

**SOVOS** ShipCompliant

# **10 Key Steps to Expanding Your Winery's Footprint**



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## Introduction

Businesses are constantly looking to evolve and expand, and this is no different in the beverage alcohol space. However, this is a more heavily regulated industry than most others, which makes bringing new products to the marketplace a unique challenge for many wineries.

In addition to the standard logistical issues wineries face like market analyses, licensing, and distribution, wine producers also have to cope with a bevy of regulations from the federal government, state governments, and, in some places, even local jurisdictions. Compliance can be tricky for companies in any space, but it is an especially difficult aspect of selling alcoholic products in the U.S. because of the murky regulatory landscape.

But, never fear! Everyone struggles with expanding their footprint, to some extent. These are natural growing pains, and it's best to embrace them. In that spirit, we've put together a guide for wine producers looking to introduce new products to market and widen their distribution networks: **10 Key Steps to Expanding Your Winery's Footprint**. These are by no means in chronological order; every winery's timeline may differ.

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## 1. Know Thyself

Before you launch a new product or expand your presence into new areas, it's imperative to have a complete understanding of your company's ability to successfully complete the registration process and meet all unique compliance requirements in each area. It's also important to make sure you don't overextend yourself at first – focus on a small number of products you think will perform the best, and then expand your offerings from there.

Some questions to ask yourself: What does your internal team look like? Is it equipped to handle an influx of new responsibilities and obligations? Are you prepared to meet each state's requirements for registration?

The key to successfully entering new regions is to have everything in place before entering a market. Identifying openings in the market is important, but you also have to identify your own capabilities before making moves, and then identify the right time to do so.

## 2. Know the Market

Speaking of identifying openings in the market, the second thing to consider should be the state of the market. Keep an eye on what's trending right now, and maintain a close watch on newer products that could possibly explode onto the scene in the coming years. To expand your footprint, you need to have products that both reflect what's currently popular and also are different enough from everyone else that you can stand out from the crowd.

Are your products diversified enough from what everyone else is offering in a certain area? What are the top-selling varietals of wine? How have your product categories been performing there over the past several years, and what are their projections? Having a 90+ rating or score can help catapult you into the limelight, but if you don't make the list, don't fret. Use data to make decisions to improve your performance.





Pay attention to demographics and what's trending in any new areas you hope to enter. Resources like our annual [Direct-to-Consumer Wine Shipping Report](#) can help you stay on top of recent trends and identify the right products to introduce to each new targeted region.

A comprehensive grasp of the markets you intend to enter is critical to the success of your expansion campaign, so you should be sure to follow those markets for quite a while before making a commitment to them.

### 3. Know Your Brand Story

Every business needs to know how to sell its products, but half the battle is figuring out how to sell the brand itself. Not only are you competing with hundreds – and, depending on the product, possibly thousands – of like-minded alcohol producers for shelf space in stores or bars; you're also selling to a consumer base that can be influenced by the visual design of your products, varietal, or region in which your wine is produced.

Maintaining a positive image surrounding your winery is crucial to attracting buyers. This can be achieved via aesthetically appealing packaging, an emotionally compelling brand story, or even a unique value proposition like the experience at a wine dinner or your tasting room. Does your brand effectively tell your story and convey a positive message to your audience? Once you have your brand story identified, make sure it goes to the right audience.

### 4. Know Your Customers

The most important part of any expansion strategy: Understanding your audience. First and foremost, you need to identify which demographics are most likely to buy your products. Where do they live? How old are they? What are they looking for in a wine, beer, or spirit? What other brands do they currently buy from?

Once you figure out what motivates your consumers to buy certain alcoholic beverages, you can begin speaking their language. If you're trying to introduce locally successful products to a new region, learn about the audience in that area and appeal to their interests. For example, if Pinot Noir is more popular than usual in your newly targeted market, start by promoting that varietal to gain a foothold.

## 5. Know Your Strategy

Expanding into new territories is an exciting prospect – but it also needs to be meticulously planned in advance. There are many examples around the industry of alcohol producers attempting to grow too quickly, and being forced to scale back their operations as a result. You need to figure out your distribution strategy in each new area you intend to enter, but you also need to refine your sales pitch so you can hit the ground running once you enter these markets.

