

Virginia Ramps Up National Distribution

Out-of-state sales grow for one of the East Coast's top wine-producing states.

Liza B. Zimmerman



Trump Winery is situated in the heart of the Monticello Wine Trail in Charlottesville, Virginia.

VIRGINIA HAS A LONG and distinguished history of wine production, dating back to Thomas Jefferson's time. However, given the region's comparatively small total production and limited marketing efforts, only a handful of ambitious producers have thus far begun to sell their wines beyond state borders.

The state is home to 192 wineries, according to VirginiaWine.org and the Richmond-based **Virginia Wine Board Marketing Office**. It ranks fifth in terms of total wine production although many in the business would say the combination of its history, terroir and recent upgrades in production might put the state in the No. 4 position in terms of quality, after the three powerhouse West Coast producers—California, Washington and Oregon.

Virginia also has the added plus of being close to several major and populous East Coast cities. One large distributor, who declined to be identified, noted that smaller-production wine regions often benefit from their proximity to metropolitan areas and that this is certainly the case for wineries in Virginia, being a stone's throw from Washington, D.C.

As the presence of foreign investors—such as Italian producer **Zonin** that has owned **Barboursville Vineyards** since 1976—increases, coupled by mega-marketers like the **Trump** family that acquired vineyards, the state is becoming ripe for even greater distribution beyond its borders.

The Varietal and Niche Market Game

Some in the business question if the state started off on the wrong foot in terms of the grape varieties that many of its producers have chosen to showcase, such as Norton, a non-*vitus vinifera* varietal. Several praised

Thomas Jefferson's valiant efforts to make great wine more than 200 years ago but also question why he chose to grow certain grapes. Those same doubts circulate about some of the varieties in use today.

Even when wineries do produce grapes suited for the local terroir, Virginia is not home to some of the best-known varieties, so producers often have some explaining to do to guests and potential customers. "We have a Petit Verdot from **North Gate Vineyards**; we use it for our Malbec drinkers," said **John Wabeck**, wine director of Alexandria-based **Society Fair Wine Bar** and retail shop. "Give them a taste and let them be the judge. If you hold their hand a little and the quality is there, it's not that hard to sell." Wabeck carries six different Virginia wines.

Beyond unfamiliar grape choices, Virginia's wines, like those from other states and lesser-known regions of major wine-exporting countries, can face some other biases on the market. "There is a stigma of Virginia wines being of lesser quality, but that's not as true as it used to be," noted Wabeck. "Quality producers don't have many problems selling the wines."

Bartholomew Broadbent, CEO of Richmond-based importer **Broadbent Selections** and the distributor of Barboursville, added that, "Barboursville is now sold from Oregon to Maine and Mississippi to Illinois," demonstrating that quality wines with a marketing budget can easily sell in other markets. He noted that "Hip, trend-setting restaurants in New York are all over Virginia wine." He said that many of the state's wineries were "seriously good" and certainly have the potential to do business outside of state borders in larger volumes.

"The largest challenges are in quality and perception of quality," said **Tyler Packwod**, sommelier of **Trummer's on Main**, a creative American restaurant in Clifton, Virginia. He carries 18 Virginia wines on his list. "For a large percentage [of wines], unfortunately, the perceptions are accurate," he added.

Jean-Daniel Schlaepfer, Domaine de Lauzières, The Egg-shaped Tank Evolves into Oak, page 23

"We used to break our backs racking and stirring the wine, and here's a system that works better than man. It's a magical vinification instrument."

Vicky Scharlau, Washington Association of Wine Grape Growers', Promoting Regional Wines Using Wine Quality Alliances, page 25

"Many of the quality issues should be discussed behind closed doors as a 'family matter' to encourage and foster trust in this learning process."

Bartholomew Broadbent, Broadbent Selections, Virginia Ramps Up National Distribution, page 52

"Hip, trend-setting restaurants in New York are all over Virginia wine."

Bret Wallach, Vision Robotics Corp., Vineyard Automation: Robotic Pruners, page 40

"The unit moves about 2 meters a minute in 18-inch increments. It is maybe twice as fast as a human right now."

Charles Day, Rabobank, Lenders See Increase in Vineyard Sales, page 56

"It's always a tug of war between growers and wineries; but when there's a shortage, the growers get the upper hand."

Bartholomew Broadbent, Broadbent Selections, Virginia Ramps Up National Distribution, page 52

"In most states, buyers eagerly want to offer more than just West Coast American wine; they just don't know yet that great wine is produced in Virginia."

