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California's Crimson Wine Group Doubles In Size With Seghesio Acquisition

Napa-based Crimson Wine Group was founded in 2007 by New York investment firm Leucadia National Corp. At the time, the company's wine holdings included Napa's Pine Ridge Vineyards and Archery Summit in Willamette Valley. In 2008, Crimson expanded with the purchase of Edna Valley's Chamisal Vineyards (formerly Domaine Alfred). This past June, Crimson took another leap with the acquisition of Sonoma-based Seghesio Vineyards, a deal which doubled its scale to roughly 250,000 cases and $50 million in annual revenue. Erle Martin, who previously has served as president of Francis Ford Coppola's wine business and head of Young's Market Co.'s California fine wine unit, has led Crimson as CEO since 2007. Shanken News Daily recently caught up with Martin to discuss Crimson's ongoing expansion.

SND: Why was Seghesio the right purchase, and how has it changed Crimson as a company?

Martin: The Seghesio acquisition has fundamentally reshaped our business. When we bought Chamisal in 2008, we acquired great vineyards, a great winemaker and strong production potential, but a good route-to-market commercial strategy was lacking. Seghesio does everything well. Their turning point came 15-20 years ago, when Pete Seghesio raised the bar and established Zinfandel as a high-quality variety. At the time, they were growing Zinfandel to be made into White Zin for big producers—from the same vineyards where today they source their best wines. But they rebalanced those vines for higher quality and lower yields. That, combined with Ted Seghesio's blending skills, put them on the map as one of the best brands in the American wine business.

SND: What is Seghesio's growth potential?

Martin: There's huge demand for the Sonoma Zinfandel, which represents 75% of Seghesio's 100,000-case volume. We've had a lot of lift from critical acclaim recently, including a 95 from Wine Spectator on the Zinfandel Alexander Valley Home Ranch 2009 ($38). Looking at Seghesio's size compared with similar brands, I know there's additional opportunity. It's highly focused on-premise, but there are exceptions. We want these wines available in the better grocers—Whole Foods, Safeway and Vons in California—because that's where our consumers shop.

SND: Which other wines across the Crimson portfolio are performing best?

Martin: Our Pine Ridge Chenin Blanc-Viognier ($14) has nearly doubled its volume in the past year, from a sizeable base. It works in the on-premise as well as retail, and it's attractive to neophytes and wine geeks. Also, our Stainless Chardonnay from Chamisal Vineyards ($18) is doing very well. Unwooded whites are another strong category right now. And Pinot is very hot across the board.

SND: Which wines are having a tougher time?

Martin: The Napa business is under pressure, particularly the middle tier. Pine Ridge is roughly flat. Our Dijon Clone Chardonnay has real brand equity, but it's another California Chardonnay at the $30 price point, which currently is a tough segment. The recession has given consumers an opportunity to explore outside their comfort zone. If they used to fill the cart with $50 Napa Cabernet, now Argentine Malbecs are looking good, or Garnacha from Spain, or other full-bodied alternatives retailing at $10 or lower. That's partly the reason we launched Forefront by Pine Ridge (in 2009), which represents an opportunity to catch our own customers down the ladder.

SND: Where is Forefront positioned?

Martin: There are two Forefront reds: a Cabernet blend and a Pinot, both retailing around $20. On the white side, we have a Sauvignon Blanc and a small-quantity Pinot Gris from Oregon, both at $18. That compares with the core Pine Ridge brand that has a Napa Cab at $54, a Stags Leap Cab at $85 and the top of the line Fortis at $140. Forefront is intended to reach a slightly more adventurous consumer. It's blended with Syrah. The flavor profile is a little juicier, a little more forward and less tannic, and that resonates with the wine drinkers buying a lot of these blended Rhône reds these days.

SND: You've also revamped Chamisal recently. How has that been received?

Martin: We've pruned Chamisal's line. There used to be a Pinot Gris, a Syrah, a Grenache—but its strength is in Burgundian varieties, so we're focusing there. The Estate tier, our middle range where the Chardonnay is in the mid-$20s and the Pinot is in the mid- to high-$30s, has been under pressure. We've been successful on a direct-to-consumer basis, but at the wholesale tier that's a very competitive segment. We don't have the same notoriety with that brand that, say, Belle Glos from Caymus does. Their Meiomi Pinot goes right up against our Chamisal Estate by price and appellation, and they've done really well. So we're slogging it out in that segment.

SND: What is Crimson's stance on pricing?

Martin: Our goal is to hold price and stimulate purchasing through other means. In direct-to-consumer sales we look for opportunities to bundle products. That way we don't get into the issue of saying one of the brands is 50% off. On the wholesale side it's tougher, because consumers today can walk into any store and scan a UPC with his phone and find out the 50 places nearby where that item is selling and what it's selling for. One solution is to drive business through the on-premise, where we can protect our pricing better. We've gotten more aggressive on pricing on the estate wines out of Chamisal and Pine Ridge for the on-trade. If we can get Pine Ridge by the glass onto the menu for $20 at a steakhouse, everybody through the trade and down to the consumer wins. Ultimately we may lose some margin, but it's a fair trade-off for generating volume in the right places.

SND: Are you open to more acquisitions?

