



Tip #2 – Be Relevant. Make More Money.

Another core belief of Old Vine Marketing's is that relevancy drives consumer interest which, in turn, drives loyalty and lifetime value. So what do we mean by relevance? We mean sending messages that are best suited to the customer's needs based on past purchase history, account characteristics, customer characteristics or self-reported preferences.

You may be thinking, "OK. Sounds good in concept but does it really work". Old Vine Marketing has created segmented campaigns for many of its clients. Here are some key performance indicators from a single Holiday 2008 campaign (Thanksgiving & Christmas) that drove over \$600K in gross sales.

- Based on the consumer's past purchase behavior, **we accurately predicted the wines the consumer was interested in 80% of the time.**
- We were able to prove that our response prediction (using control groups) was very accurate. Those customers where **we predicted a high response rate converted at a 400% higher rate and had more than a 700% higher revenue per email sent.**
- We were able to quantify and prove (using control groups) that a **complimentary shipping offer increased conversion by up to 67% and increased the revenue per email sent by up to 93%.**
- We designed a market-basket model **to establish a set of wines that would be most attractive to first-time buyers.** For consumers that had no prior purchase history, **we converted 15% to buyer status by giving them a compelling reason to buy and presenting wines they were most likely to purchase.**

Still not convinced? As a litmus test, look at your own purchasing behavior. Do you typically respond to email, postal or other marketing collateral that isn't relevant to your needs? Most of us would respond with a resounding "no". However, there is a caveat here. Some of us do respond to product offers that wouldn't normally be in our consideration set **but only if the marketer provided a compelling reason why we should try it.** This is the lost of art of selling (as opposed to "one-size-fits-all" offers).

The opposite approach to relevant marketing is what we refer to "**spray and pray**". This approach typically has one or two versions that are sent to the entire database – regardless of the consumer's actual preferences, predicted preferences or predicted likelihood to respond.



Why Aren't Wine Marketers Sending More Relevant Messages?

Reason #1 – Email is Cheap

Our bias is that there is an **inverse relationship between relevancy and the cost of the marketing medium**. Email, with its very low cost, encourages companies to email every consumer every offer for fear that they might miss a sale if they don't. **The result is customers that "tune out" even if they don't explicitly "opt out"**. The best early warning indicator of a consumer's waning attention is open rate, not unsubscribe rate. Old Vine Marketing conducted an email cohort analysis for a large client where we tracked the same group of consumers over 3 years. This client could be characterized as a "spray and pray" email marketer however some emails were personalized with name and segmented by customer type (club/non-club). Here are the results:

- By year two, OPEN rates **had fallen from 40.2% to 26.7%** (33.6% decrease from year one). By year 3, open rates **had fallen to 14.6%** (45.3% decrease from year two). In other words, **by year three 63.7% of the emails sent were no longer being opened**.
- We were also able to estimate the decrease in revenue associated with the consumers that had "tuned out". By year two, revenue **had fallen by 46%**. By year three, revenue **had fallen by 54% from the first year's revenue**.
- Unsubscribe rates did rise significantly on a percentage basis. **However the actual number of unsubscribes was a miniscule percentage of the emails sent**. Unsubscribe rates were .13%, .23% & .35% for years one, two and three respectively.

Conversely, direct mail, search engine marketing and print advertising, with its relatively high cost, requires that direct marketers be as relevant as possible in order for the campaign to have any chance of exceeding breakeven. Thus, they spend a great deal of their time analyzing historical campaign performance and their target customers and then tailoring their offers. If they don't, they go broke.



Reason #2 – Consumer Data is Spread Out and/or Inaccessible

Most wineries don't have systems that make analyzing consumer easy for non-technical personnel. It's not unusual for the consumer direct marketing department to rely on 3-4 different systems (e.g., point of sale, wine club, e-commerce, email, reservations, etc.) – all containing critical customer touchpoint data. Today, the only way to combine all this data is to export cumbersome Excel or comma-delimited files, import them into a single database, do the necessary joins between tables and use SQL or some other interface to explore the data. These are skills that the typical direct marketing staff may not have.

In a June 2008 Aberdeen Group report entitled [Email Marketing: Get Personal with Your Customers](#), researcher Ian Michaels surveyed 551 companies to understand challenges and successes of personalized email content. **Forty-four percent listed access to data as a top challenge** in creating personalized emails. Additionally, **27% listed lack of technology as a top challenge.**

So how about the wine industry specifically? In [a February 2009 Direct to Consumer Symposium Survey](#), **54.1% listed access to data to monitor and act on the health and trends of club members as somewhat to very challenging.** In an [August 2008 Wine Business Monthly Consumer Direct Sales Survey Report](#), **60% of the 134 respondents indicated that the effectiveness of technology/systems was a top challenge.**

Reason #3 – Time & Expertise

Most wineries have one or more dedicated staff members tasked with the day-to-day operations of the tasting room, tours, wine club, events and e-commerce. Just executing the basic “blocking and tackling” for a consumer-direct operation is a significant challenge with little extra time to segment communication.