Economies of Scale

Most wines produced in Virginia have higher price-points than similar quality West Coast wines. Much of this is due to the scale of production for most of the state's wineries. This can have both a negative and positive impact on sales, noted Wabeck. He said that they do cost "usually a bit more than the consumer would expect, but that's the name of the game."

David Trone, owner of more than 80 stores of the Potomac, Maryland-based **Total Wine & More** chain, confirmed that, given the average annual production of many Virginia wineries, it is not surprising that they can't always compete in the price arena. This factor continues to pose a hurdle in the value-focused wine market.

Packwood also agreed that the bulk of Virginia wines could cost more than other domestic and international offerings. He added that "It is hard to find a price-to-value wine in these markets." He also noted that current pricing poses a challenge, not just to selling the wines but to justifying them as well.

Price and lack of consumer familiarity may be two big reasons that contribute to Virginia's wines being primarily consumed within state boundaries. However, many brands, such as Trump and Barboursville, are distributed around the country, and some retailers make an effort to carry them in many markets.

Trone carries a large assortment of Virginia wines in his 14 Virginia stores. However the chain also carries them in other markets and offers 200 different Virginia wines storewide, which are priced from \$4.99 to \$19.99 on average.

Value is also a relative concept. Broadbent noted that a top Virginia wine, such as Barboursville Octagon, "May sell for \$45 and it is considered by the local market to be expensive, but by international standards, it isn't overpriced." Certainly, consumers who are used to purchasing top brands from West Coast markets wouldn't be likely to have sticker shock if one of their state's icon wine offerings were similarly priced. Broadbent added that Virginia wines, once discovered, "will not be considered overpriced by those outside the Virginia market."

A Need for Marketing

Many producers in emerging wine-producing markets—such as those in Washington State and many producers in Chile—have banded together to promote the region's wine. They have an effective track record of using combined funds to promote the region overall, not just individual producers.

While Virginia—according to some operators and producers—has done some marketing both in-state and abroad, these types of efforts have been noticeably absent in other U.S. markets. "These wineries should band together to promote their region rather than use their resources for promotion of their individual brands. Promoting the overall region increases exposure and benefits all while using funds more effectively," noted Trone.

Virginia Governor **Robert F. McDonnell** paid a visit to the San Francisco and New York markets last spring to showcase his state's wines, and it was the first time in two decades that I have tasted them outside of their home state. The absence of more of these types of promotions was something that Wabeck said was notable and that an uptick in out-of-state activity might help get the word out on Virginia's wines, history and style. "The Governor of Virginia has been progressive in funding export efforts, but [he] needs to divert some of those funds to aid exports to other states in the Union," said Broadbent.



However gearing the state up for national success will "take more than simple marketing," said Packwood. The situation doesn't need to be discouraging as "it took California more than half of a century to really get on the map," he concluded.

Given the explosive growth of the Virginia wine industry over the past 10 years, according to **Eric Trump**, executive vice president of development and acquisitions of New York City-based **The Trump Organization**, "There has been significant demand nationally and internationally [for the state's wines]." Trump, who purchased the Kluge winery last year, has distribution in 14 states nationally, including the key markets of New York, Illinois and Florida, and another four are pending.

"In most states, buyers eagerly want to offer more than just West Coast American wine; they just don't know yet that great wine is produced in Virginia," noted Broadbent.

Gaining brand recognition is likely to be an important part of any state or individual producer-focused marketing plan. "Brand recognition is a big challenge for smaller wineries, regardless of where they are located," noted Trone. He added that this is another main reason that so many Virginia wines are still primarily consumed in-state. "Marketing to the consumer is critical [for producers] to gain brand recognition," he concluded.

Outlook for the Future

With both foreign and domestic investment in the state ramping up and quality on the rise, the future looks positive for Virginia wines. "The wines are getting stronger, and people are becoming more aware; hence the sales inevitably will increase," said Packwood.

Great press coverage, numerous awards and a growing sophistication and interest from wine consumers around the country are also helping to get the word out on Virginia wine. "These things combined have helped to gradually break down the barriers of selling these wines that existed years ago," said Trone. Broadbent added that producers "just need more press. It is coming. All in good time."

Words of wisdom for local producers included keeping their sights focused on quality. Packwood encouraged producers to "make better wines as a whole." He added that "in Virginia, only a handful of really quality wines are being created. Until the state becomes stronger as a whole, only a few will have to toe the line of many." **WBM**