

Wine Trials: High-end vintners get creative as economy goes south

By Jessica Yadegaran

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Tomorrow, Peter and Diana Merriam will fulfill a lifelong dream: opening the doors of their own winery.

Under the Merriam label, the Boston couple has been making estate and single-designate Cabernet Sauvignon, Merlot and Cabernet Franc in Sonoma for nine years. Following the cash-conscious trend of garagiste, or garage, winemaking, they produced those nine vintages at a custom crush facility, relying on the Bordeaux-like soils of the Windacre Vineyard they purchased in 2000 to make wines of great distinction. Then, in 2003, the Merriams went all the way, breaking ground on a prime piece of property just off Highway 101 in Healdsburg.

The production facility was completed last September, and final touches on the tasting room will be done today. While the Merriams are in good company — they share their little corner of Russian River heaven with Acorn, Rodney Strong and Christopher Creek — the reality is troubling: Wine tourism is down.

Last year showed the smallest increase of growth in the wine market in a decade, according to wine industry analyst Jon Fredrikson. And, in a presentation at last month's Unified Wine & Grape Symposium, Fredrikson estimated that wine sales declined 10 percent to 12 percent in 2008, and that, by the spring, consumers seeking values had started trading down.

That's bad news for high-end and boutique wineries that produce small amounts of once-coveted \$50-plus wines — and rely on retail and restaurants, both flailing, to move inventory.

Distribution channels

Distributors are not taking on new brands. Rumors of price cuts loom. So does talk of cellaring for better, booming days. But, for now, many high-end wineries are scrambling to find new distribution channels. Revana Family Vineyard, which specializes in ultrapremium Cabernet Sauvignon from the Napa Valley, has always sold most of its coveted, \$75-and-up Cabs directly to consumers. But loyal customers who once snatched up a case are settling for six bottles. And half-cases are buying three bottles, says Todd Newman, the winery's national sales and marketing director.

"They're still willing to spend the money on the wines, but they're not willing to fly out, stay in a first-class hotel and pay for the transportation," Newman says. "Tourism is going to shut down. So we need to bring Napa Valley to them."

He'll do that by cutting back on national sales and hosting more dinners around the country featuring Revana wines instead of relying on recession-hit restaurants to move the wines, Newman says. More wine also means he can move more people from the waiting list to the wine club.

"We all rely so much on the tasting room, and the volume just isn't going to be there in 2009," he says. "So rather than wait for it to come, we're going to combat it by going aggressively into the market and spending the money."

Luckily, the Merriams also have several factors working in their favor. First, the flagship "Block 21" Cabernet is \$35 — a reasonable splurge for the value-conscious customer seeking a premium, special-occasion wine, and a steal for the high-end consumer who can no longer drink \$100 Cabernet the way most of us consume coffee.

Also, while their new facility is capable of producing 7,500 cases, the Merriams plan to stay at their sweet spot of 2,000 cases — and grow slowly. In fact, they will offer custom crush as a way to subsidize the business until demand increases. That wasn't on the blueprints pre-recession.

"We're going to proceed with caution," says Peter Merriam, who was a wine retailer for 25 years before becoming a vintner. "Even though we have this facility, we're not going to jump right into that (more case production). We're trying to be smart."

Grass-roots level

Even the veterans have to be. Cakebread Vineyards, a Napa Valley family winery known for its Chardonnay and Cabernet Sauvignon, has taken its national sales effort to the grass-roots level. In the same week, founder Jack Cakebread was talking to MBA students at Columbia, Harvard and Yale while his son Dennis was traveling through Florida and Georgia, and his other son, Bruce, was talking up Cakebread in Dublin, London and Dubai, Bruce Cakebread says.

Honig Vineyards is doing the same. Winery president Michael Honig, his wife, Stephanie, and his brother Stephen are all traveling in support of the winery's award-winning Sauvignon Blanc and Cabernet Sauvignon.

"It's rare to have us all on the road at the same time," Michael Honig says. "But good times or bad, we have to be out there supporting the market."

Dip in wine club

Livermore's Steven Kent Winery has seen a slight dip in its wine club. Members benefit from exclusive offers, such as buying up the 192 cases of 2006 Gielmetti Vineyard Clone 30 Cabernet Sauvignon for \$300 per three-pack, the highest price for a Livermore wine. The wine is made from four different clones of Cabernet grown on two different sites for a total of less than two barrels of wine from each vineyard.

The real pinch is in the two house wines — a Chardonnay and a Cabernet Sauvignon — that owner Steven Kent Mirassou makes for 40 properties of the Ritz-Carlton Hotel chain. That has dipped nearly 20 percent. And, as 2009 moves forward, it may drop more, Mirassou says.

Still, it's not the time for Mirassou to veer from his goal: to make Cabernet from Livermore that rivals in quality Cabernet made anywhere in the world. "I would be naive to think or say that the economy isn't a challenge right now," Mirassou says. But that's not stopping him.

Staying the course

Perhaps the biggest lesson about staying the course comes from wine industry matriarch Carolyn Wentz, whose family has been producing wine in the Livermore Valley for 125 years and has survived busts galore. Wentz reports a 10 percent loss at the restaurant level, particularly at the end of last year. But here's her contingency plan for 2009: Hire two more regional sales managers and keep the winery's marketing strategy exactly where it is.

Why? She cites a Nielsen statistic about the recession of the 1980s. Companies that maintained aggressive sales and marketing efforts enjoyed more growth after the recession — some 275 percent in the five years after the recession — compared with the 19 percent growth among companies that cut or reduced those budgets.

It's not the most positive welcoming for the Merriams, but they're ready to hunker down, dig their heels in and focus, Peter Merriam says. "We're ready to go grass roots to let people know we're here," he says. "If you have your finger on the pulse of the market, you can give and take a little."