

# Evidence of successful wine business strategies in the post-COVID era: customer acquisition, value or retention?

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**Abstract.** This presentation illustrates a series of successful wine businesses, which have managed to counter the downward trend impacting the global industry. How these businesses have been successful is explained through the planning and execution of strategies that focused on a clear and consistent aim in attracting new consumers. These cases add weight to the ehrenbergian position that for a business to be successful it must target new customers as a priority over alternative options like increasing value or improving customer retention.

## 1. Purpose of this Paper

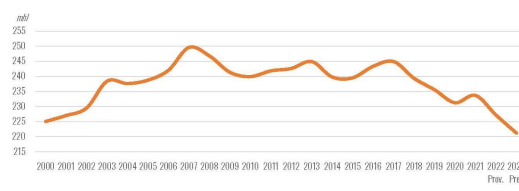
The COVID-19 pandemic raised a series of unprecedented challenges to the wine industry in the way it disrupted traditional sales channels and impacted consumer behaviour. In response, many wineries were presented with the challenge of deciding whether to adopt customer retention, acquisition, increased value or a mixture of these strategies in order to navigate this new period of liminality. The emerging literature in the field of marketing proffers customer acquisition as the only long-term solution to business success (Putri, 2021; Sharp, 2019; Sharp & Allsopp, 2002). However, a phalanx of marketing scholars recommend reviewing strategy during times of change, as businesses are readily presented with the challenge to adapt to unexpected challenges and new opportunities (Ailawadi et al., 2001; Axtell et al., 2006; Fountain & Cradock-Henry, 2021). Consequently, in light of the changing nature of the current wine market, this research project explores the success of established marketing strategies, in the post-pandemic era. By examining case studies using empirical data, this paper aims to provide valuable insights into the resilience and adaptability of the wine sector, offering a roadmap for future crisis management and sustained growth.

## 2. Background and Literature Review

Sustainable success in the wine business relies on the effective application of marketing strategy over time (Ataman et al., 2010). Successful marketing strategies are primarily reduced down to three key approaches; being a constant increase in the number of customers, improving a customer's propensity to repurchase, or raising the

likelihood of customers supporting price increases. These strategies are referred to as customer acquisition, customer retention, and increased value (Adinolfi et al., 2011; Ailawadi et al., 2001).

The type of strategy implemented by wine businesses is typically put under review at specific points in time, one of which is in the event that market dynamics change from forecast expectations (Ferrell et al., 2022). In the contemporary era, following the COVID pandemic, where the digital medium provides businesses with access to a global market, it is imperative that managers have an understanding of the constraints and opportunities that vary across global media and platforms (Katsikeas et al., 2020). With the wine industry having been impacted on a global basis, and total wine consumption declining consistently since the last increase prior to the COVID pandemic, as illustrated in figure 1, below, the trend of a downturn in global wine consumption since 2021 is a primary concern for the wine sector.



**Figure 1.** Apparent Global Wine Consumption in mhl (OIV, 2023).

Although the trend in wine consumption was on a long-term downward curve since the most recent peak in 2007, periodic peaks and troughs over the subsequent decade implied a market having reached maturity (Stark, 2022). The prevailing wisdom for countering this market decline

is to innovate in order to attract new customers, in line with strategy (Axtell et al., 2006; Wilson et al., 2015). Innovation in this sense could be as simple as changing or adding a marketing strategy as a wine brand's customers would consider any change as being new.

## 2.1. Customer Acquisition Strategy

One strategic option is to consider marketing activities that are consistent with the aim to attract new consumers. This approach, called customer acquisition, involves attracting new customers, which is crucial for expanding market share and driving growth for the long term success of the business (Ambler, 2000; Ansari et al., 2008; Ataman et al., 2010). Research indicates that while customer acquisition is costly, it is essential for reaching new markets and increasing brand visibility for the relationship that the strategy has with the marketing requirement in generating brand awareness (Putri, 2021; Romaniuk et al., 2004). For example, Barefoot Wines' focus on generating brand awareness through social media campaigns has effectively attracted a younger demographic, and significantly expanded its customer base. The effort to attract new consumers as part of a strategy of customer acquisition can thus be an effective marketing strategy for wine brands focusing on that aim in favour of pursuing a strategy focusing on customer retention or price increases.

## 2.2. Customer Retention

Customer retention focuses on maintaining and nurturing relationships with existing customers (Bhattacharya, 1998; Castéran et al., 2017). This strategy has historically been perceived as a more cost-effective strategy than the time and money required to acquire new customers.

