

Macedonian Wines – Strategy for UK Market Entry
A Report for USAID Feb 18 2008 by Andrew Birtley,
Winedirect.co.uk

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1.0 Task Outline

The objectives of the assignment were to

- Assess whether the Makvino wineries met would be interested and willing to invest in an internet based marketing and sales plan for the UK/Europe
- Develop an internet based wine marketing and sales strategy for Makvino wineries including joint and individual offerings
- Identify specific marketing and sales, payment facilitation and fulfilment entities in the EU and define likely up front and variable costs.
- Develop financial models that show projected e-marketing and sales costs for EU bottled wine.
- Make specific recommendations as to if and how Macedonian wineries can successfully introduce and sustain internet-based marketing and sales of their wines, including anticipated up front costs. Specify terms and conditions necessary for the sustainability of the recommendations.

1.1 Consultant visit to Macedonia - activities

The consultant spent 5 days in Macedonia from Monday Jan 28 through to Friday Feb 1. Meetings were held with key Makvino wineries – Fonko Wines, Skovin, Tikvesh, Bovin, Popovakula and Popov. A brief presentation, outlining the key findings of the visit was made to US AID staff prior to departure.

1.2 Key Findings

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- i) Report limits – the scope of this report is limited to the UK market only. This is partly due to the fact the the consultant is based in the UK, works in theUK wine trade and is most familiar therefore with the UK market. But also because the UK market is the largest in Europe for non-indigenous wines, is the most open and competitive in Europe and is the most prestigious and influential global market due to the fact that it hosts the world’s leading competitions, wine shows and publications. Success in the UK is a key benchmark for success in global markets .
- ii) Wineries/positives - The 6 wineries visited produce wines of excellent quality. Viticulture and vinification techniques are of a high standard. There is a genuine passion and professionalism among the winemakers and business owners. Initially advised pricing levels fob Skopje are fair, but may be 10-20% too high for the UK market. Essentially though, the wines are good enough and the pricing more or less competitive enough to command the loyalty of buyers .
- iii) Wineries/negatives – lack of knowledge re the UK market and the extremely competitive nature of that market. Labelling is generally conservative, unexciting and undifferentiated. Printed point of sale material ranges from bland to drab. Websites range from good (Tikves) to functional and/or unappealing. Premium winemakers association (Makvino) exists in name only with no charter, funding or secretariat which is very bad news.
- iv) An internet based marketing and sales strategy to penetrate the UK market is a necessary but not a sufficient strategy to develop UK sales. It cannot deliver sales of any significance. An effective strategy involves a comprehensive, consistent and adequately funded approach embracing a full range of marketing and public relations tactics including the following:
 - A UK public relations program involving sampling of wines by wine critics, wine journalists and key influential buyers – including participation in key london wine fairs, an annual macedonian wine tasting, regular sampling of wines by important critics and journalists, sponsored visits to Macedonia by influential critics and journalists.
 - A carefully targeted and consistent UK advertising program focusing on publications which influence wholesale wine buyers eg Decanter, Harpers, Off Licence News
 - The creation of high quality point of sale material including bottle shots, vinification and tasting notes.
 - An element of brand consultancy ref brand positioning, label redesign (and potentially renaming of certain wineries or wine styles) , consumer sampling and testing
 - The creation of a webshop to sell Macedonian wines in the UK – this implies the stocking of wines in the UK and contingent transportation and UK in bond storage charges

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- v) Any comprehensive UK marketing strategy can only be funded jointly ie by multiple wineries, not individually (unless the winery owner has very deep pockets indeed). The likely annual cost of a UK marketing program is a minimum of euro 120,000 p.a. Presuming that the average marketing spend for a leading Macedonian winery is unlikely to exceed euro 50000 per annum (except Tikves) – and that UK sales would be fortunate to achieve 1000 cases per annum by year 2/3 – it should be clear that a UK market development strategy is not affordable for a mid sized winery and is unlikely to produce a return on investment within a 3 year period.

Furthermore it is doubtful that any single mid size Macedonian winery can command enough interest to sustain either a public relations or advertising program. In such circumstances the marketing and PR costs for 5 -10 wineries would not differ materially from the costs for one winery – and conversely a joint campaign would be far more worthy of press, critic and buyer attention than an independent campaign.

- vi) Since a joint market penetration strategy is the only economically feasible and rational strategy for Macedonian wineries, it is recommended that an umbrella organisation for leading wineries is created, taking Makvino as its starting point. This umbrella organisation – for now titled “Wines of Macedonia” would have the following characteristics
- A membership association where the criteria for membership relate to a) superior quality of wine production b) objectives relating to UK market penetration and c) participation in a common funding pot to realise these objective
 - A local (ie in Macedonia) secretariat, appropriately staffed and funded, to work towards the realisation of these objectives
 - A defined charter for membership
 - A defined set of objectives
 - A logo, brand and strapline – acting both as an identifier of the association and a symbol of quality production – to be trademarked and labelled on every bottle sold in the UK (and possibly other developed markets as well).

