Merlot in America—A Marketing Perspective

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A True Story: A well dressed, sophisticated gentleman steps into a chic Washington DC restaurant and sits down to enjoy a refined meal. However, when offered the wine list, this seemingly savvy individual brusquely demands Bring me a glass of whatever you've got that's red and tastes like Merlot.

It did not matter to this gentleman that the restaurant wine list served up a cornucopia of fine wines from around the world at reasonable prices. The man was smitten by Merlot madness, a condition that achieved prominence in the 1990s.

In current times Merlot’s popularity remains strong. In 1990 Americans drank 800,000 cases of Californian Merlot. By 2000 the figure had jumped to 20.3 million cases (MKF Research trends). Christian Miller, Napa Valley based director of research for MKF, states that sales of Californian Merlot surpassed Cabernet by 1 million cases last year—a first for the grape variety. Consumption of Merlot from other regions such as Washington State, Southern France and Chile, has also increased significantly.

Recent statistics from the Californian Wine Institute, confirm that Merlot with 11% of total US varietal wine sales, trails only White Zinfandel (13%) and Chardonnay (19%) in popularity. Cabernet Sauvignon (9%) rounds out the top four. In the past decade red wine sales have increased by 124%, while white wine sales have declined by 16% and blush wine sales by 38%.

Is Merlot the grape pretender? Is its phenomenal popularity in the USA merely the result of marketing and hype?

Or is Merlot in fact a trend setting superstar that deserves a place of honour alongside Cabernet Sauvignon and Shiraz as the best of the reds?

Total wine sales in the USA for the last year were around 238 million cases. The Australian shipment figure to the USA was around 7.5 million cases, up 35% over 2000. Red wine drove this growth. The USA also represents the highest dollar per litre market for Australian wine due to 95% of all wine being in bottles, not bulk.

Merlot production in the USA has soared over the last four years. The US market cannot be ignored.

In 1990 around 15,000 tonnes of Merlot was crushed. This rose to 74,000t in 1995, then rocketed to 104,000t in 1996, 202,000t in 1998, 302,000t in 2000 and a projected 350,000t for the 2002 vintage.

Is it slick marketing that has made Merlot so popular?

Back in 1990, New York’s Long Island winemakers were desperately looking for a marketing hook. They reasoned they could not compete with California’s popular Chardonnays and Cabernets. Merlot was relatively unknown among the general public, and the New Yorkers thought they might profit from association with a number of world-famous Merlot winemakers.

A merlot symposium was held, and respected Pomerol winemaker Michel Rolland (from Chateau Ausone) was invited, along with a number of well known Californian winemakers such as Rinaldi, who had made his reputation at Duckhorn by crafting a series of outstanding Merlots.

The media, hungry for a story, flocked to Long Island’s three-day conference. The event proved so successful for Long Island winemakers that Washington State vintners emulated it a year later at the World Vinifera Conference. The Washington event was also popular and Merlot has since become Washington State’s premier red grape variety.

At the same time the now famous, ‘French Paradox’ story screened on USA’s 60 Minutes, so the connection between regular consumption of red wine and better health was forged. Red wine sales rose sharply. American consumers wanted red wine, and lots of it, but there was not much to choose from domestically. Cabernet had the cachet of being the main ingredient in most classified-growth Bordeaux, still the standard bearer of red wine. American winemakers needed something else to offer.

The answer was Merlot—the ‘other’ Bordeaux grape. Winemakers and wine marketeers jumped on the Merlot bandwagon, and consumers responded by making Merlot their red wine of choice. To suggest that Merlot’s overwhelming popularity is simply a marketing ploy is cynical in the extreme. It discredits the judgment of the consumer palate, and it also implies that somehow the industry can direct consumer fancy at will.

At the most simplistic level, people find it easy to remember the name Merlot, just as it is easy to recall (and pronounce) Chardonnay. In that sense, the popularity of these wines is indeed a marketing phenomenon. Lasting popularity however comes down to flavour, and if a wine did not taste good, it would not matter what it was named.

Does merlot deserve this popularity?

The author does not support the often-stated view that Merlot is softer and more generous on the palate than Cabernet Sauvignon, and other than a few noteworthy suggestions, does not usually have the intensity or complexity of Cabernet or Shiraz. It is no surprise then that Merlot is so popular. Its overwhelming popularity is simply a marketing ploy is cynical in the extreme. It discredits the judgment of the consumer palate, and it also implies that somehow the industry can direct consumer fancy at will.

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Young Merlot is a more approachable and food friendly red wine than young Californian Cabernet. In America classic descriptions of Merlot are consistently referring to fragrant, plumy, soft and forward. It is fruitier than Cabernet, with softer tannins, and it seems eager to share its virtues upon release. American consumers want wines to enjoy today and Merlot lets them.

