to convince their customers. People don’t buy wine intellectually, they buy it emotionally. But most oenologists don’t understand this!

After many years of growth, the USA, while remaining the main consumer of wine in the world with around 34 million hectoliters, seems to have slowed down this growth and young people above all seem less interested in wine today than the generations that preceded them. What do you think are the reasons for this slowdown?

Every study of the US market (and many other markets) shows that younger generations are not engaged with wine today because they find it too complicated and intimidating. That's a problem. The wine industry has responded with the ridiculous idea that consumers need to learn more about wine, to better understand it. No industry has ever prospered by telling its consumers to go back to school.

I often compare wine with music. Music is every bit as complicated as wine, but Elton John has never suggested that his consumers study composition and harmony to better appreciate his music. The world of wine needs to learn from this comparison. It needs to tell the story of wine as a joyful drink, an expression of community and communion, a creation of love, family and passion. And it needs to stop talking about calcareous soils, malo-lactic fermentation, and indigenous yeasts.

For many Italian companies, the US market continues to be the main reference market. Those that have been on this market for the longest time, however, often report the tiredness of their importers and distributors who no longer seem to have the same strength as in the past to push their brands. Do you think it is a tiredness of some historical importers or a difficulty of Italian wine companies in seriously investing in

the development of their brand in the USA?

There are more than 120,000 different wines for sale in the USA market. And while a generation ago there were thousands of distributors, today there are far fewer—hundreds at best. And the few that remain have massive portfolios of literally thousands of wines. The math is simple. A salesman for such a distributor needs to make ten or more sales calls per day. And his portfolio has thousands of wines.

The wine from an Italian producer with a total of 450 bottles for his region is not going to get any attention at all. The only products that will get attention are those that have the potential for massive sales, and massive profits. Yes, the consumer is overwhelmed by the choices on the shelf in the USA. But the distributor is also overwhelmed by the number of products he or she has to sell. And there is no end in sight.

The only solution for any winery, European or Californian, is to spend time in the market and do the job of the distributor. Because distributors are too busy to do the job for any but the largest wine producers.

There is more and more discussion about the importance or otherwise of the rating. Do you think this factor is still important for the development of a wine brand in the USA?

Last year, the Wine Spectator gave a rating of 90 points or higher to nearly 7,000 wines. Ratings are no longer a primary driver for sales, simply because too many wines have been rated so highly. But ratings still serve to reassure the consumer, and, to a certain extent, the trade. You won't immediately attract or win customers with a 95-point wine, but if you have done your marketing carefully, and built a human connection with your customer, then the rating will reassure them that your wine, while made by a charming and interesting person, a person they have come to know and like, has also

been judged to be of high quality.

I have always explained that the power of ratings in the US market is a function of the three-tiered system. Communication about wine through this system is dysfunctional. The producer communicates with the importer, who communicates with the distributor, who communicates with the sales team, who communicates with the restaurateur, who communicates with the service staff, who communicates with the end consumer. It's no wonder that the consumer (or anyone else!) rarely feels a connection with the product. The one message that can penetrate such a Byzantine system is: "96 points". But once every wine has a high rating, that is no longer a way to differentiate yourself from your competitors.

The solution is to build a communications program that tells a real and memorable story, and tells it to every level of the three-tiered system—via traditional media, social media, and direct human contact with the entire chain of sales. It's hard work. Which is why so few companies do it.

You are also among the leading experts in wine tourism. Do you believe that this tourism model can broaden the base of wine consumers in the USA and increase their knowledge of the values of wine?

If you read my last answer, wine tourism is a key element in building that direct human connection between the winery and its end consumer. And no, it's not because it increases their knowledge of wine, but rather because it gives them a human face and human story to connect with the wine and the brand. Ask any tourist at the end of the day, and they will talk most enthusiastically not about a place, building, a wine, or a painting. They will talk about a person they met, and the human connection they felt. That is the secret to success in wine tourism, and the secret to marketing wine.

Wine tourists are not in school, they are on vacation. What they want is not education, but entertainment. (Marshall McLuhan famously said that anyone who thinks that education and entertainment have nothing to do with each other doesn't know the first thing about either topic).

The sad thing is that wineries spend millions of dollars on building beautiful wineries, but almost never provide the proper training for the employees who work with the visitors. They don't hire a professional writer to write the script of their winery tour. They don't hire professional actors to deliver the tour messages. Instead, they hire sommeliers to give their visitors exactly the same kind of experience they have at every other winery—the same explanation of how to grow grapes, how to make wine, and how to taste wine. That's simply bad marketing.

Of course, wineries say they are educating their visitors, but they don't hire professional teachers, and they don't test their visitors to see how well they have learned the lesson. Why? I think it's because they don't want to know the answer. As a professor, an exam is the only way I can know if my students have learned. And instead of building a warm and close human connection with their customers, too many wineries send them off thinking they've done a good job "educating" them. It's a waste of time, money, and staff.

In conclusion, in your opinion, what advice would you give to an Italian wine company today to be competitive on the US market?

Let's break it down into three simple concepts:

1. Develop a memorable story that creates human interest in your wines and your brand—what makes you different and why should people care? Delete every mention of enology or viticulture, and create a story that is about people and passion. No one has ever fallen in love with a soil

type. Consumers don't need to know how to build a piano to like music, and they don't need to know what kind of barrels you use to enjoy wine. A memorable story is a story about people, not rocks, not rainfall, not mountains or grape clones—people.

2. Communicate that story to every level of the distribution network, from top to bottom. Develop personal relationships with the people at every level in the three-tiered system. Use every avenue of media you can, from passive media such as your website, that people will visit via their phones while they sit in a restaurant, to pro-active media such as emails to the sales team, personal notes to key accounts, messages to your consumers, and personal visits to the market.
3. None of this can be done in a single day. It will take time and patience. But you have to do this every day. The most valuable asset of your winery is not your vines or your wines, it's your customers. You need to cultivate them, understand them, coddle them, and constantly give them attention. Because the goal is not to sell them wine,; it's to make them missionaries, evangelists for your brand. And if you can do this, you will be successful, even in a difficult market like the US wine market.