Are you going to approach local markets with individually designed plans? Will you take a more broad regional strategy? Or do you plan to target a national audience and use the same messaging and product placement in every market you enter? Each of these approaches has worked in the past, but you have to commit to the strategy once you determine which route you plan to go.

## 6. Sort Out Your Logistics

Ok, so you have your product strategy in place. Now you need to make sure you can go out and execute on it. This means getting your logistics sorted out, from supply lines to infrastructure. These factors will vary by area and by the types of wines you sell, so it's important to understand the ins and outs of each place and product.

While you can't really control how quickly you produce your wine, you can still take proactive steps to make sure everything is in place when you're ready to begin distributing. Finalize your artwork, bottles, corks, and all the other little things that could cause headaches later down the line.

Once you get your supply chain in place, you can start selling products in new areas and leveraging distributors to help expand your reach.





## 7. Line Up Distributors

Distributors are in many ways the lifeblood of the bev alc industry, so don't take your dealings with them lightly. Ensure they will care for your products and be upfront with them regarding the time and resources you need. Verify that your products fit in with their sales model and establish clear goals that you can use to measure success (and write those down in your contract). Taking the time upfront to check that your distributors are set to meet your needs can save a lot of headache down the road.

So, how can you form a positive business relationship with a distributor?

Good question! First, you have to prove your products are valuable. What do your sales figures look like? Are you producing varieties of drinks that are popular enough to sell in new areas? Once you demonstrate to distributors that your brand has a worthwhile product (or products), you can begin to attract attention. Certain distributors will be a better fit than others based on your expansion strategy, so it's important to choose one that aligns well with your efforts based on regional infrastructure, shipping capabilities, and localized networks.

Next comes the "fun" part: Negotiation. You can easily be trapped in a bad deal if you aren't careful and sign a formulaic contract. If a state has franchise laws, that can make getting out of a bad deal even harder. Hire a lawyer who will help you draft a clear and enforceable contract. A legal advisor experienced with beverage alcohol can negotiate on your behalf to strike the best possible deal and avoid future problems.

Another key component is establishing good partner relationships. If your brand managers, ambassadors, and solicitors (or anyone else representing you) develop a positive rapport with your partners, they may be more likely to help promote your brand.

## 8. Get Compliant

If you have your licenses and registrations in place, it's time become compliant in every new market you intend to enter. Each state has its own unique requirements – though many are similar – and you'll be responsible for knowing when and what you need to do to ensure you register properly and are in compliance. Between excise taxes, shipping reports, licenses, registrations, price posting, Certificates of Label Approval (COLAs), compliance can be complicated and complex.

If this seems overwhelming, Sovos ShipCompliant can help your business obtain all the necessary licenses and registrations with our Market Ready solution. Learn more about [Market Ready](#).



## 9. Stay on Top of Compliance

Once you acquire the licenses and registrations you need to operate in new areas, you need to make sure you stay on top of compliance. This means regularly paying taxes and filing shipping reports, but it also means being proactive. Track your data and measure your performance periodically – are you meeting goals and expectations? What is and is not working with your compliance processes? Are you in good standing with each state where you have sales?

Getting behind on registrations and taxes can put your business at risk of incurring penalties and interest, or even worse: Potentially losing the license to sell your products in states where you are not in compliance. Sovos ShipCompliant's 3-Tier Reporting solution can help you stay on top of revisions, license renewals, and any other challenges you may have.

## 10. Rinse and Repeat

You've tackled expansion successfully and have moved your products into new markets. Congratulations! But you aren't done – now it's time to measure your successes, learn from any mistakes you've made, and get right back to planning for further expansion. This might mean moving into even more new regions, or it could mean expanding your product lines and increasing product diversity.

Are you in a position to introduce new wines or even take on new product types to the market? Are you ready to take the next step toward being a nationally recognized producer? Are you positioning yourself to be acquired by a larger brand, or to make an acquisition to grow your own brand?

Whatever route you choose to take, you have the tools to go out and conquer the world...or, at least the beverage alcohol industry.



**See for yourself how Sovos  
ShipCompliant can help your  
winery stay on top of compliance**

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