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2.0 The UK Wine Market – General Overview

- The UK wine market is large at £7.6bn/annum (2004) and with 60% of all consumers buying wine once a month
- The major supermarkets, particularly Tesco, have significantly increased their share of the UK wine market over the last 5 years from 65 to 75%, driven principally by access to footfall, aggressive pricing at the low end, improved wine ranges and the tendency for consumers to recognise major wine brands which have been a product of increased producer consolidation

(Major supermarkets are Tesco, Sainsburys, Asda, Morrisons, Waitrose and Marks and Spencers)

- Specialist off licence retailers have suffered the greatest market share reverse from 14 to 4% of primary wine purchases during the same period. Majestic is the only successful specialist wine multiple. All other specialist multiples have suffered declines in sales, outlet numbers and profits.

(Major wine only retailers are Majestic, Threshers, Oddbins/Nicolas (owned by French wine producer Castel Freres)

- Specialist mail order and internet retailers have a growing but small share of the wine market, increasing from 3.5 to 3.7% of the market. This figure however does not include the internet sales of the supermarket sector.
- Independents that have thrived are those which have moved upmarket to focus on premium end sales
- Internet/mail order wine retailing is dominated by one company, Direct Wines, who own Laithwaites, the Sunday Times Wine Club, Virgin Wines and Averys among others. They are a mass rather than premium segment retailer across all brand avatars.
- Although there are a number of fine wine internet sites, they tend to be extensions of a retail outlet and to focus on the top 1% of wine consumers purchasing wines in the £25 + category. Only one of these companies, Berry Bros and Rudd (BBR), attempts to address the top 10% most affluent consumers on a genuinely national basis with a well designed website.
- The UK wine market consists of 23 million wine consumers, defined as adults who drink wine at least once a month. That is, approximately 62% of UK consumers buy and drink wine at least once a month. 8.4mn consumers are classified AB and 7.3mn C1.
- On average wine represents 48% of alcohol spend across all UK households. Wine purchasing is positively correlated with affluence. The top 10% most

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affluent households spend 60% of their alcohol spend on wine. In real terms they spend 10 times as much on wine as the poorest 10% of households.

- The median middle class wine consumer buys between 5-9 bottles per month. This is the fastest growing volume buying category with 13% of all consumers. 7% of all consumers buy 10-14 bottles per months and 6% buy 15+ bottles per month. Again there is a positive correlation between affluence and increased wine purchase volume with an overweight of affluent AB consumers among the 13% buying 10+ bottles per month.

- 50% of all wine consumers pay less than £5 per bottle of wine with the average UK retail price just under £4. These buyers tend to buy 4-6 btls per month.
- Generally all wine consumers are a) increasing their volume purchase per month - median 5-9 bottles b) increasing average spend per bottle c) increasing their frequency of purchase
- Increases are driven by an overall increase in at home wine drinking fuelled by trends toward more home entertainment, a corresponding interest in superior wine and food, more sophisticated home entertainment systems, more knowledge about wine
- Although 50% of all wine consumers do not spend more than £5 per bottle the £7.50-£9.99 category is the fastest growing segment with a 63% volume increase in the period 2000-2004
- Australian red and white wines are the most popular in the UK with 24.1% of the UK market followed by French red/white wines at 19.4%. South Africa and Chile (8.4% and 7.6% respectively are the next most popular origin countries)
- The market fundamentals 2005 -2010 support an increase in premium wine drinking. The AB segment is forecast to grow 10.1% and the C1 segment 4.6% by 2010. Populations demographics support this. The highest spending age groups are 45-54, followed by 55-64 and 35-44. |The first and second of these groups are forecast to grow by 10.7% and 4.6% by 2010.

More detail can be found in the attached report: Wine Retailing UK, Mintel , October 2005 – although this report is nearly 3 years old , most of the key underlying data has not changed in a meaningful sense since then.

2.1 The UK Wine Market – routes to market

The main routes to market are as follows:

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1. Find a distributor – by “distributor” I mean an agent who represents overseas wine brands and sell their wines to the on-trade (restaurants, hotels) and the off trade – off licenses and independent wine merchants (such as winedirect.co.uk). Generally these agents will also sell to the supermarkets but usually only more limited allocation premium wines. The supermarkets will go direct to the wine producers for own label or house wine bands OR where their purchase volumes are especially large.

There are literally hundreds of wine distributors in the UK – most of them small companies specialising , say, in the Languedoc, Germany etc or with a narrow range of wines from France and Spain, or perhaps with a regional focus within the UK.

There are a small number of major distributors who represent between 50-200 wineries from around the world. The leading relevant agents are listed here together with their web addresses:

Alliance Wine – www.alliance.co.uk

Berkmann Wine Cellars – www.berkmann.co.uk

Bibendum – www.bibendum-wine.co.uk

Enotria – www.enotria.co.uk

FMV/Fields,Morris and Verdin – www.fmvwines.com

Hallgarten – www.hallgarten.co.uk

HBJ/Hayman Barwell Jones – www.hbjwines.co.uk

Hwcg – www.hwcg.co.uk

Justerini and Brooks – www.justerinis.com

Les Caves du Pyrene – www.lescaves.co.uk

Liberty Wines – www.libertywine.co.uk

Louis Latour Agencies – www.louislatour.com

Mentendorff – www.mentendorff.co.uk

New Generation – www.newgenerationwines.com

Paragon Vintners

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Seckford Agencies – www.seckfordagencies.co.uk

Thorman Hunt

Of these the most likely potential agents for Macedonian wineries are Berkmann, Bibendum, Enotria, Hallgarten, HBJ, Les Caves, New Gen and Liberty.

