A branding guru speaks

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Looking outside in, without the complete picture, can sometimes be bad for making assumptions about a brand, but I've often found that initial assumptions are right, as when you have enough experience, you should follow your 'gut feel'. Mine is that the Beringer brand has been left to manage itself. It appears decisions are being made without a long-term strategic goal and approach. Once a brand is established, as the Beringer brand no doubt is, it's easy to sit back and rest on the brand's laurels. However, this can have detrimental effects on the business as it doesn't take long for the brand value to erode and competitors to take the ground you once owned.

First and foremost I believe Beringer needs to clarify what it stands for. Outside of "Napa" I really can't see how it's trying to position itself in the marketplace. Once this has been realised it needs to get clarity on its brand architecture as well as getting a clear understanding of how much its brand could and should stretch. When considering new product opportunities like calorie controlled wine, one has to ask can the brand stretch this far? My sense is no. One also has to ask if it could be detrimental to the masterbrand. My gut feel is yes.

The Beringer brand positioning

Great brands stand for one clear thing. Their owners realise consumers are bombarded with thousands of marketing messages per day, and know that to break through the noise, they need to be consistent in both their message and how it comes across. If you're looking to buy a new car and safety is important to you, it's no coincidence Volvo will be on your shortlist.

Selecting what to stand for is no easy task and requires a great deal of consideration. Location alone cannot be what a brand is based on. It's too generic. There are too many other competitors that can replicate the positioning.
Location can be a key "support" for the brand but shouldn't be the defining factor.

Would Chateau Latour focus purely on Bordeaux, or more specifically the left bank? Of course not, as so could the likes of Margaux and Lafite Rothschild. Location is an important element of all wine brands, but should not be the key focus point.

Of all alcohol brands, Jack Daniel's uses a locator as a key part of it brand positioning. However, it's not about Tennessee. Tennessee is ubiquitous with all bourbon brands and just an 'entry point'. It's about 'Jack lives here' and the heritage surrounding 'Jack'. It is this which creates the magic and heritage behind one of the world's biggest spirit brands.

How far can the Beringer brand stretch?

Most businesses look at an incomplete picture when assessing the feasibility of brand extensions. Often they consider only their organisational capabilities and the potential market opportunity.

Brand relevance is now the single most important factor when determining what new fields a brand could and should move into. Disney would never have created hotels if they had looked purely at market opportunities and organisational capabilities. As its brand is based on making people happy, it was a simple extension.

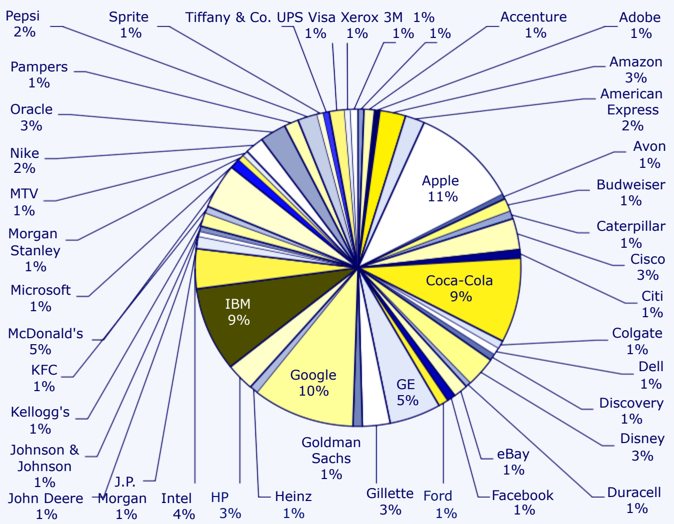
There are of course instances in which a business needs to create a new brand in order to exploit a market opportunity. Starwood hotels recognised that its portfolio did not include a brand which could support a hip new hotel offering - so created W hotels.

Crucially, it's about understanding the stretch left in a brand - and equally - the potential pitfalls of trying to stretch it too far. A look at Beringer's portfolio today could arguably indicate that it has already been pushed to its maximum potential. Attempting to force a premium wine brand into a specialist calorie-controlled sector appears unrealistic - after all, being seen as a jack of all trades is very dangerous territory for a brand to operate within.

