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[www.vinexpoamerica.com](http://www.vinexpoamerica.com)

# Exhibitor Education Program



**SONOMA  
STATE  
UNIVERSITY**

**WINE  
BUSINESS  
INSTITUTE**



**1996 - 2021**  
Celebrating Achievement  
Looking Ahead



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Exhibitor Education Program in collaboration with Sonoma State University Wine Business Institute  
Designed to help exhibitors navigate market entry and successful brand building in the US

## AT THE SHOW

### Maximize Your Opportunities

- Keep your eyes on the crowd. Make eye contact with the people who pass by your stand. Don't hide behind the table/counter etc. Step forward and be "friendly aggressive."
- Put your phone away, or at least put it on silent so you can engage with potential customers. You have two days to make the most of your investment. Don't waste your time (and investment) on the phone.
- Can you tell your "story" in less than 1 minute? In the [Exhibitor Education Video Series](#), Episode 3: Brand Readiness, covers Marketing Plans and Sales Goals. The advice in this video will help you craft your message as you practice what you will say to attendees as they pass by.

#### Tips on learning how to connect with the right partners.

- When talking to potential US buyers, find out if they are an importer, wholesaler (distributor), control-state buyer, retail/restaurant buyer or a chain buyer.
  - The [Exhibitor Education Video Series](#), Episode 2: US Import & Distribution Landscape: Understanding the Playing Field, covers different import and distribution models at work in the US market. Use this video to match up your market entry goals to the right model.
  - Ask what state(s) the buyer operates in; know whether it is an open or a control state. Open states generally use the pricing model outlined in the [Price Setting Worksheet](#); control states set prices differently than open states and each control state may set prices differently than the next. A list of control states, along with their regulations can be found [here](#) on the National Alcohol and Beverage Control Association's website.
  - Use the [Price Setting Worksheet](#) to calculate different pricing models for different markets and different buying models; this will tell you how to target your presentation, which key product attributes to emphasize and where to focus your price discussion.
- + Be ready to pour your product and know how you will send samples if requested.  
+ Make sure you ask for business cards from prospective buyers who expressed a genuine interest in your products.



To learn about success stories and show preparation strategies from exhibitors at the Vinexpo America 2019 show, be sure to consult the [Success Stories Case Studies](#).

## AFTER THE SHOW

### Only one suggestion

- Follow Up!

As an exhibitor you will receive important logistical information from the Vinexpo Customer Service Team. Be sure to read the "Pre-Planning Guide" as well as the other valuable tips contained in their letters.

### ADDITIONAL INFORMATION

For anyone wanting to read more in-depth books on success strategies for entering the US market or see a list of current wine & spirits industry newsletters where you can access US market data, please consult the Resources Directory found [here](#).



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## Exhibitor Education Essentials Vinexpo America



### Planning for the Show: A Blueprint for Success at Vinexpo America 2020

Much of the work in crafting a fine wine or spirit happens in the vineyard or distillery, well before the final product is released. Exhibiting at Vinexpo America is no different. Much of your success as an exhibitor is in the pre-planning for your participation. We offer this timeline and advice shared with us from previous exhibitors, buyers who attend the show and other US industry experts.

## PRE-SHOW PLANNING CHECKLIST

### Goal Setting

Set tangible, measurable goals for your time and money spent exhibiting. They can be as broad as “find a new importer in Chicago” or very specific such as “find a retailer from New Jersey to take one pallet of my wine.”

- Write your goals down and keep them near you so you can be reminded of why you are at the show.
- Your goals and your target audience will guide your thinking about what marketing materials you will need.
- Take advantage of [One to Wine Meetings](#)—a complimentary business matchmaking service offered by Vinexpo.
- Educate yourself about the US market. See the Additional Information section at the end of this document.

### Marketing Your Story

Your ultimate business goal after exhibiting at the show may be to sell your product, but while you are there, your challenge is to sell your entire story to potential customers.

- Finalize the marketing materials you plan to bring to the show.
- Video is always great for telling your story and is eye catching to attendees as they pass by your stand. If your budget does not allow for professional video production, take some video of your production process and your property with your smartphone and show it in a loop on a computer at the show.
- Other important materials to have on hand are brochures that tell your story, accurate fact sheets about your products and, if applicable, a list of awards or scores for your products.
- Have materials professionally translated into English for the US market.

Well-prepared marketing materials communicate to your potential partners and customers that you are ready and committed to the US market.

### Product Readiness

Set a game plan to prepare your product for the show.

- Make a note of all deadlines found in your stand confirmation letter (available in November) but especially the samples shipping details found in the [Shipping Manual](#).
- Exhibitors at Vinexpo America who take advantage of the services (detailed in the [Shipping Manual](#)) provided by W&S Logistics will have the COLA waiver completed as part of their service. (See the [Tools for Understanding Wine Label Approval](#) education sheet for an explanation of a COLA waiver.) It is strongly advised that exhibitors use W&S Logistics to ship wines destined for Vinexpo America as they are extremely proficient in all aspects of getting your wines to the event.