I met informally with the chief wine buyers at Berkmann, Enotria and New Generation. While all 3 were open minded, curious and willing to try the wines and advise their opinion on same, they more or less agreed as follows:

- That they generally look for well know varietals from renowned producers from established wine producing countries.
 - They are equally dubious about new grape varieties since most consumers do not know grenache or viognier yet.
 - They do not usually invest in brand building except on 50/50 spend basis with the winery concerned and usually prefer to chip in 20-40%
 - They thought euro 2.50 per bottle fob skopje was expensive. They buy good standard varietal at euro 1.50-2.00 per btl and the wine would have to be extremely good to justify a euro 2.50 per btl price
 - Berkmann gave an example where they agreed to take 200 cases a year of good Pinot Grigio from a Slovenian winery. This was a nice gesture on their part but none of their customers are really interested. Berkmann buy 40,000 cases of pinot grigio from Italy annually and it's cheaper and better. So why buy Slovenian?
 - Are unanimous that a brand building program for Macedonia is essential.
 - Their average mark up is around 10-15%
2. Supermarkets – I don't believe that an approach to supermarkets is a viable initial strategy for mid size Macedonian wineries because
- Their interest will be on standard varietals, probably packaged as own label brands (“Tesco Finest Chardonnay”, “Sainsbury's Taste the Difference Merlot”) and at very aggressive prices ie euro 1.50/btl
 - They would also prefer the back up of a Wines of Macedonia campaign
 - It's necessary to understand the mindset and approach of a Supermarket Wine Buyer first. To that end Makvino will require a specific consultant with expertise in this area. The best person to advise in this field would be Angela Mount, former chief wine buyer for supermarket chain Somerfield and now a director with wine specialist consultancy firm “Wine Intelligence” (www.wineintelligence.com). Depending on the scope of the consultancy project it would cost between £5000-£10000 to commission Wine Intelligence to advise on a supermarket entry strategy. This is a viable project for a well

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funded Wines of Macedonia market entry strategy – but not something, in my view, to be attempted first.

3. Internet e-sales / own operation - this is a viable, cost effective introductory market entry strategy. This section of the report answers directly the specific task outline stipulated by USAID with reference to the UK only. Like all entry strategies however it can only be really effective within the context of a more comprehensive marketing program under the umbrella branding “Wines of Macedonia”. The proposal is as follows:

- i) Each winery to ship a minimum of 2 pallets (100 cases of 12 bottles each) of wine to Winedirect ‘s in bond storage facility at London City Bond. The cost of transportation and in bond storage to be borne by each winery. Transportation to be arranged ex Macedonia since, to date, Winedirect’s main transporters (JF Hillebrandt, Kuehne & Nagel and Wineflow) have been unable to offer competitive pallet rates ex Macedonia. Storage and warehouse in/out costs at LCB as follows
 - Storage - £0.60/case 12 /per month ie £30 per pallet
 - Warehouse in/out handling (known as RHD) - £1 per case 12
- ii) Wines to remain the property of the winery until sold
- iii) Winedirect will create a Wines of Macedonia website under the domain name www.winesofmacedonia.co.uk . The website will feature general information about Macedonia and Macedonian wine, profiles of each winery, details and tasting notes for each bottle and a fully integrated webshop for online payments. The site will also feature a separate log in section for wholesale sales.

Cost £4250 + 17.5% vat = £4993.75

The site can be live from March 24 – or within 3 weeks from confirmation and payment of a 50% deposit. Wines must be in London City Bond prior to the site going live.

- iv) To promote the site I believe it would be a very good idea to shoot a set of wine tasting videos – similar in style to the videos currently on the site – featuring a recognised wine critic giving his views on the wines concerned. We use a company called Magnetic Pictures (www.magpix.co.uk). All in cost including all post production work + critic fees is £4000 + vat = £4700
- v) Any profits to be shared between the winery and Winedirect.co.uk based on selling price of the wine less duty paid delivered cost of the wines to winedirect’s warehouse in east sussex (we get free

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delivery from LCB). This enables the winery to earn a share of the final retail or wholesale price of the wines without losing margin to any 3rd parties.

2.2 Estimated UK wholesale/retail prices

What would be the estimated wholesale and retail prices for Macedonian wines?

Focusing only on the standard varietals (pricing on premium wines too difficult to estimate at present), the following table lays out the key costs....

	Fob Skopje at 2 euro/bt	Fob Skopje at 2.50 euro/bt	Fob Skopje at 3 euro/bt
Transportation (euro)	0.30	0.30	0.30
UK warehousing (incl 3 months storage) in euro	0.18	0.18	0.18
Duty in euro	1.70	1.70	1.70
Wholesale cost/bt	4.18 (£3.13)	4.68 (£3.51)	5.18 (£3.88)
Wholesale cost/case	50.16 (£37.62)	56.16 (£42.12)	62.16 (£46.62)
Wholesale sales price	£40-42 per case 12	£45-48 per case 12	£50-52 per case 12
Add vat	£47-49 per case 12	£53-56 per case 12	£59-61 per case 12
Add retail mark up min30%	£61-64 per case 12	£69-73 per case 12	£77-80 per case 12
Retail per bottle	£4.95 - £5.50	£5.50 - £5.95	£6.25-£6.95

- Marketing costs not factored in for this analysis

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- Transportation cost is a ballpark estimate – higher volumes allowing shipping in dedicated containers could reduce the cost by 10 euro cents