The June 2008 Aberdeen Group report referenced above showed that **46% of the respondents indicated that the time required for creating personalized email content was a top challenge.** Additionally, **30% indicated that lack of expertise in email personalization was a top challenge.**

In the 2009 Direct to Consumer Symposium survey, **79.1% of respondents indicated they don't have enough time or resources to manage marketing communications.** Similarly, in the 2008 Consumer Direct Sales Survey Report, **77% of the respondents identified resources as a challenge and 58% felt their team needed additional consumer-direct expertise.**



One of the most interesting outcomes of the 2008 Consumer Direct Sales Survey Report had to do with integrated operational systems (all consumer data in one place). Sixty-six percent of respondents have an integrated database however **29% percent DON'T feel they are getting "good benefits" out of the system.** Old Vine Marketing would argue that even for the 37% that believes they are getting "good benefits" out of their integrated system; these benefits are operational efficiency benefits, NOT communication relevance benefits. The survey supports this argument – **less than 32% of the respondents use their integrated operational database to segment beyond customer type (club/non-club).**

Why is this? The answer is three-fold:

- 1) Most wineries do not have the necessary direct marketing expertise to manipulate and analyze the data to turn it into actionable marketing intelligence.
- 2) Homogenous marketing communication is quick and easy. In other words, ease and speed trumps consumer needs and relationship building.
- 3) Operational systems (e.g., point of sale registers, e-commerce, etc.) are designed to process transactions efficiently, not analyze and segment customer data.

Tips for Increasing Relevancy

Tip #1 – Get Personal

Address the customer by name in all communication. This is so simple yet is still not being done by some wineries. Don't go crazy and add the name in every paragraph however, at minimum, use the name in the salutation. Also, sign the email with a real person's name rather than a company's name. Take it a step further and insert a GIF or JPEG image of the author's actual signature. Consumers want to be recognized and feel like they are doing business with an actual person – not an entity.



Tip #2 – Write Effective Subject Lines

The Subject line's sole purpose is to get a consumer to open the email. We monitor many winery promotions and often see very "ho-hum" Subject lines that are likely short-circuiting the campaign effectiveness. Our experience is that the most effective Subject lines use one of two techniques to increase interest and encourage action.

1) Build Curiosity

It's human nature to want to know the answer to a question. As a child, when our siblings or friends had a secret and wouldn't reveal it, it just about killed us! Even as adults, if we were to ask our spouse or friends to guess what type of wine they are drinking or how much it costs, they desperately want to know the answer.

One of the easiest relevance tests to conduct is a Subject line test. Here's an example of where we split the list 50/50 and tried two Subject lines – one that builds curiosity and one that is fairly generic. This was a promotion for wines that won awards at the 2009 San Francisco Chronicle Wine Competition.

- a. We Won. Now You Win...
- b. Celebrating Award Winners

Which one do you think performed better? If you guessed the first one, you are correct. This Subject line makes the recipient wonder 1) "What did the winery win" and 2) "What can I win". The Subject line that used **curiosity increased open rates by 18% for Wine Club members and a whopping 52% for Consumers.**

2) Encourage Action

Yes, this is Direct Marketing 101 but many still are uncomfortable starting Subject lines with verbs. We often hear that this is too "salesy." However, the goal IS to sell. We don't need to sound like the proverbial "used car salesman" to make this work. Here's a comparison of a few generic Subject lines along with an action-oriented counterpart that performed much better:

- | | | |
|----------------------------|-----|--|
| 96 points for our Cabernet | Vs. | Order our 96 point Cabernet while it lasts |
| Winemaker Dinner | Vs. | Join us for an evening you won't forget |
| New Chardonnay Release | Vs. | Pre-order our newest Chardonnay release |
| Complimentary Shipping | Vs. | Buy 6 bottles and we'll include shipping |
| Wines for Thanksgiving | Vs. | Share the best with your family & friends |
| Spring Case Sale | Vs. | Buy more and save more |



Tip #3 – Segment by Recency

RFM is a well-proven concept that uses **R**ecency, **F**requency and **M**onetary to predict the likelihood a consumer will respond to an offer. Recency represents the last purchase date, Frequency represents the number of orders and Monetary represent the dollar sum of those orders. Of these 3 attributes, it is **Recency that best predicts future purchase behavior**. Many still believe their “best” customers are the ones that have spent the most over their lifetime. This is not true. Your best customers are the ones that are most likely to purchase again in the future.

If Recency is being used to predict response for “a la carte” offers (i.e., not regular wine club shipments), then we need to look at the last “a la carte” purchase date. Those customers that have high Recency (have purchased in the last 12 months or so) don’t need deep discounts or other incentives. However, those customers with low Recency need an additional incentive to either try the wine for the first time or purchase the wine again. Regardless of Recency, the consumer always needs a compelling reason to purchase the product.

To learn how to create RFM scores, purchase a copy of [Drilling Down – Turning Data into Profits with a Spreadsheet](#) by Jim Novo. Alternatively, call Old Vine Marketing and we’ll do the hard work for you.