### Pricing Is Important

Don't set prices without doing the following:

- Do consider your desired pricing margins but also the desired margins of your partners and customers too.
- Do work backwards from retail price. This is also called Manufacturer's Suggested Retail Price—MSRP or just SRP. For an explanation of margins (and mark-up) and MSRP, see the brief glossary of pricing terms in the [Price Setting Worksheet](#).
- Do conduct research on your desired geographic market(s) to learn what price points sell best in those areas. You can do a quick comparison of pricing in different states by using [Wine Searcher](#), an online search engine. While all prices reported on the internet need to be taken with caution, we recommend you disregard the lowest and the highest prices to compile a relatively accurate picture of where your product(s) may fit into the US landscape.
- Do your homework on the US market: watch the Vinexpo [Exhibitor Education Video Series](#).
  - ✓ The Pricing Calculator Demo video offers a step by step guide on setting prices—before coming to the show, watch this video, and be sure to consult the [Price Setting Worksheet](#).
  - ✓ If you are new to the US market, be sure to watch Episodes 1, 2 and 3.



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## Exhibitor Education Essentials Vinexpo America



### TOOLS FOR UNDERSTANDING WINE LABEL APPROVAL

Often, the essence of a brand's identity is expressed in the wine's label. A great deal of thought usually goes into creating a visually memorable label. However, there are several key label approval requirements for wines destined for the US market. Understanding these requirements makes the job of getting your labels approved easier and quicker. Perhaps even more importantly it will demonstrate to potential importer and distributor partners that you understand the US compliance environment and that you are ready and committed to do business in this often complex yet potentially rewarding market.

#### Label Approval Overview

One very important requirement for a wine to be imported into the United States is that it must have a label that has been approved by the **Tax and Trade Bureau (TTB)** of the Department of the Treasury. Like most government processes, if the rules and procedures are followed precisely, the label approval process is straightforward and can even be fairly quick. If not, the process will involve multiple extra steps and the label may never get approved. This fact sheet explains the primary things to do and not to do when seeking a **Certificate of Label Approval (COLA)** from the TTB for importation.

#### Key Points to Remember

Your ultimate business goal after exhibiting at the show may be to sell your product, but while you are there, your challenge is to sell your entire story to potential customers.

- If the wine bottle has only one label, all of the required information must appear on that label, called the brand label.
- If there are two or more labels, it is possible to divide the required information among them—some on the eye-catching front label, some on the back label full of text, and possibly some elsewhere on the bottle.
- The information on the labels must be accurate (within stated tolerance limits, for some items).
- No forbidden information or images can appear on the labels or bottle.
- The information must all be in English, except for names (businesses, places, grape varieties, etc.).

#### Temporary Labels for Sending Samples

For a winery seeking importation into the U.S., it is usually necessary to send samples to potential importers or to reviewers, competitions, and trade shows that will give your wine exposure. Without a label, however, this would be illegal—and you can't get a Certificate of Label Approval (COLA) until after you have an importer. The TTB's solution is the COLA waiver, which grants permission to ship wines to specific people or companies before a commercial label has been approved.

Once the COLA waiver is received, the samples can be shipped. Each bottle must be labeled with the phrase "For Sample Purposes Only—Not For Sale," along with the Government Warning and the sulfite declaration, and the appropriate taxes must be paid. More details are available here at the [TTB website](#).

**Exhibitors at Vinexpo America who take advantage of the services provided by W&S Logistics (detailed in the [Shipping Manual](#)) will have the COLA waiver completed as part of their service. It is strongly advised that exhibitors use W&S Logistics to ship wines destined for Vinexpo America as they are extremely proficient in all aspects of getting your wines to the event.**



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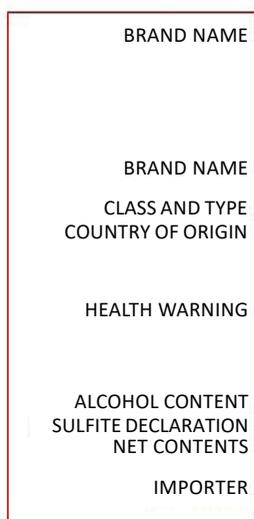
## LABEL INFORMATION FOR WINES IMPORTED TO THE U.S.

### Mandatory Information

- **Brand name.** This may be the winery name or a proprietary name for marketing purposes.
- **Class and type** (must appear on the same label as the brand name). For almost all imported wines, the basic choices would be "Table Wine" (for alcohol between 7% and 14%), "Dessert Wine" (for alcohol above 14%), "White Wine," "Rosé Wine," "Pink Wine," "Red Wine," or "Sparkling Wine." Technically, grape variety names and some well-known appellations or denominations of origin are acceptable as class and type by themselves, but it's best to include one of the earlier phrases on the label to be safe.
- **Country of origin.** A label must name the country where the wine was made, with wording such as "Product of Greece" or "Produced in Portugal."
- **Alcohol content.** The percentage of alcohol must be stated, such as "13.5% alc. by vol." The stated content must be accurate within  $\pm 1.5\%$  for wines up to 14% and within  $\pm 1\%$  for higher-alcohol wines, and in any case must be on the correct side of the 14% abv level where the tax levy changes.
- **Importer.** A label must include "Imported by" followed by the name of the importer or agent and the city and state where they are located. Additional information must be provided if the wine is blended or bottled after export from the country of origin.
- **Net contents.** The liquid volume of wine must be stated on a label. This can be omitted if it is embossed on or stamped into the bottle itself.
- **Sulfite declaration.** A wine with 10 ppm or more of sulfur dioxide must generally state "Contains Sulfites" on a label.
- **Health warning.** The exact wording of the Government Warning about the hazards of alcohol is mandatory on a label. Illustration of labeling for an imported wine.



### Mandatory Information



### Optional Information



**Illustration of labeling for an imported wine.** In general, the placement of the information is not important, but all the mandatory information must be present somewhere.