2.2.1 – Wholesale/Retail price benchmarking

Our view is that quality Macedonian varietals need to be focused on the £4.95-£5.95 price range with £4.95 as the key target retail sales price on promotion. Please see the following table illustrating wholesale per case and retail per bottle prices from a selection of global competitors – all of whom have renowned brands, instantly recognisable to consumers and who have won various international awards for their wines:

Country	Winery	Wine Range	Whole sale Price per case 12 ex vat	Retail Price per bottle	Comments
Chile	Concha Y Toro	Casillero del Diablo range (cabernet, merlot, carmenere, chardonnay, Sauvignon etc	£46	£5.95 - £6.50	Numerous trophies and gold medals at IWC and Decanter 2005-7
Argentina	Bodegas Catena Zapata	Alamos range – cabernet ,malbec, chardonnay etc	£52	£6.95	Chardonnay acclaimed by Robert Parker
Australia	De Bortoli	Sacred Hill Range – chardonnay, sauvignon-semillon, shiraz, cabernet-merlot etc	£36.10	£5..00-£5.95	Good wines but not medal winners – top quality renowned producer –good margins for independents

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Australia	Tyrells	Chardonnay, cabernet, shiraz, Sem-sauv	£43.34	££5.95	Good wines but not medal winners – top quality renowned producer –good margins for independents
Spain	Vina Bajoz	Grenache, Verdejo-viura, tempranillo	£40-44	£5.95	Well regarded Spanish winery – good Parker and Wine Spectator ratings
New Zealand	Babich	Marlborough Sauvignon Blanc, Hawke’s Bay chardonnay, merlot and pinot etc	£52	£6.95	Sauv Blanc voted in top 10 of Wine Spectators Top 100 wines of 2005
France	Louis Latour	Ardeche Chardonnay	£45	£5.95-£6.95	15.5 pts from Jancis Robinson – acclaimed producer
Italy	Antinori	Santa Cristina (standard tuscan sangiovese)	£51	£6.95	Good wine from hugely renowned Italian producer

Bear in mind that with 50% of all wines commanding a retail price of under £5, this means that 50% of all wines are sold wholesale (duty paid delivered and excluding vat) at under £40 per case of 12.

Hence producers should focus on fob skopje prices in the euro 2.00-2.50 mark (without sacrificing quality) for the first year of the campaign. More expensive wines can , of course , be imported and sold as well but only in addition to the standard range.

3.0 Case Studies – Bulgaria and Moldova

The following 2 case studies are drawn from country supplements published by the UK wine trade’s leading weekly magazine, Harpers. The full copy of the Bulgaria supplement, published in October 2005, is attached to this report. The Moldova supplement was just published last week and is not available for download on Harpers site. However they have sent me the relevant pages on the Moldovan Wine Guild which are also attached to this report.

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3.1 Bulgaria

Bulgarian wine exports to the UK have declined catastrophically over the last 10 years. The reasons for this – essentially poor state management of the transition from state ownership to private ownership and related problems concerned with investment, quality and promotion – can be read in detail in the supplement. I would like to highlight 2 articles - pp20-21 on Bulgaria's position with the UK off trade and pp12-13 on rebranding Bulgaria. I'll paraphrase the articles – for full text see the attached pdf.

Bulgaria's position vis a vis the UK offtrade

This article poses questions to 3 of the UK's most important wine buyers - James Griswood from Threshers (over 2000 high street wine shops), Catherine Roffey from Morrisons Supermarkets and Paul Bastard from the Coop Supermarket.

Q1: Why have Bulgarian wines declined from 5mn + cases in the mid 1990s to less than 1 mn today?

Griswood/Threshers – Bulgarian wines do not look or feel attractive. No improvement in quality/value over last 10 years. Much better value from Spain. Threshers only sell very cheap Bulgarian wines or use them for own label production.

Roffey/Morrisons – Bulgaria only operates in the sub £5 market – and in this market there is better value from New World countries and the labelling is clearer, more attractive. Taste not what consumers are looking for. Why would one buy Bulgaria at £3-4 vs Chile or at £5+ vs Australia? Simply no reason to.

Bastard/Coop – only have 3 Bulgarian wines on the shelf – 1 white, 1 red and 1 rose. Problems with style, quality and value for money.

Smith/Sainsburys – market is much more competitive today than 10-15 years ago. All new world countries have improved their quality, style and value for money. Bulgaria hasn't.

Q2: What would a Bulgarian producer have to do to get a listing with you? Eg Standard varietals or indigenous grapes? Brands vs own label? Cheap vs premium pricing?

Griswood/Threshers – they have to get quality and style right. The name “Bulgaria” is a put-off. If someone pulls out a Bulgarian wine at a dinner party nowadays it's not going to impress anybody. It needs to be more attractive, more modern.

Roffey/Morrisons – needs to be tasty, less woody, simple ripe fruit. More emphasis on grape variety and less on country. Under £4. No native grape varieties.

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*Smith/Sainsburys – demonstrate that the brand/style has UK consumer appeal; has some success in the UK offtrade ; has a **competitive brand package** and excellent quality wine. Risky to start with grape varieties noone has heard of in the mass but possible to do so with selective independents. Avoid brands and grape names noone can pronounce. Difficult to obtain premium £5+ pricing today's competitive environment.*

Brand Bulgaria – some excerpts

“Australia’s success has been built on strong brands and adept presentation. For Bulgaria to succeed in the UK...it will need to do the same. This, of course, means the brands that Bulgaria produces and ‘Brand Bulgaria’ itself.”