However, as evidence has emerged from research on the profitability of pursuing competing strategies, Winchester and Romaniuk (2008) found that the costs of retaining lapsed customers were more expensive than the costs of attracting new customers. Countering this emerging evidence is a more recent study by Lemmens and Gupta (2020) where those researchers found that qualifying returning customers by their propensity to respond to retention offers was shown to improve profitability in businesses relying on a customer retention strategy. Many small wineries rely heavily on the perceived cost benefits of pursuing a retention strategy. As reported annually by Sovos Ship Compliant in their annual DtC report on 'Direct to Consumer' sales figures for the US market, the overwhelming majority of small wineries invest heavily in software that exercises a customer retention strategy (Sovos Ship Compliant, 2024).

## 2.3. Price Increases

Strategic price increases can also contribute to the long-term success of wine businesses by enhancing perceived value and profitability (Ali & Anwar, 2021). However, this approach requires careful consideration of market conditions and an in-depth understanding of a brand's

demand elasticity with respect to changes in price. Penfolds, a renowned Australian wine brand, has successfully implemented price increases by promoting an image of its wines as premium offerings. Through meticulous branding and consistent quality, Penfolds managed to justify higher prices than those for competitive brands in the wine show circuit. The success in this strategy being that the brand owner has been able to increase its profit margins without alienating its customer base. This strategy underscores the importance of aligning price adjustments with brand positioning and consumer expectations.

## 2.4. Comparative Analysis

Comparing these strategies, it is evident that each has its unique advantages and challenges. Customer acquisition is vital for growth but can be resource-intensive. Customer retention purports to offer a higher return on investment by leveraging existing relationships. Price increases, when executed strategically, can enhance profitability but require enough brand equity to leverage a higher price than competing brands. The most successful wine businesses often employ a balanced approach, integrating the most appropriate strategy to achieve sustainable success.

## 2.5. The COVID Effect

In light of the global impact of the COVID pandemic, wine businesses have faced several challenges that could have impacted operations and execution of strategy. The first challenge emerged early during the pandemic, as disrupted distribution channels slowed, and shut down a number of routes to market. The outcomes led to extensive on-premise business closures and many restrictions on hotels and restaurants. The subsequent decline in on-premise sales from the effect of social distancing measures resulted in an extended shift away from on-premise sales, which has yet to be recovered. Smaller wineries were hit hardest by the pandemic, with many struggling to adapt to the new market conditions (Fallon, 2020). Changing consumer behavior has also been observed through the trend of younger consumers drinking less wine compared to previous generations. The pandemic appears to have accelerated this trend.

Further, wine faced stiff competition from the surge in popularity of gin and craft beer (Mileham, 2020). Consequently, these challenges have made it difficult for wine businesses to fully recover and thrive in the post-pandemic market environment.

Identifying sustainable success in wine businesses thus requires a multifaceted approach. Successful strategy implementation requires identification of a consistent approach, combined with a resilience in response to the challenges posed by the pandemic. By examining the practices of industry leaders such as Barefoot Wine, Jackson Family Wines, and Penfolds, this review highlights the importance of a holistic marketing strategy that adapts to changing market dynamics and consumer preferences.

### 3. Research Method

This project uses a case study method to identify wine businesses that successfully implemented marketing strategies following the COVID-19 pandemic (Amerson, 2011; Chetty, 1996; Yin, 2003). This method involves an extensive examination of the characteristics of success from leading brands in the US wine market. The case research approach allows researchers to explore the unique challenges and innovative solutions adopted by different wineries, thus providing a detailed understanding of how these strategies were tailored to meet the evolving needs of consumers during and after the pandemic. The range of strategies revealed through analyzing these successful brands offers valuable insights for future marketing endeavors by practitioners and brand owners in the wine industry.

This approach, applied using Kozinets (2010) Netnography process of data collection for the capture of raw data, explores the unique challenges and innovative solutions adopted by different wineries. A netnography studies online communities and consumer interactions. The insights provided by this approach provide for researchers to capture interaction effects, which help identify the specific tactics used by brand owners that led to successful outcomes.

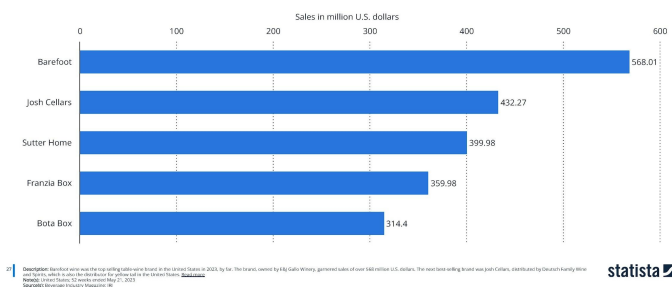


Figure 2. US Retail Wine Sales 2000-2023 (Statista 2024).

The US market was selected for this research project due to the clear change in market dynamics following a long-term trend leading up to the COVID pandemic. As shown in figure 2 above, the retail value of wine sales in the United States increased from approximately \$25 billion in the year 2000, up to almost \$110 billion by 2023 (Statista, 2024). Not only was this pattern in growth continual over that period, but that trend in sustained growth was in stark contrast to the global trend shown in figure 1.