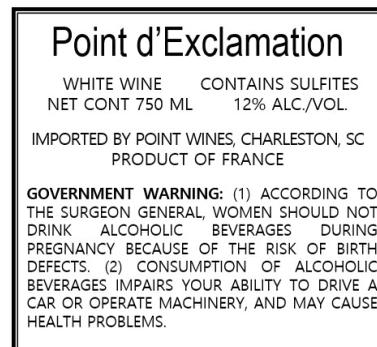
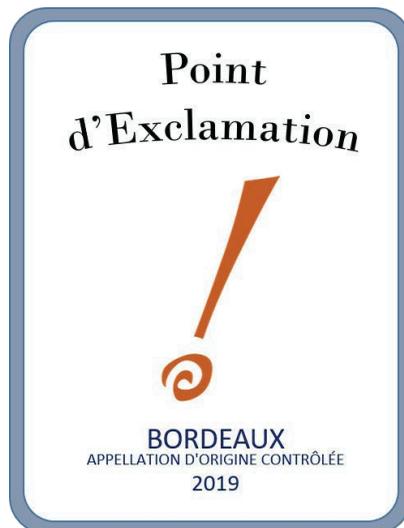


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## LABEL INFORMATION FOR WINES IMPORTED TO THE U.S.

Tip: For your first time working with the TTB, it might be a good idea to put all the mandatory information on a back label. You can still duplicate some of it on the front label, too, but this way, nothing will be missing. The back label—containing the brand name, class, and type—will be the one designated as the brand label in the COLA application.

Note that there are details about how the mandatory information must appear on the label. In general, the type size used must be at least 2 millimeters high. Bottles of 187 ml or less can use smaller type (1 mm high), and larger letters may be required for large-format bottles. The various pieces of information must stand alone and must be easily readable. These rules are described in the TTB's [Beverage Alcohol Manual \(BAM\)](#).



Example using two (front and back) labels

### Optional Information

Wines exported to the U.S. must still comply with national laws in their country of origin, but from a U.S. perspective, the following are optional details for labeling.

- **Appellation of origin.** The country of origin is required on the label, but a more specific appellation or denomination is optional. The same is true of details such as vineyard name.
- **Grape variety.** A wine with at least 75% of a single grape variety may list that variety on the label.
- **Multiple grape varieties.** It is possible to list more than one grape variety on the label if all grape varieties are listed with their percentage of the blend.
- **Vintage date.** Vintage year may be listed if at least 85% of the grapes were harvested in that year, or 95% for wines listing an appellation or denomination of origin on the label.
- **Estate bottled.** The words "Estate Bottled" can be printed on a label only if all the grapes used in the wine came from vineyards owned or controlled by the winery (i.e., not purchased from other growers).
- **Descriptive information.** The back label on a wine bottle can include additional facts about the wine, provided the information is truthful. Some wineries will include statistics about the wine's production, tasting notes, food pairings, awards and reviews, or biographical data on the winemaker. This is also the place to mention things that have no legal status elsewhere on the label, such as biodynamic practices.



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## LABEL INFORMATION FOR WINES IMPORTED TO THE U.S.

### Organic Labeling

USDA organic requirements are specific and strict when it comes to wine labels using the term “organic” or especially “organic wine” in the United States. Imported wines that are certified organic in their home countries should work with their certifying body to get the documentation they will need to submit to the TTB as proof of their organic status. The exact terms used on a wine label vary depending on the extent of organic compliance, such as:

- **“100% Organic Wine”** contains only organic grapes and processing aids with no added sulfites.
- **“Organic Wine”** contains at least 95% organic ingredients with no added sulfites.
- **“Made with Organic Grapes”** contains at least 70% organic grapes and may contain up to 100 ppm of sulfites.
- **“Made with % Organic and % Non-Organic Grapes”** contains less than 70% organic grapes and up to 100 ppm of sulfites.

### What’s Not Allowed on a Wine Label

Inaccurate information and optional terms that the wine does not qualify for are not allowed on labels. In addition, U.S. labeling laws and TTB policies forbid, or at least frown on, certain other items on wine labels, including the following:

- **Misleading brand names.** A brand name will be rejected if it is considered misleading to the public. For example, the brand name cannot give the impression that the wine is from somewhere different than its actual origin or was barrel aged when it was not.
- **Scandalous images or statements.** The TTB protects the U.S. public from wine labels that some people might find disturbing. What does that mean exactly? Although this is a gray area, avoid anything questionable on your label. Images featuring nudity are a good example, and even if widely considered works of art, these will likely be rejected.
- **Health claims.** Don’t make any statements that undermine the Government Warning by saying alcohol consumption might be good for people.

### For More In-Depth Learning

[Episode 1: U.S. Wine Market Structure](#): Vinexpo video tutorial on label compliance, beginning after minute 27.

[TTB Wine Labeling Resource Documents](#): Webpage with list of useful links.

[TTB What You Should Know About Grape Wine Labels](#): 2-page brochure with annotated example of wine label.

[TTB Beverage Alcohol Manual \(BAM\)](#): The Beverage Alcohol Manual (BAM) is a 60-page publication from the TTB (U.S. Tax & Trade Bureau) that summarizes the labeling requirements for wine sold in the United States, with examples of different label formats.

[“Sample Wine Labels”](#) (from the BAM), complete with images.

[TTB Organic Wine Labeling Guide](#): 7-page document with examples of acceptable and unacceptable labels.

[TTB Information Sheet on Organic Labeling Policies](#): 1-page webpage summarizing the labeling and the allowable percentage statements for wines containing organic and non-organic ingredients.

[List of Allowable Changes to Approved Labels](#): As the name implies, a list of allowable changes that can be made to already approved labels.