Vily Galabova, Commercial Manager at Bulgarian producer Vinimpex...

‘It hurts me to say, but almost nothing has been done in the past decade by the state or the interprofessional organisations to create a good image for Bulgaria as a wine-producing country. The wine companies, on the other hand, are not financially strong enough, and in the majority of cases have not experienced enough to take over this task themselves. Therefore, Bulgaria still has to rely on the image built by the state during the ‘80s as a supplier of good-value-for-money, cheap-and-cheerful wines.’

MD of a leading UK wine branding consultancy..

‘It seems, however, that in the short term at least, it will be better branding of Bulgarian wines that will have the most impact, rather than an attempt to increase the profile of Bulgaria itself. As Foulkes-Arellano argues: ‘One super-brand can do more for the sales of the country than anything else. You need a flagship wine that the rest can follow.’

UK Marketing Director of leading Bulgarian winery , Boyar International

...those succeeding seem to be doing so at the expense of ‘Bulgaria’. Lamberth’s most successful brand is Blueridge (RRP £3.99), which outsells its ‘classic Bulgaria’ counterpart, Domaine Boyar, two to one. In his words, the point of Blueridge is to be ‘more Australian than the Australians’. ‘We had to break away from the idea that everything from Eastern Europe is dull and uninspiring,’ he continues. ‘We saw what the New World was doing and thought, “we want some of that”.’ The result was a new Australian-designed winery (opened in 1999) built in an area whose Bulgarian name translates as Blueridge. ‘It was pretty lucky really,’ says Lamberth, ‘as that was exactly the kind of name we were looking for.’

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... and on branding and packaging...

The other major company with a strong presence in the UK, Winez, has gone down a similar route with its Valley of the Roses brand. Foulkes-Arellano argues that this approach to branding is exactly the one that Bulgarian wines should be following. As he says: ‘If you want to sell a lot of wine, you have to follow certain rules. When it comes to “unacceptable” countries, the rule is to not shout about where it’s from too loudly. You don’t want to obscure it completely and be dishonest, but it’s important not to make it a central tenet of the brand. What’s most important is to appeal to the pre-set visual cue the consumers use. Your packaging has to be right. It’s just like a premium orange juice. It may well contain some juice from Brazil, some from Florida and maybe a bit from Seville. The product tastes great, but the packaging is all about freshness, and orange groves. Wine works in exactly the same way.’

3.2 Moldova

The attached article concerns the formation and activities of the Moldovan Wine Guild, set up in August 2007. The parallels with Macedonia are obvious. Unlike Makvino however, the Moldovan Wine Guild has clearly got its act together, has funding, a dedicated secretariat and a comprehensive and well thought out plan to penetrate the UK market. Some excerpts (actually nearly all of it!) from the article which is an interview with the guild director, Veronica Russu-Marin..

Can you comment briefly on the role of the guild and how and when it was set up? What brought the guild members together? How is it funded?

In the past, group marketing efforts were unusual for Moldovan wineries and co-operation within the industry was relatively low....

Early in 2007, a group of seven wineries had the bright idea of getting together to make joint efforts to find new markets and to respond to the demand for higher quality wines. The Moldovan Wine Guild (MWG) was registered officially by August 22, 2007. Its role as a marketing association is to unite Moldovan wine producers’ efforts to promote their wines to the European and world markets by emphasising the quality and tradition of

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Moldovan wines. It also gives us a strong base to defend the rights and interests of our members. Members of the guild believe that this joint approach is the only effective way to present Moldovan wineries to the global market, as has been very successfully shown in such countries as Australia, Chile and South Africa.

The organisation is 70–80% funded by its members through membership fees and project financing for specific activities. Additionally, we are co-funded by different organisations, such as donor and government programmes designed to develop the wine industry. Here I should mention the significant contribution of the USAID CEED project, as well as the state agencies Moldova-Vin and Moldovan Import Export Promotion Organisation (MIEPO).

What are the guild's short and longer term objectives?

Our vision is to make Moldova renowned as a European wine-producing region with great potential for quality and fruit-driven wines. We want to be a strong marketing association that builds recognition for our wines. This will help raise Moldova's country profile on the international market and contribute to growth in export sales. Export to CIS is still important to the MWG and in 2007 still accounted for 65% of our export sales. Eastern European markets are growing and our wines are wellknown there.

At the same time, there is a growing trend in Western European markets; so, for example, UK sales doubled sales from 2006 to 2007. The UK and Germany are important wine importers and consumers, and although they account for only 4% and 2% respectively of our members' total exports, we need to focus our efforts on these markets to become recognised on the global arena. Communicating with Western European consumers and building a bridge between producers and buyers are priority objectives.

Who are the key personnel? What are their backgrounds and key skills?

The executive team is very small with just three employees right now. In the near future, we plan to expand our team by recruiting a sector specialist.

How significant are the guild members?

The export sales of the MWG's seven member wineries represent 30 % of the country's total wine export volume. All are leaders in supplying Moldovan wines to the European market, and their wines have been awarded prizes in prestigious international contests. Our members see technical progress and new technology as welcome, but also don't ignore the best of our traditions passed down from previous generations. These are wineries that place great emphasis on quality and offer consistency behind their brands.