Martin: We're still digesting Seghesio, but there will be more opportunities. We own 600 acres of vineyards in Eastern Washington's Horse Heaven Hills, with about 100 acres planted. We don't have a facility or brand there at this point, but we believe in Washington. There's also potentially a pure-play Chardonnay opportunity in our portfolio. If you look at Rhône varieties, even Sauvignon Blanc, there are openings. In five years I expect Crimson to be approximately twice its current size—a half-million cases and about a $100 million business.

Ascentia, Southern Align Across 23 States In Multi-Year Deal

Ascentia Wine Estates has aligned with Southern Wine & Spirits across a total of 22 open and control states and Washington, D.C. in a multi-year distribution deal, effective immediately. The deal will see Southern exclusively handle the Ascentia portfolio—including Geyser Peak, Atlas Peak, Covey Run, Ste. Chapelle and Columbia Winery—in Alaska, Arizona, California, Colorado, Delaware, the District of

Columbia, Florida, Hawaii, Illinois, Indiana, Kentucky, Maryland, Minnesota, Mississippi, Nevada, New Hampshire, New Mexico, New York, Oregon, South Carolina, Utah, Washington and Wyoming.

The agreement with Southern looks to be a vote of confidence for Ascentia, whose future appeared in doubt after investor and former sales and marketing partner W.J. Deutsch & Sons sued the company last year, asserting that Ascentia was insolvent and had misled investors with inflated sales projections. This past April, seeking to reduce debt, Ascentia sold off two brands—Buena Vista Carneros to Boisset Family Estates, and Gary Farrell to Vincraft. In August, just seven months after naming industry veteran Mike Kenton as CEO, Ascentia announced that former CEO Jim DeBonis had returned to that role, at least on an interim basis.

Ascentia says it sold roughly 700,000 cases across its portfolio last year (including Buena Vista and Gary Farrell, which combined for about 60,000 cases). Geyser Peak accounts for around one-third of company volume.

News Briefs:

•Treasury Wine Estates has made the fifth and final appointment in its new brand management structure, naming Gary Burnand as managing director of Penfolds. Burnand has more than 20 years of experience in senior marketing and strategic roles in the consumer goods industry, including posts in Europe, Asia Pacific and the United States. His most recent position was global marketing and strategy director for J. Barbour & Sons. He'll begin his new role in March 2012. Treasury has already named Stephen Brauer as managing director of Beringer, Michelle Terry as managing director of Lindeman's, Simon Marton as managing director of Wolf Blass and Angus McPherson as managing director of Rosemount.

•Steve Hanson, founder and president of BR Guest Hospitality, has bought the Strip House's New York City and Las Vegas locations, with plans to expand the restaurant brand. Grub Street reports that Hanson will keep the entire New York City Strip House staff in place, and that he will bring back chef John Schenk, who formerly served as chef at Strip House from 2004 until he left last year to work for ESquared Hospitality's BLT restaurants.

•The Gerber Group is replacing the W Hotel's Underbar in New York City with a new club called Lilium, which will open to the public on December 12. The Gerber Group has been renovating the space since Underbar closed in June 2011. The new concept will have a "seductive, subterranean vibe that represents the dark, mysterious feel of downtown New York," according to the company. Chef and restaurateur Todd English has been hired to create Lilium's small plates food menu.

•SABMiller has tapped Ari Mervis, currently managing director Asia, as managing director, Asia Pacific and chief executive officer of Foster's. Mervis's new post takes effect on December 16, just after ownership of Foster's is officially transferred to SABMiller, which agreed to acquire the Australian brewer in September. Mervis, who will be moving from his current base in Hong Kong to Melbourne, replaces John Pollaers, who will serve in an advisory role with Foster's for the first few months of 2012. While assuming direction of Foster's, Mervis will continue to oversee SABMiller's operations in the Asia Pacific region, including China, where the brewing giant is a joint venture partner in CR Snow, the country's biggest brewer.

•Targeting Moscato drinkers, Piedmont's Ricossa Antica Casa, part of MGM Mondo del Vino, is releasing a new sparkling red from the Casorzo DOC in the U.S. market. The new entry, Ricossa Casorzo ($15.99 a bottle, 5.5%-abv), is made from ripe, sweet Malvasia grapes in the low-alcohol style of Moscato. It joins a Ricossa Antica portfolio also including Ricossa Barolo DOCG, Barbera d'Asti DOC, Moscato d'Asti DOCG, and Gavi DOCG wines, all of which are imported to the U.S. by Touchstone Wines.

•Texas-based Bennigan's Franchising Co. has formed a franchise agreement with Al Aroud Group to open 10 Bennigan's chains in the United Arab Emirates and Turkey, with the first restaurant slated to open in 2012. Al Aroud Group, as a direct franchisee, will own the master development rights for the brand through the UAE and Turkey.

•Southern Wine & Spirits has named Stuart Gray vice president-general manager of the company's Pacific Wine & Spirits (PWS) selling division in California. The PWS Division in California represents the Diageo and Moët Hennessy portfolios across the state. Gray joined Pacific Wine & Spirits in Southern California in 2010, first as vice president-sales manager and then as vice president-trade development. Prior to that he was a veteran of E&J Gallo, beginning in 1992 and working his way up to national director of trade development. In his new role, Gray will report to Gerry Rivero, executive vice president and general manager of Coastal-Pacific Wine & Spirits' corporate leadership team.

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