For anyone wanting to read more in-depth books on success strategies for entering the US market or see a list of current wine & spirits industry newsletters where you can access US market data, please consult the Resources Directory found [here](#).



## Exhibitor Education Essentials Vinexpo America



### UNDERSTANDING PRICE SETTING IN THE US MARKET

Determining how much to charge for your product in the US market is an important decision, and it will most likely NOT be the same price you charge in other markets around the world. Following these few simple but essential steps can make all the difference toward achieving your goal of setting a marketable price for your product. Successful price setting begins with education, and education begins with research.

#### Exercise #1: Develop an understanding of key terms related to international transit of goods and pricing

Below is a short list of essential terms\* that will prepare you for discussions with potential buyers.

Setting a reasonable, marketable price for your product will show US buyers you understand how to do business in the US, making you and your products ultimately more attractive to potential partners.

**Ex Cellar Price:** The price of the wine “out of the cellar,” meaning the amount the winery receives for the finished wine, without consideration of any costs that are incurred after the wine leaves the winery. In other words, this is what an importer, agent, or broker pays for the wine if they are responsible for all subsequent costs. Sometimes called **Ex Works (EXW)**.

**FOB:** Free on Board, sometimes referred to as Freight on Board. Historically, this is how much it costs an importer to get wine on board a ship. FOB indicates the transfer of responsibility from one party to another—as from the producer to the importer (or from the importer to the distributor)—whether that takes place at the ship’s rail or a warehouse or elsewhere. In a typical example, the wine is transferred to the importer at the port of departure from the country. In this case, FOB includes the ex cellar price, to which is added the transportation and possible storage costs between the winery and the port, and any insurance or fees prior to loading on the ship. If the importer takes the wine from the winery’s loading dock, the FOB is the same as the ex cellar price. An alternative term is FCA (Free Carrier).

**CIF:** Cost, Insurance, and Freight. The price of the wine when delivered to the importer’s warehouse. CIF includes the FOB price, to which is added ocean freight costs (shipping the wine from the port of origin to the destination port), insurance, and “pier drayage” (moving the wine from the ship to the warehouse). In most instances, the importer pays these costs, but sometimes a winery can offer to take responsibility for all of the costs up to the wine’s delivery at the importer’s warehouse; the winery would then receive the much higher CIF price for the wine rather than the ex cellar price, but must bear significant costs and risks as well.



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## UNDERSTANDING PRICE SETTING IN THE US MARKET



**Landed Cost:** The cost of the wine to the importer. The landed cost includes the CIF price plus federal excise taxes (FET) and other government fees.

**Laid-In Cost:** The price paid by the wholesaler/distributor to the importer for the wine. At minimum, the laid-in cost includes the landed cost plus the importer's markup. It can also include warehouse storage fees, inland freight (moving the wine from the importer's warehouse to the distributor's warehouse), and state and local taxes. From the wholesaler's point of view, this is their FOB price, and it is the price on which they base their markup and costs when pricing the wine for retailers.

**Frontline Price:** The wine price offered by a wholesaler/distributor to a retailer, before any allowable discounts are applied. Discounts and sale pricing by a wholesaler are not permitted in some states.

**Markup vs. Margin:** Markup is the percentage difference between the actual cost and the selling price. Markups occur at several levels in the supply chain—between producer and importer, between importer and wholesaler, and between wholesaler and retailer/restaurateur. Margin is the percentage difference between the selling price and the profit, again occurring at several points along the supply chain.

**Retail Price or Shelf Price** (terms are used interchangeably in the US): The wine's price to the consumer from a retailer or restaurant, including the retail markup. Depending on state laws, the distributor may propose a Suggested Retail Price (SRP) for the wine, and the state may set a minimum retail price.

\* Definitions in the list of terms were adapted from *How to Get US Market Ready* by Steve Raye and *Exporter's Handbook to the US Wine Market* by Deborah Gray, with input from experts at MHW Ltd.

**Exercise #2:** Research the prices for your type and style of product in the US, as well as desired target markets for your products

If you have never been to the US, the internet is the first place to begin. While all prices reported on the web need to be taken with caution, these URLs represent a mix of search engine sites, online retailers and e-commerce purveyors. Compare prices, disregard the lowest and the highest and you will soon be able to compile a relatively accurate picture of where your product(s) may fit into the US landscape.

- **Wine Searcher:** an online search engine
- **Wine.com:** large online retailer
- **Vivino:** online wine marketplace and app
- **VinePair:** extensive educational site listing average prices
- **K&L Wine Merchants** (California based)\*\*
- **Binny's Beverage Depot** (Chicago based)\*\*
- **Astor Wines** (NY based)\*\*

\*\* Brick-and-mortar retail stores that offer online sales



**Exercise #3:** Run several pricing scenarios to see the effects of changes in certain key variables

Bear in mind that this will help you enormously when it comes to discussing how your brand might be priced in different markets around the US. It will also demonstrate that you possess business acumen around the subject of price setting, which will make you ultimately more attractive to US import and distribution partners.



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# UNDERSTANDING PRICE SETTING IN THE US MARKET

## Take Advantage of the MHW Brand Economics Calculator

Beginning in November, Vinexpo America's importer partner, MHW Limited, will offer a new pricing tool on their website called the Brand Economics Calculator (see below for sample price calculation). This tool will be available for clients as well as potential clients. Potential clients will have access to the pricing calculator for a trial period of 48 hours. Sign up here to receive updates about when the calculator will be available to use for the trial period: [MHW Brand Economics Calculator](#).