What are the requirements to be eligible for membership? Do you plan to expand membership?

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Membership of the guild is open to all Moldovan companies that are active in the wine trade and show a commitment to developing the Moldovan wine industry. They must be prepared to take an active part in the Wine Guild programmes and conform to our organisational charter and regulations. I trust that by showing positive results, we can bring other wineries into the group. It's important that any new member understands our objectives and cares about its own reputation and reputation of other members

What are the major challenges and opportunities facing the guild?

Export to global consumers is different to selling to our traditional CIS countries. With low country awareness on the international markets, Moldovan producers were suffering from the "Where's that?" factor more than any other Eastern European country.

We realise that to go global and to sell wine effectively in a highly competitive market, Moldovan wine producers need to improve their understanding of international wine trade practice and to stay up to date with international grape-growing and winemaking.

We had a strong need to consolidate our efforts and develop a cohesive central strategy which would help our members to respond to the new competitive environment facing Moldovan wine producers around the world. With limited budgets for promotion, first of all we had to select priority markets and develop a two-year strategy as a basis for building the organisation and developing our activities in the future. For each of the selected markets, we have to work with importers and local people who know the market. In looking at potential new markets, we need to learn about consumers' preferences for wine styles in those markets and face any cultural barriers in these countries. We try to be as receptive as possible to each market's demands.

The UK is our first priority market, based on total country import volumes and wine consumption, although we realise it requires a long-term approach that demonstrates a strong commitment. To penetrate the UK it is essential to have a good understanding of the market, to have a well-prepared product strategy, and to be flexible. In our case, we believe a communication programme for UK consumers is very important. Being unknown is a big disadvantage, but it can be turned into a strong advantage. We believe that raising awareness for the country and Moldovan wines should become an effective tool in attracting the attention of mass media and key opinion formers in wine, as well as the final consumers. We reckon that we can attract consumers with wines like Negru de Purcari, Rosu de Purcari, Taking Root, and Firebird Legend, as well as with indigenous grapes like Rara Neagra and Feteasca, and we hope that they quickly become favourites. Moldova has had a flourishing and successful wine industry for centuries and together with its unique local varieties, it has a strong individual identity in the winemaking world.

We believe that Moldova has the best of both worlds: a natural approach to winemaking balanced by the guidance and advice of highly experienced, international oenologists who

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ensure the high standard of our wine. Our non-commercial and personal approach is a real competitive advantage. I strongly believe that our wines can make Moldova famous!

A few of examples of the Moldovan Wine Guilds UK marketing activities:

- They have clearly sponsored this supplement in associations with Harpers
- They have retained a marketing and communications agency in the UK to coordinate their activities in this area ie Eviva (www.eviva.co.uk)
- They are holding a tutored tasting and advisory session at the London International Wine Trade Fair in May led by distinguished critic Robert Joseph and the aforementioned wine buying consultant Angela Mount
- They have retained leading wine consultancy Wine Intelligence with what appears to be a wide ranging brief – but including sample testing of Moldovan wines across their “Vinitrac” database of 1000+ wine consumers.

4.0 Wines of Macedonia UK Marketing Campaign

4.1.1 Interim Summary

As an interim summary it should be clear that if Macedonian wineries are to have any chance of penetrating major global wine markets such as the UK, they must

- a) end the current tribal approach to international marketing and promotion and cooperate under the umbrella of a national premium winemaker’s marketing association
- b) professionalize their approach to their own branding and jointly fund a comprehensive international marketing and promotional program

There is no “3rd way “ to the UK market. The alternative is simply to continue focusing on Russia, Balkans and Eastern European markets. The problem is that this is only a temporary alternative. Although Moldova has been particularly unlucky to have been treated so unfairly by Russia – the fact remains that in the 18 months that they have been effectively barred from that market, cheap wines from Argentina, Chile and Australia have taken a market share that they will never regain. The same is true of the Balkans as well – inevitably major global wine brands will enter these markets and eat into Macedonia’s current market share.

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Funding a marketing program to penetrate the UK market cannot therefore be seen in isolation. The expenses associated with such a program cannot be justified solely on the basis of a 3 year UK sales revenue target. They are only relevant within the context of putting Macedonian wines on the world map and building a brand which will open doors to consumers across all markets.

Finally it should be clear that there is no b) without a). No “Wines of Macedonia” international marketing association means no effective international marketing and promotional campaign. It’s uneconomic and, ultimately, ineffective.

4.1.2 UK Marketing Program – outline and indicative costs

1. Develop a “Wines of Macedonia” logo and , potentially, a strapline. The logo to serve as a key branding tool to promote Macedonian wines and serve as a guarantee of quality permitted to be used only by members of the Wines of Macedonia association. The logo would be used on all point of sale material by individual wineries as well as in advertising, exhibition stands, websites, letterheads etc. The logo should appear on all bottles sold , at least, in the UK market if not other major Western European and US markets as well. The brand and logo must directly relate to the charter of the association with particular relevance to the qualitative aspects of that charter, howsoever defined.

