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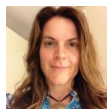
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## Mionetto Prosecco: Three Lessons In Growth From A Hot (Hot) Brand

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“If I knew what I was doing, I probably wouldn’t do it again.”

That’s Enore Ceola, Managing Director for Mionetto USA, talking about the learning curve behind the massive growth of the Prosecco category in the US.

Running the numbers, however, betrays Ceola’s self-deprecating admission. Sales and volume data indicate that he very much knows what he’s doing, even if early efforts to create the Prosecco category in the US (and New York in particular) must have felt like bushwhacking in a rainforest.

- The most recent statistics, for 2013, show that the Prosecco category increased 27.2% over the previous year’s sales and volume. Mionetto in particular recorded even more impressive gains of 61.8% in volume and 58.2% in dollar sales.
- Prosecco far surpassed the growth of popular varietals like Moscato and Malbec, which registered gains of 11% and 10% respectively.
- For each of the past five years, annual growth in the category averaged 30 to 35%.

Given that less than 500 cases of Prosecco were sold in 1997, when Ceola began his tenure at Mionetto, those numbers are even more striking.



Mionetto is a hot brand in a hot category, and the burning question is, how did they do it? How did they do it, when the category essentially didn't exist? How do they continue to do it, with competing brands elbowing into an increasingly crowded category with line extensions?

Three insights come from the areas of Education, Minimizing Expenses, and Cultivating Loyalty with Suppliers.

### **Education, with Panache**

When Ceola and Mionetto were first breaking into the New York market, they keyed into the cultural events happening frequently in Soho. "We said to the galleries and bookstores, every time you have an opening, we want to be there," Ceola said. "And every time we were there, it was about education."

Educating consumers about Prosecco most often meant – and still does mean – differentiating it from Champagne.

So, for example, a guest at an art opening would approach the tasting table and say, "Can I have a glass of Champagne?"

Ceola and his team would respond, "No, you can only have a glass of Prosecco."

That's when the conversation starts, with the goal always to get people asking questions. Using something familiar (like Champagne) as the bridge to learning about an unfamiliar product (like Prosecco) is a strategy Mionetto also employed elsewhere, including co-marketing partnerships with Grana Padano cheese and Italian prosciutto in restaurants which, initially, were a tough sell for the brand.

"It was very difficult to convince restaurants to carry Prosecco," Ceola said. "The majority basically dismissed it. So we targeted smaller restaurants where we can talk to the owner and educate them about what they do in Italy, which is to bring a very small glass of Prosecco to the table as a welcome."

That is not a promotion that would have happened with Prosecco's Champagne counterpart, but for Ceola the two are as different as apples and oranges in any case.

"We are not competing with Champagne," he said. "Each has different qualities. Prosecco is not a special occasion wine, it's for every day."

One of Mionetto's early marketing taglines, in fact, was "No Occasion Required."

### **Minimize Expenses: Storage and Real Estate**

Unlike Champagne, Prosecco does not undergo a complex aging process. It's the freshness that matters, and that window of primary quality for Prosecco is short, maybe twelve or eighteen months.

That short window of freshness keeps storage and warehousing costs in check: volume is high and inventory turnover is fast. Also, unlike other producers who bottle their Prosecco without a label and then store it, Mionetto bottles the wine on demand and moves it quickly.

Bottling on demand, according to annual cycles of the market's peaks and valleys, means Mionetto's facilities are functioning throughout the year, which is efficient compared to most wineries where equipment is used just once a year. Mionetto is bottling at the moment, for example, and the product will ship at the end of this month or in early June.

Not owning much physical property also keeps costs down. Mionetto contracts with more than 80 grape growers, mostly in the Valdobbiadene DOCG and others in the Treviso DOC area.

### Cultivating Loyalty

The average area for each of those growers is between one and four hectares. The DOCG production is 13.5 tons per hectare, which yields 12,600 bottles of wine. The DOC production is 18 tons per hectare, which yields 16,800 bottles of wine. It's a robust production cycle that has protected the area and its "wine economy" from a difficult financial environment elsewhere.

Unlike many other wine areas of the country, the Prosecco region has been fairly resilient to Italy's current economic crisis. That's due to the success of the Prosecco category of wine, and the demand for the local grapes from Mionetto's network of growers. Some of those grower relationships date back to Sergio Mionetto, the company's enologist following World War Two. Mionetto's long history with growers in the region secures both loyalty and a consistent supply of product.

With so many other companies moving into the Prosecco category, growers have choices about who to sell to. Ceola believes Mionetto is in an advantageous position regarding the loyalty of their growers, who are affiliated more through "handshake understandings" than through formal legalese in iron-clad contracts.

In addition to long-standing past relationships, Mionetto offers future security as well, especially in contrast to newcomers to the region who, though they have no prior history or roots in Prosecco, may entice growers in the short-term with higher payments per ton.

"The farmers want to know they can do business in three or ten years," Ceola said. "It's not about just buying the grapes."

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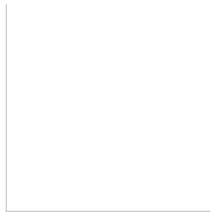
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