Brand Economics			
Assumptions (Inputs)			Unit Economics (Outputs)
<b>Product Assumptions</b>		<b>Pricing Assumptions (per bottle)</b>	
Product Category	Wine	Ex Cellar / FOB Producer	\$ 10
Product Sub-Type	Still Wines	Desired Shelf Price	\$ 38
MHW Role	Importer/Out of state shipper	Target Product Margin %	0
Alcohol Content By Volume (ABV)	14	Retail margin	30 %
Bottle Size (ml)	750	Wholesale margin (non-MHW)	25 %
Bottles per case	12	Importer margin (non-MHW)	25 %
<b>Warehouse/Transportation Assumptions</b>		<b>Retail Market/Costs</b>	
Warehouse Location	CA (Pacific)	Retail Market	New York
<b>Import Costs</b>		Local Delivery (per case)	2.00
Shipping Container Size	20 ft	Sales/Marketing (per case)	\$ 3.00
Shipping Container Type	Dry Container	Bonded storage	N
Product Origin	Europe	Insurance Fee	N
International Inland Freight(per case)	\$ 2	Brokerage	N
Fuel Surcharges (per case)	\$ 1.5	Is	Y
<b>Domestic Warehousing/Storage</b>			
Average Months in Storage	6		
Domestic inland	\$ 0		
Addl. Misc. fees	\$		
<b>Unit Economics (Outputs)</b>			
	Per Bottle	Per Case	% of Shelf Price
Ex Cellar Price / FOB Producer	\$10.00	\$120.00	26.32%
Margin per Unit	\$5.76	\$69.12	15.16%
Available to Producer or Brand	\$15.76	\$189.17	41.48%
Total Transportation and Taxes(-)	\$3.11	\$37.30	7.27%
Warehousing and Storage			
One-time Warehouse Inbound	\$0.07	\$0.85	0.1%
Product Storage	\$0.27	\$3.24	0.7%
Miscellaneous Warehouse	\$0.17	\$2.00	0.4%
Total Warehousing and Storage Costs(-)	\$0.51	\$6.09	1.20%
<b>Importer Costs</b>			
MHW Import Service Fee	\$0.31	\$3.75	0.8%
Importer Margin	\$0.00	\$0.00	0.00%
Insurance	\$0.03	\$0.38	0.1%
Total Importer Costs(-)	\$0.34	\$4.13	0.90%
Laid in Cost - After Import Costs(-)	\$19.72	\$236.69	51.9%
<b>Wholesale Pricing Factors</b>			
Domestic Shipping and Delivery	\$0.17	\$2.00	0.4%
State Taxes	\$0.06	\$0.71	0.2%
MHW Wholesaler Fee	\$0.00	\$0.00	0.0%
Wholesale margin	\$6.65	\$79.80	25.0%
Price to On- or Off-Premise - After Wholesale Cost(-)	\$19.95	\$239.40	
<b>Retailer Pricing Factors</b>			
Retail margin	\$11.40	\$136.80	30.0%
Shelf Price - After Retail Margin(-)	\$38.00	\$456.00	100%

SAMPLE

The calculator will allow you to input various pricing scenarios, change final desired prices by market (state) and account type (retail, restaurant, chain etc.) and will automatically calculate in the federal and state taxes, among other mandatory costs. To learn more right now, watch the video entitled "[Imported Wine Pricing Calculator Demonstration.](#)"



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## ADDITIONAL ADVICE

### Develop an Understanding of the Three-Tier System in the US and How It Affects Prices

Contrary to what you may have learned in a geography lesson, the US is more like 51 different countries—50 states + the District of Columbia—than one country. This causes the beverage alcohol laws to be applied in different ways around the country. While it is not necessary to understand every state at the outset, acknowledging this fundamental aspect is important.

Vinexpo America has provided a variety of resources to help exhibitors better understand and ultimately navigate the US three-tier system. To learn more, watch the Vinexpo [Exhibitor Education Video Series](#):

Episode 1, The US Market Structure, covers:

- the structure of three-tier system
- doing business in control and franchise states
- labeling compliance must know information, including important government website URLs

Episode 2, US Import & Distribution Landscape—Understanding the Playing Field, covers:

- understanding the relationship between producer, importer and distributor
- finding the right importer and distributor partners based on size and mutual goals
- expectations, strategies and time frames for entry into the US market
- developing a successful brand-building plan



### Further Information

To access more in-depth books on success strategies for entering the US market or see a list of current wine & spirits industry newsletters where you can access US market data, please consult the Resources Directory found [here](#).



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# Exhibitor Education Essentials Vinexpo America



## UNDERSTANDING ROUTES TO MARKET IN THE USA

The system of beverage alcohol (bev alc) distribution laws in the United States may seem complex when assessing routes to market, but navigating the system is manageable when taken in a step-by-step approach. The structure of the US bev alc system mandates which laws must be strictly adhered to on a state-by-state basis. Success in the US comes with understanding the system and then customizing an approach to market entry.

When it comes to beverage alcohol distribution, the US is not one country, but more like 51: the fifty states plus the District of Columbia.

### The Three-Tier System

For products imported into the US, the flow of goods resembles the path described in Figure 1. This system mandates that a pro-

ducer can only sell to a distributor and a distributor can only sell to the retail/restaurant tier who then are licensed to sell to the consumer. If a supplier makes enough product to be attractive to an importer that is connected to a national distribution system, their route to market will look very much like Figure 1. When discussing imported products, the importer is typically included in Tier One for simplicity's sake, but it is more like a tier "1½" that is in between tiers one and two. In this case, a producer sells to an importer who sells through to the distributor, and so forth.