- Cost of developing the logo , including positioning statements and brand / logo usage guidelines and draft formats - £5000 + vat
- Recommended agency – Barlow Doherty ; www.barlowdoherty.com – this is one of the UK’s leading specialist wine branding consultants.
- Cost of registering the logo as a trademark - £850+ vat per each registration. I would strongly recommend that any name, logo and strapline is submitted for international trademark registration. This is particularly the case for anything including the word “Macedonia” due to the ongoing disputes with Greece. Recommended company is “Company Registrations”. You can find everything you need to know about registering international trademarks via their website www.companyregistrations.co.uk . The process takes approx 9 months,

1. Develop a UK promotional website and open a UK sales channel. Winedirect.co.uk is prepared to do this and is already the registered owner of the domain names www.winesofmacedonia.co.uk and www.winesofmacedonia.eu. The cost of these

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registrations was £60 + vat and they can be transferred at cost to the association with receipt copies.

Winedirect.co.uk's plan and costs for developing a UK webshop and sales channel has been outlined in section 2.1 part 3 above. To repeat the cost is £4250 + vat . In addition I would recommend that, subject to an initial critic sampling of some Macedonian wines, that the association invests in the production of wine videos for each of the wines on sale at a cost of £4000 + vat

2. Retention of a public relations agency – a specialist wine PR company will have a excellent contacts throughout the wine industry. Their key activities are as follows:
 - Develop a communications strategy and plan targetted on key client and industry events throughout the calendar year (usually releases need to be prepared and distributed 4-6 months in advance)
 - Write and distribute press releases to journalists/critics in wine, trade and consumer publications
 - Manage and coordinate sampling programs with journalists/critics
 - Manage and coordinate wine tasting events , speeches and assist with exhibitions
 - Plan and coordinate visits to/from Macedonia viz critics/journalists visting Macedonia + press meetings with visiting principals from Macedonian wineries

A PR company works on a “retainer” basis ie they charge a monthly fee based on 2 days work per month (they do not normally accept projects involving less than 2 days work). This is payable year round and covers seasonal peaks/troughs where 1 or 4 days work per month may be necessary.

Cost £1500 per month + vat + expenses (est £200/month)

Recommended company – Emma Wellings PR. Emma Wellings has been voted as one of the top 5 wine PR firms by Harpers every year since 1999. It is one of only 2 specialist wine PR companies to make it into PR Week's “PR Power 100”

3. Styling, Branding and Advertising – there are a large number of issues which can be covered. To touch on them..
 - i) Wine style consultancy – retention of a Master of Wine consultant to advise Macedonian wineries on subtle changes in their winemaking styles to target the majority or niche preferences of the UK consumer. Also capable of advising on market positioning and branding.
 - ii) Brand Ambassador – there are over 260 Masters of Wine, a number of whom are freelance consultants and most of whom are “movers and shakers” within the wine world. As “consultants” they are available to champion and promote a particular wine brand but tend to prefer generic bodies. A fine example – and one

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- of the best brand ambassadors one could get – would be Philip Goodband (goodband-wineservices.co.uk). A brand ambassador would be retained to hold seminars at exhibitions, tutored tastings, press conferences, make speeches etc
- iii) Packaging, Labelling and Brand Positioning – generally the naming and labelling of Macedonian wines is unexciting and not particularly eye-catching. Three wineries need a totally new look and feel with respect to their names and labelling. Two wineries need some minor re-design work. But all wineries require a more fundamental reconsideration of what their brand stands for, its unique or differentiating factors, how and where they might fit into the UK marketplace etc. All Macedonian wineries cannot pursue the same marketing strategy vis a vis consumers. As an example only – it may make sense to position Fonko Wines as a young, trendy, fashionable and funky Macedonian wine brand and to position Bovin as a sophisticated, mature, upmarket wine brand. This does not mean that one wine is better than the other OR that Bovin really is sophisticated and Fonko really is funky. But it is necessary to create clearer points of difference and positioning for Macedonian wineries because today, from a UK consumers perspective, they all look the same.

Consideration also needs to be given to a totally new brand identity – even if only for a particular set of wines from one winery – along the lines of the Bulgarian brand “Blueridge” or the Moldovan brand “Firebird Legend” referred to above.

Cost for brand consultancy, repositioning, label set re-design and brand guidelines
£3000-5000 per winery (subject to work definition)

Recommended company: Barlow Doherty – www.barlowdoherty.com

Pls note this is absolutely essential for at least 3 wineries – minor changes for other wineries will be considerably cheaper.

- iv) Advertising Agency Costs - £2000-3000 + vat to develop a set of campaign creatives across print and online media
Est annual advertising cost – approx £15000 (focused on Decanter, sponsorship of wine sites, banner advertising etc)
4. Market Research - there is only 1 market research company focused only on the wine industry, Wine Intelligence – www.wineintelligence.com. Due to its unique positioning Wine Intelligence is both a research company and a general wine consultancy and is attracting increasing numbers of key industry figures to its board and consultancy positions.

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At this point there is no defined role for Wine Intelligence vis a vis Macedonian wineries. However this is the company one would use to address issues such as the test marketing of the Vranec grape and/or “responses to the name “Vranec” from retail consumers and key on trade/off trade buyers” or “Define a supermarket entry strategy for Macedonian wineries” .

For this reason I’ll put in a contingent £10000 per annum for Wine Intelligence services.