The netnography process was implemented by starting with wine market data from a multitude of sources, including AC Nielsen shopper panel data, Statista, BW166, the OIV, Sovos Ship Compliant, Impact, and Silicon Valley Bank. From these data sources, a cross-referencing of market-leading brands was identified based on market size, and growth after the conclusion of the pandemic. These brands were then reviewed based on available data, supplemented by clarifications from marketing executives, and embellished by customer reviews where available. As data saturation approached, the specified cases were chosen based on the diversity of details found once revealed concepts were exhausted.

### 4. Results

The largest retail wine brands in \$US are shown in figure 3 below. As illustrated, the Barefoot wine brand is the largest in the market, with a retail value of almost \$570 million in 2023.

Although this is the dominant brand in the market, unlike other categories where the market leader often holds such high market share, like Coca-cola (~45% of the soft drink market in 2024) or Toyota (~9% of the global car market), Barefoot's value represents less than 0.5% of the US wine market. As such, while brands like Coca-cola and Toyota can wield significant influence over their industries, Barefoot's substantial, yet comparatively modest market share in the US limits the influence the brand can have over the wine market.

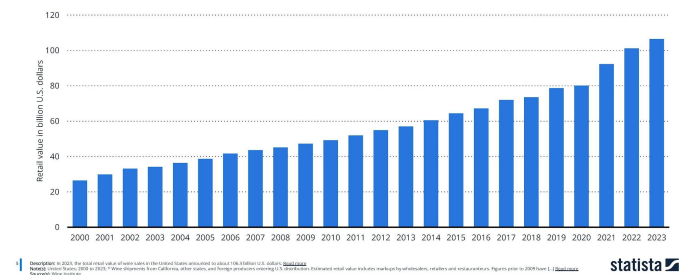
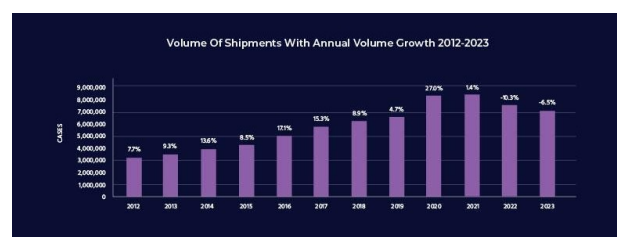


Figure 3. Top 5 US wine brands by retail value in 2023 (Statista, 2024).

A review of google trends for each of these top-5 retail brands illustrated an increase in interest for each one at the start of the pandemic. These largest brands benefited from an influx of new customers via their competency in e-commerce and digital marketing. Reports of up to a 1/3 of customers using e-commerce to access these wine brands at the start of the pandemic were first-time users of the digital platform.

Jackson Family Wines exemplifies successful customer retention through its loyalty programs and personalized communication strategies. By offering exclusive member benefits and tailored experiences, the winery has fostered a loyal customer base that consistently returns for repeat purchases. However, as illustrated below, in figure 4, the Sovos Ship Compliant data for the last two years of Direct-to-consumer shipments have continued to decline for the bulk of wine producers relying on this distribution approach.

Figure 4. US Direct-to-Consumer shipments volume 2012-2023 (Sovos



Ship Compliant, 2024).

In comparison to the many small wineries focused on pursuing a direct-to-consumer approach to customer retention, several small US wine brands have instead found success since the end of the COVID pandemic through efforts to focus on attracting new customers.

Scribe Winery & Field Recordings, for example, have managed to generate a consumer base beyond what their market share would suggest. Both wineries have taken innovative approaches to the application of digital marketing. Through their engaging chat-bots on home pages, the use of customized, on-line wine tastings and the execution of successful social media campaigns, these wineries have continued to increase the level of brand awareness among competing brands. These strategies highlight the different approaches wine businesses have taken to maintain a consistent number of existing customers, while focusing on the need to acquire new ones in the post-pandemic market.

## 5. Conclusions

With the impact of the COVID pandemic leading wine businesses to have to adapt to a rapidly changing business environment, identifying the components that lead to successful implementation of strategies is essential. This study realized successful wine brands through outcomes that took advantage of a rapid shift to focus on digital marketing, the development of e-commerce platforms, and brand awareness amplification via virtual wine tasting experiences.

While the largest wine brands were able to effectively focus on leveraging e-commerce as an avenue to attract new customers throughout the pandemic, smaller wineries were able to implement strategies to actively acquire new customers through astute web-page design, and by providing engaging content and interactive tools for customers.

Evidence was also found that some wine business' retention strategies also experienced degrees of success. However, those wine brands focusing uniquely on customer retention struggled in comparison to the brands that concurrently worked to attract new customers at the same time. Through an emphasis on implementing practices that fit within a customer acquisition strategy, and consistent with the growing literature (Dawes, 2016; Sharp, 2019) in the field, these findings have shown that wine businesses can successfully navigate the post-COVID landscape.

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