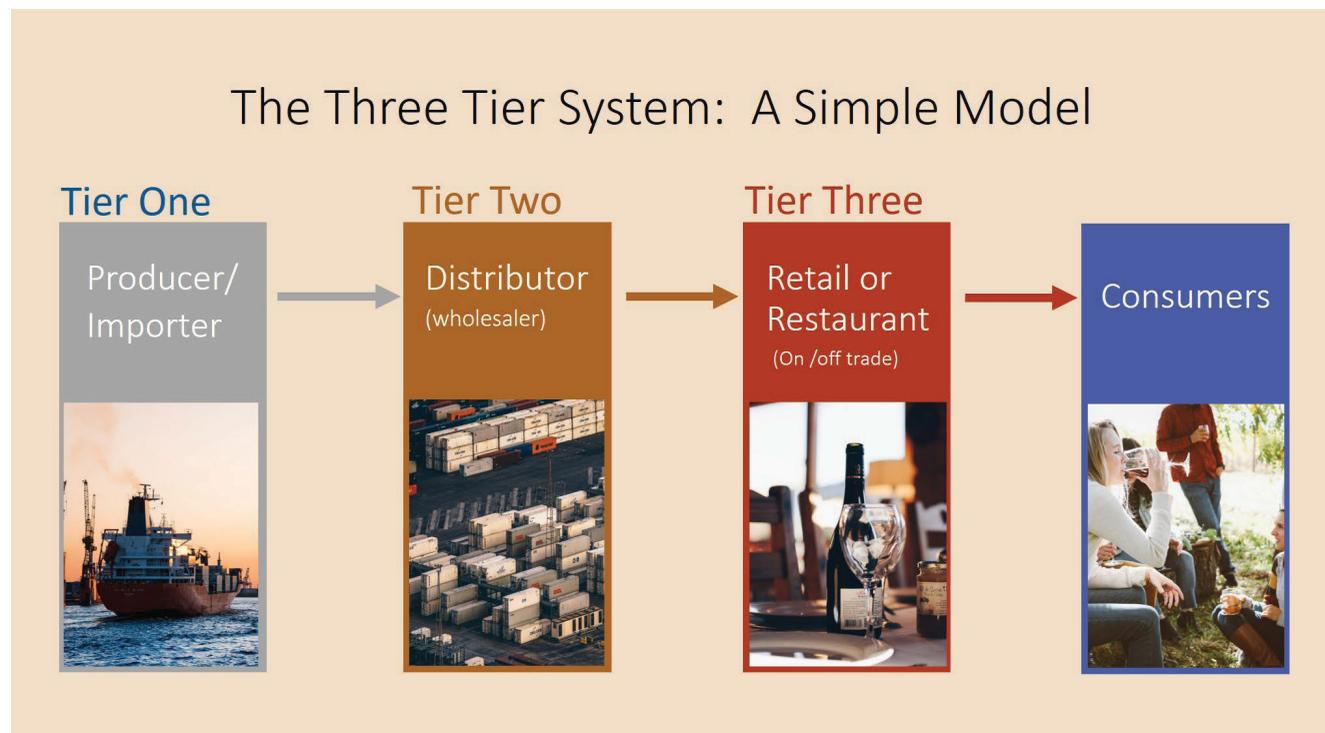


Figure 1. Traditional Model of the Three-Tier System



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## UNDERSTANDING ROUTES TO MARKET IN THE USA

### Navigating the Three-Tier System: Choosing the Route That Meets Sales and Distribution Goals

#### Finding the Right Partner

Finding the best route to market in the US is often the result of matching production volume to the size of an importer/distributor partner. Small importers are often looking for new, unique products to bring to market. Medium-sized importers are typically looking for products that already have a level of business in the US that are at the stage in their life cycle where they can grow with a distributor capable of promoting the product on a larger stage. Large importers are usually looking for brands that are either already built or that have the immediate capability to be built up significantly.

While every company is different, a simple way to assess this situation is to align how much product you are looking to sell (and have the capability to produce) in the US to the size and scope of the importer. If you are a small brand that requires a sales force to hand-sell your product, a small, specialist importer may be the best match. They have relationships with small, specialist, local and/or regional distributors. This ensures that the product and brand image is treated properly as it passes through the three-tier system. An example of this can be seen in Figure 2.

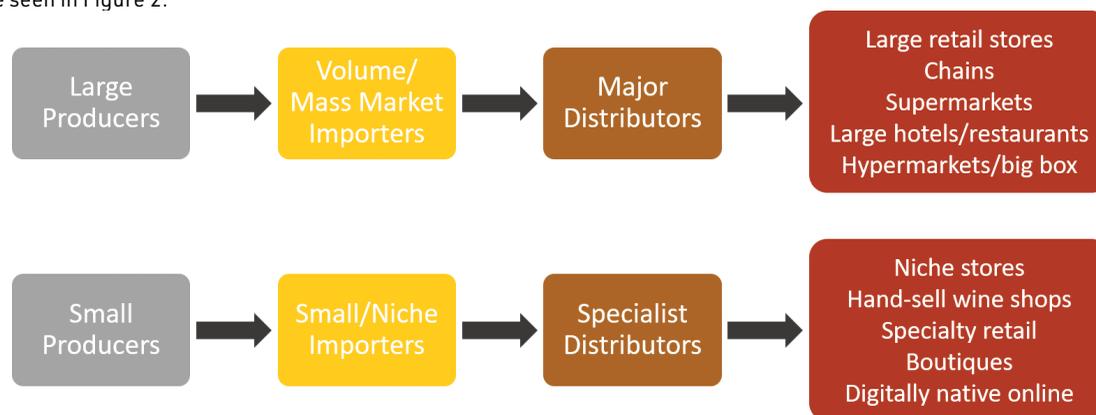


Figure 2. Producer-Importer Alignment Based on Mutual Size and Scope

Starting small if production is small is a sound strategy. Once market presence is established and the products have gained some representation or sales, growing alongside the right importer can be a reality, making change unnecessary.