5. Wine Exhibitions – there are 3 key wine exhibitions held in London each year.
 - London International Wine and Spirit Fair ; May 20-22 – held at the Excel exhibition facility in the far east of London. This is the leading UK fair and , as per the organiser’s publicity material “ the single most important event in the world wine calendar”. This is an exaggeration – the fair does attract a lot of buyers from around the world and therefore has a global presence. As far as the UK market is concerned it is primarily an “off trade” fair ie a wholesale fair for independent wine merchants, supermarkets etc. Exhibition stand space may still be available and the cost is £320 per sq metre. “Everybody” exhibits at LIWSF so it is a fantastic educational experience for any visitor. In addition there are lots of seminars and tutored tastings (eg Moldovan Wine Guild) and this type of event, led by a prestigious brand ambassador (see below) can often be a better showcase for a new country exhibitor than a stand. There are a wealth of sponsorship options as well – priced from £5000-£15000 ; eg sponsoring the lanyards that go around your neck and which hold your entry tickets costs £5000...sponsoring the press office costs £14500 (+vat). Exhibiting here in 2009 is a must – but premature given the timeframes in 2008
 - The Wine Show, Business Design Centre, Islington Oct 27-30 – this is a consumer show held in the centre of London and attracting some 15000 visitors over 3 days. Most of the major country wine marketing associations will also exhibit here (indeed in all 3 shows). It’s a good brand building opportunity and lots of on trade and off trade buyers do attend but the opportunity here is to really test market Macedonian wines to potentially thousands of UK consumers.
 - Wineplus – this is , in my view, a very important show indeed. This is a new show, only running for the last 2 years, and principally addresses the ontrade audience..in particular restaurants, bars, hotels and clubs in London. The show is held in central London in Kensington Olympia and is scheduled for Feb 3-4 in 2009. Beautiful stands, much more intimate venue than LIWSF and better opportunity for differentiation.
6. Sponsored visits to Macedonia – it is essential to encourage and support the travel of key wine critics and journalists to Macedonia. For a 4 day visit budget a min of

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£2000 in fees and £1000 in costs . Target 4 visits per annum for an annual spend of £12000

7. Winedirect.co.uk – UK coordination for Wines of Macedonia

In addition to , and separate from, Wines of Macedonia.co.uk website creation and order fulfilment, Winedirect is prepared to undertake all UK coordination of Wines of Macedonia marketing and promotion activities , under contract, and for a fee of £2100 + vat per month for a min 6 month period. This would include

- Coordination and supervision of trademark design and registration
- Coordination and supervision of all public relations activities
- Coordination and supervision of all styling, branding, advertising and market research activities
- Coordination and supervision of all exhibitions
- Sponsoring the entry of Macedonian wines in key award shoes ie Decanter Awards, International Wine and Spirit Competition, International Wine Challenge
- Direct selling to key wine distributors to “land” an agency contract fro each Macedonian winery

8. Summary Costs for a UK Marketing Budget (in £ sterling and excl of vat)

Type of Costs	Essential	Optional
Winedirect Coordination	£2100 per month	
Public Relations	£1700 per month	
Webshop	£5000 one off	Videos £4700
Logo Creation and trademark registration	£6000	
Advertising agency and ad costs	£20000	
Market Research		£10000
Exhibition participation (2)	£20000	
Sponsored visits to Macedonia	£12000	

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The annual cost comes to around £100-110,000 or euro 140-150,000. Obviously this can be adjusted up or down according to the final budget and plan. The Winedirect fees are based on 3 full time days per month. It is probable that vat may not need to be charged since the customer is outside the European Union.

These costs exclude costs associated with setting up a Wines of Macedonia secretariat in Skopje + the costs of wine transportation and storage to the UK and travel to the UK by Macedonian winery representatives.

Winedirect's involvement – with the exception of setting up a webshop – in any UK promotional activities is strictly contingent on the establishment and adequate funding of a Wines of Macedonia association along the lines of that created for Moldova.

5.0 Conclusion and next steps

In consultation with all wineries, the consultant found broad agreement that

- a) each winery needed to penetrate the UK market to secure its long term sales and brand development
- b) the costs associated with same were expensive vis a vis current gross margins and these costs were best borne jointly
- c) that a cost per winery of approx euro 20,000 per annum was manageable
- d) that no winery believed that all wineries could, together, have the collective maturity to act in the way that most other wine producing nations do

There has to be a solution to point d) if Macedonian wines are to have a future in global markets. It would seem hard to believe that the only distinguishing feature in Macedonia is the inability to act together for the common good.

Next Steps

Not all “next steps” require an association and a large budget. Next steps are as follows:

- a) USAID to despatch a consolidated shipment of wines from each winery to be sent to 2 wine critics + 3-4 wine agents for informal tasting and comment (by march 1)
- b) Subject to agreement the UK website and internet retail channel can be launched prior to finalisation of any association charter and w/in 3 weeks of deposit payment eg latest April 1 go live
- c) Certain elements of the program can be implemented independently of an association albeit in tandem with the creation of an association and funded secretariat ie
 - Logo design and trademarking for Wines of Macedonia

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- Rebranding/labelling for individual wineries
 - Development and fleshing out of UK marketing plans viz exhibitions, market research, investigation of alternative branding, advertising and PR agencies w/out committing to anything except Winedirect's service fees.
- d) The objective however must be to have an association, a clear charter and mandate + staff in place by May 1 2008. With this in place then a meaningful attack can still be made in 2008 on the UK market.