Tip #4 – Segment by Product Preference

If your winery only has 1-3 products to sell, ignore this section. If your winery offers more than that, then pay attention. Segmenting by product preference requires that we sum up the number of bottles by color, varietal, tier, brand, bottle size or any other product dimension. It’s useful to take this one step further and calculate percentages, such as percentage white wine, red wine, sweet wine, etc. Once again, if the consumer does not explicitly decide which wines come in their Wine Club shipment, exclude these orders when determining product preference.

How does one use this information? Example: If 90% of the “a la carte” bottles a customer has purchased are Cabernet Sauvignon (a bold red wine), then tailor the offer accordingly. Clearly, other Cabernet Sauvignon’s in your portfolio may be of interest. Also, other bold red wines may be of interest. However, the further we move from bold red wines (fruity red, rosé, bold white, fruity white, sweet), the more convincing we have to be to get the customer to try the wine. It doesn’t mean we don’t try; we just need to continue testing the offer to see what works best.

Using control groups, we have shown **that our product preference predictions hit the mark roughly 70%-90% of the time**. This illustrates that a little extra effort on our part goes a long way towards building customer commitment.



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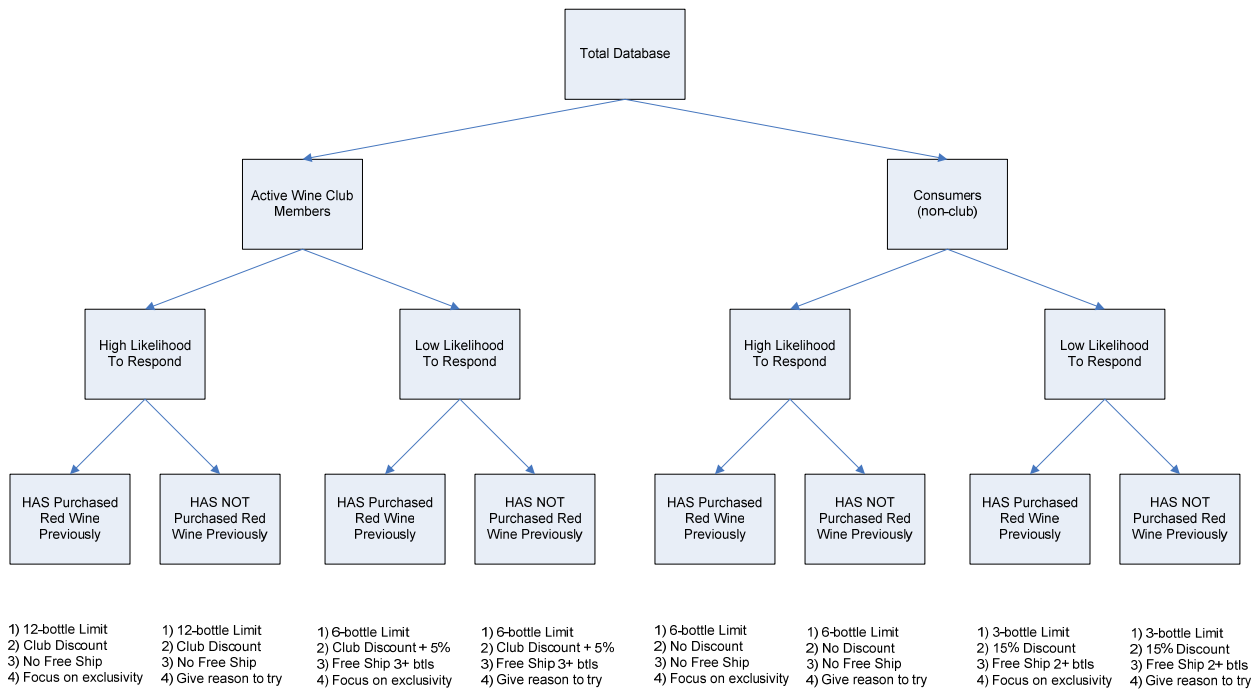
Number 2 / November 2009

Tip #5 – Hire a Professional

Without question, segmenting communication based on relevance takes more expertise and time than sending a single version. However, our ultimate goal as Marketers is to exceed customer expectations and increase lifetime value. This can only be accomplished through improvements in relevancy.

Old Vine Marketing distinguishes itself from other wine-industry direct marketing companies through the extensive use of data to drive incremental sales. We offer both consulting services, where we do all the work, and a sophisticated business intelligence solution called WineRelate™ that allows non-technical personnel to gain valuable insights into your data with nothing more than a browser and a mouse. Either way, we guarantee that you will get better results by giving your customers more of what they want – relevancy.

To help visualize what a red wine segmentation scheme looks like, we have included the diagram below. There are literally thousands of ways to segment your database to be more relevant and we stand ready to take you to the next level!



Contact

Old Vine Marketing has extensive experience improving Direct Marketing results for wineries of all sizes. Contact Old Vine Marketing at 707-694-9647 or via email at info@oldvinemarketing.com for a free consultation on how we can help your winery become even more successful.