A different but related strategy is matching up product portfolio with an importer that specializes in your country or region. There are situations where a producer may choose to use several different importers in different parts of the country who are then connected to several or multiple distributors, forming a network as in Figure 3. This approach may be preferable if the strategy is to target certain regions or states individually. Oftentimes, this is the system that many small and medium-sized producers must use simply because they cannot meet the volume expectations of large, full-on national importers and distributors.

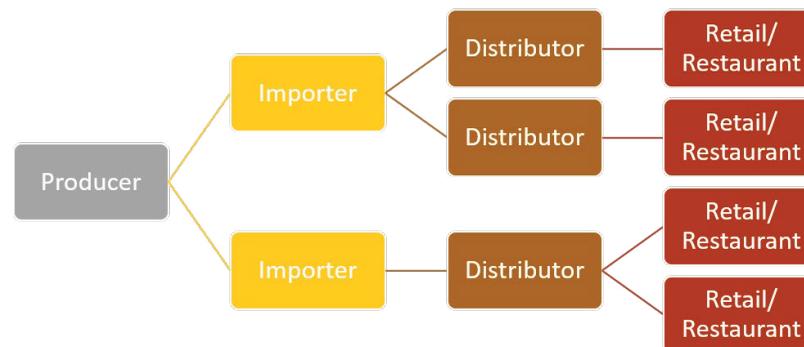


Figure 3. Networked Model of the Three-Tier System



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### Other Options

In the US, it is also possible for a large distributor to directly import (DI) product. It is important to note that in general, distributors are not in the brand building business and producers that use the distributor DI route, may not have access to all the states they wish. Other examples of importation options include large chains or retailers, internet sites, and even control states that do their own DI. Another option to enter the US market is to use a service importer. Service importers typically clear product into the US, handle logistics and payments and some even have distribution licenses in major states. Sales and marketing execution are usually left to the producer to sort out. Fees can be on a per service basis. Other recent entrants into the marketplace that offer nontraditional and somewhat unique services include companies such as [LibDib](#) and [Merchant 23](#)—these are worth considering, especially if

you are having trouble securing entry into the US. In the end, the pros and cons of all these choices need to be weighed against the producer’s business goals.

### Understanding US Laws Can Help Producers Identify Target Markets

On top of the federal three-tier system, the US is also divided at the state level in terms of control laws. Essentially each state has the right to set additional laws that manage the sale of beverage alcohol. The model at the state level is one of “open” vs. “control” (see Figure 4) and the definitions of each are straightforward—an open state operates more like a free market where distributors, retailers, and restaurants are not as limited by state intervention; in a control system, the operators are controlled (regulated) heavily by the state.

Each state is different than its neighbor and the regulations are complex, with 50 states plus the District of Columbia, and several other smaller jurisdictions being included. However, producers can successfully develop market entry strategies that will enable them to thrive no matter what the system. For more information on control states, consult the National Alcohol Beverage Control Association’s [website](#).

The last piece of US alcohol beverage control laws to be aware of concerns franchise states. A franchise state is usually described as one where a distributor can represent a brand in

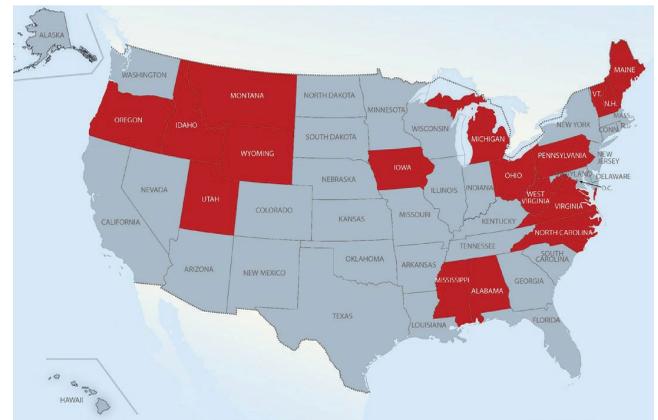


Figure 4. Control states (red) vs. open states (gray)

the sense that it “owns” that brand and that brand can never leave. That is an exaggeration; brands can part ways with a distributor in a franchise state, but the process can be cumbersome and expensive. On the bright side, distributors in franchise states often have different priorities than in open states. Usually smaller, and often more interested in selling smaller brands, a relationship with the right partner in a franchise state can be successful. The key is to be aware that the laws exist and then to learn how to use the systems to your advantage. A few examples of control state laws and how they overlap with franchise laws are shown in Figure 5.



### Further Information

For the full story on the US three-tier system and other laws, be sure to consult the [Exhibitor Education Video Series, Episode 1](#), The US Market Structure. Also, in [Episode 2](#), The US Import & Distribution Landscape: Understanding the Playing Field, different import and distribution models in the US market are discussed by industry experts. Use these videos to match up your market entry goals to the right model. To access more in-depth books on success strategies for entering the US market or see a list of current wine & spirits industry newsletters where you can access US market data, please consult the Resources Directory found [here](#).