In other markets where businesses have developed calorie-controlled products, they created completely new brands. Nestlé could have extended its Stouffer's brand (frozen food) into a calorie-controlled variant, but realised it would damage the brand too much, so created the very successful Lean Cuisine brand.

The likes of Nestlé understand and place considerable value in brands. Beringer can learn lessons from those outside its category. If there's a clear and quantifiable opportunity outside of your brand's core, create a new brand. Invest in it. Manage it. And then watch your overall brand value grow considerably.

The USA is crowded with good brands



Source: CLSA, Interbrand (2013 Best Global Brands: USA)

How important is the Beringer masterbrand?

Businesses with a very strong masterbrand, such as BMW and Mercedes, have invested heavily in understanding and establishing what the brand means to ensure its attributes are relevant across all products. If you're buying a Mercedes van or a 500SL, you know it's going to be the epitome of engineering excellence within its category. This works in the car industry, but isn't as easily adoptable across all industries. Take the world of fashion, where even the power brands like Georgio Armani and Donna Karen have had to create diffusion brands with the likes of Armani Exchange and DKNY, to ensure value isn't eroded from the mother brand.

This is also true within the wine and beverages category, with a few notable exceptions: Penfolds being a primary example.

Penfolds is in the enviable position of having products which retail all the way from A$700 down to A$7. In the 1950's, Penfolds took the brave leap into producing a world-class wine, Grange. Since then, it has consistently set the benchmark in terms of quality both at home and abroad. It is this wine which made the "old world" sit up and appreciate that the "new world" could deliver wines that matched their first growths and DOCGs (or "denominazione di origine controllata", the Italian quality- assurance stamp).

The success of Grange allowed Penfolds to stretch the brand range and introduce the likes of Bin 389, Bin 707, Bin 28 and Bin 128 over the next few decades. Each of these wines benefited from the halo effect Grange asserted over the entire Penfolds range - a benefit which has continued to touch the likes of Rawson's Retreat.

For me, Penfolds as a brand is not about wine. It's about quality. It's about a way of life. It's about being proud. It's about striving to be the best. It's about not accepting that the current or established ways of doing things are always the right ways. And as much as I find it an overused expression, I do believe Penfolds is one of Australia's "National Treasures" - summing up all that is good about the country and its people. This is what allows it to stretch from A$7 to in excess of A$700.

Can Beringer simply replicate the Penfolds example? It's extremely unlikely. But does Beringer have the opportunity to stand for more than just Napa? Absolutely, but it's going to involve a lot of careful brand management and investment. And it will not happen overnight. Remember Penfold's have been investing in its brand since the 1950's, and it shows.

Considerations to drive the value of Beringer

During my time at Interbrand, I got under the skin of exactly what makes a brand a valuable asset for a business. Many of the branding decisions we made with clients were not just executed with marketing in mind. They were made with the shareholders in mind.

Penfolds: Rawson's Retreat and Grange

Source: CLSA, Company

Summary

I think Beringer is extremely well placed. It has many things going for it: heritage, product, quality, distribution, range etc. These are the elements that are important foundations for the brand.

However the Beringer brand has been left to meander a course with no firm hand on the tiller. All brands need to be set on a clear course by people that understand and are 100% focused on the brand and marketing. Not sales, not wine making, not retail distribution. If you leave a jack of all trades to manage the brand, it's not hard to guess what your brand will become.

It could easily become the "wine my parents drink". This is a very dangerous place to be. When working on Levi's, I knew the brand was in a very dangerous place when the younger consumers said they wouldn't be seen dead in a pair, as their dad wore them. What does it say about me when I take a bottle of Beringer to a dinner party? I'd suggest not a lot which isn't a good place to be.

Beringer needs to clearly identify its purpose and then arrange all its brands accordingly. It could well involve introducing new brands to cover off certain opportunities (particularly a calorie controlled wine) without damaging the master brand. It could involve rationalising some of its product range. When the appropriate person or team gets under the skin of the business, it will all become very clear.

As the vice-chairman and CEO of Samsung Electronics states, 'competing successfully in the 21st Century will require more than just outstanding product quality and functions. Intangibles such as corporate image and brand image will be crucial factors for achieving a competitive edge.' My gut feel is this is a sentiment Beringer very much needs to take on board sooner rather than later.