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## SUCCESS STORIES

A series of case studies from  
**VINEXPO America**  
 As told by the producers



### How an established wine exporter uses Vinexpo America to motivate buyers in a very business-efficient way

*"Vinexpo America is really a great forum . . . for us to meet wholesalers and on- and off-premise accounts that are motivated to purchase our wines from our local wholesaler."*

#### Producer Profile



- Company: Aquitaine Wine Company
- Wines: Bordeaux-appellation wines (red, white, sparkling, and dessert), South of France single-varietal wines (red and white)
- Négociant and exporter of fine wines representing over 100 family-owned estates from Bordeaux
- Producer and owner of 7 brands of wines from southern France

#### Primary Goals

- To develop stronger relationships with US wholesalers via face-to-face meetings.
- To interact with and show the company portfolio to the many on- and off-premise buyers from national accounts that attend Vinexpo America.

#### The Challenge

- Finding wholesalers in a market that has a lot of wines already available.
- Even after signing on with a wholesaler, the responsibility is on the producers/exporters to ensure that the wholesaler prioritizes sales of their wines.

#### Avenues to Market

- Although Aquitaine wines are distributed in nearly all 50 US states, Vinexpo America represents a great tool for our company to provide a centralized place for wholesale customers to visit and taste our wines.
- Vinexpo America is a forum for us to meet on- and off-premise account buyers who then become motivated to purchase wines from our wholesaler in their respective markets.
- We believe it is important for any producer to have a plan to promote their wines, including a samples budget, a budget for depletion allowances (discount credits paid after a sale has occurred), and a budget to hire local people to promote the wines directly to on- and off-premise accounts.

#### Preparing for the Show

- Put a great deal of thought and reflection into choosing samples for the show.
- Drew up a current price list and catalog of our products that was always ready and available for potential buyers and customers to peruse as they taste our wines.

#### The Results

In addition to the interactions we are able to have with wholesalers and buyers from North America, Aquitaine Wine Company's participation the last two years at Vinexpo America allowed us to:

- Find two new customers in 2018: a retail chain (with 10 stores) in the US and an importer/broker from Canada.
- Obtain both national and local American by-the-glass listings in prestigious restaurants—many restaurant buyers (both independents and chains) attended the show and tasted our wines in 2019.



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## SUCCESS STORIES

### A series of case studies from VINEXPO America

As told by the producers



## How a modern, niche producer from a traditional wine region found a partner at Vinexpo America

“The Vinexpo America & SSU exhibitor education program helped us to get a handle on how to navigate through the 3-tier system and gave us a general understanding of the market structure”

### Producer Profile

ART RUSSE

SAINT-EMILION GRAND CRU  
CHATEAU LA GRACE DIEU DES PRIEURS

- Winery: Château La Grace des Prieurs
- Wines: Art Russe Saint-Émilion Grand Cru
- Region: Bordeaux, Saint-Émilion
- Small production of artist collection, specially designed labels

### Commitment to the market

1. To inspire potential partners with our story.
2. To convince distributors that we are serious about this market, by committing to a significant promotion program and budget.

### Primary Goal

1. To present a new wine brand, Art Russe, to the American market.
2. To find partners that understand how to market niche products.

### The Challenge

1. The US is a very competitive environment.
2. Distributor portfolios are saturated, especially with Bordeaux.
3. Importers and distributors expect a brand ambassador or in-market sales representative from the winery.

### Preparing for the Show

- Prepared marketing materials well in advance.
- Created videos of our unique production facilities and the harvest, so we could deliver our experience to our potential partners.
- Studied the series of educational videos created by the Vinexpo team.
- Used the tutorial on margin calculations provided as part of the Vinexpo education program, to set pricing parameters that worked for both us and distributors.
- Created a PR opportunity by offering signed Art Russe magnums by the artist who painted the label for the 2014 vintage, Anatoly Gankevich. An exposition of his work at a NY gallery coincided with Vinexpo America.

### The Results

For Château La Grace des Prieurs, the quality of our importer/distributor relationship is more important than volume. We are clear in our message and we were clear in our strategy for searching out partners. Our participation at Vinexpo America allowed us to:

- Have discussions with potential partners in 4 of the 6 target states.
- Ultimately establish relationships with partners in 2 states that represent major markets —California and Illinois— resulting in orders for each.
- Submit our wines to magazines and journalists because our wines are now in US distribution.



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## We also have a recorded webinar!

The Wine Business Institute at Sonoma State University hosted an exclusive webinar in November for Vinexpo America exhibitors that provided an overview of the US Wine Market in terms of growth areas, sales trends, hot categories, and various demographics. The panel also answered submitted questions.

### ***The US Wine & Spirits Market: Understanding Key Metrics and Consumer Preferences***

#### Moderator

Ray Johnson, Executive Director,  
Wine Business Institute, Sonoma State  
University

#### Panelists

Jennifer Pagano, Director of Research,  
Wine Market Council

Andrew Adams, Editor, Wine Vines  
Analytics

Danny Brager, SVP, Beverage Alcohol  
and Cannabis Practices, Nielsen



### **Additional Resources**

We have compiled a list of additional resources we believe you will find valuable on the Exhibitor Education Program topics including books, direct website links, a glossary of terms, and helpful US industry newsletters.

Find the webinar recording and a link to the additional resources at [www.vinexponeewyork.com/exhibitor-education-program](http://www.vinexponeewyork.com/exhibitor-education-program)



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