Young Merlot is also quite adaptable to a wide variety of foods. To cite one example, the red wine with fish concept that has gained momentum in recent years, is tailor made for Merlot.
Ironically, the interest in Merlot has led to overplanting and overcropping, cardinal sins for high-end viticulture. Since 1988 California Merlot acreage has skyrocketed from 3,330 acres to 47,500 acres. With such an increase, the watchword is often volume at the expense of finesse and character.

More than half of California's newest Merlot plantings is in the Central Valley—not exactly the heartland of premium viticultural area. Not surprisingly, this is where much of the nondescript, inexpensive Merlot currently on the US market today comes from. More often than not these Merlots show lacklustre flavours, ungainly tannins and somewhat vegetal flavours, features that may bring an abrupt halt to the marketeers dreams run of selling anything that is Merlot.

Despite this, there is nothing wrong with embracing Merlot, provided it is treated right. Because it has become the flavour of the moment, it is the inevitable target of abuse and ridicule. It does not help that the largest wine companies in the USA add range extensions to their flattening sales of White Zinfandel, by announcing with great pride the launch of 750ml and new 1.5 litres of 'White Merlot'.

Notwithstanding the bottom end of the market, the Merlot evolution in the USA continues. Low quality wines are a normal part of this evolution. The lesser quality wines will weed themselves out, while the serious wines will carve their own niche among consumers.

That evolution appears to be on the horizon, with an increasing number of high-end producers courting the market. Californian megastar Jess Jackson just released a US$150 per bottle Merlot to critical acclaim, this wine leading a pack of 'Ultra Merlots', that are all due for release.

Where will Australia fit in with Merlot?

Australia is having huge success in the USA. In a review of Australian wines, the Gomberg Fredrikson Report, a respected commentator to the alcohol beverage industry in America, cites this:

"Aggressive marketing efforts by the Aussies led wines from the Southern Hemisphere to contribute 40% of all imported wine growth into the USA. American consumers embraced value-oriented Australian table wines, and these wines soured by 1.5 million cases, or 36% over the corresponding period last year. With their strong emphasis on mass distribution in food stores, Australian wines became the second largest selling imported wines in those outlets. Brands such as Lindemans, Rosemount, Jacobs Creek and Black Opal, all achieved enormous growth. Average retail prices for all these labels were mostly in the US$8 to $9 per bottle range."

Another interesting report was produced for the Australian Wine Bureau in New York. It was produced by a market research company and is titled: *Australian Wine & The American Wine Drinker. Behaviours, Perceptions, Attitudes Influences, Opportunities*. Some interesting points came out of this research.

- White Zinfandel is the most popular grape variety.
- Only four other varieties are drunk regularly; Merlot, Chardonnay, Cabernet Sauvignon and Zinfandel.
- Of favourite grape varieties drunk, White Zinfandel leads followed by Merlot.
- California has the highest usage, 92% of all surveyed.
- Australia ranked 6th, behind Germany but ahead of Chile.

• 7 out of 10 consumers who tried Shiraz liked it.
• The grape variety of a wine is twice as important as where it was produced.

Americans have relatively little variety in their wine diet.

- On average, consumers drink only 1.1 varietals regularly.
- The typical drinker has another 2.3 wine varieties he/she drinks.
- Better than three out of four wine drinkers report drinking White Zinfandel (78%) and Chardonnay (76%).
- White Zinfandel is the most popular; it is drunk regularly by the largest number (30%) of drinkers.
- Only four other varietals are drunk regularly by at least one in 10 drinkers (Chardonnay, Merlot, Cabernet Sauvignon, Zinfandel).
- Merlot ranks second as a grape drunk regularly (20%) but falls behind Chardonnay when looking at overall user base (70% for Merlot vs 76% for Chardonnay).

This should not mean we start growing and making lots of White Zinfandel.

The Merlot market is huge and growing. Ignore it at your peril, says the Author. The latest Nielsen reports show Australia Merlot brands as the fastest growing wines on US supermarket shelves. These brands are usually small Merlot blends, often being Cabernet Sauvignon/Merlot with only 10% Merlot. Experience has shown that these wines are then referred to as 'Merlots', an easy way for Australia to cash in on the Merlot hype. It appears that the wines do not have to be 100% Merlot.

The two biggest brands launched in the USA by the Author, Black Opal and Greg Norman Estates, have Cabernet Merlot blends with only 10% Merlot, and are the largest selling varieties out of the ranges. Interestingly these two brands are not sold in Australia and did not have a lot of history or background. On the other hand Wolf Blass, that had never produced a Merlot, has become successful in the USA with Cabernet and Cabernet Shiraz blends.

The request was often put forward to produce a Merlot for Wolf Blass, but that begs several questions:

- Do you change the historical style of a wine and a winemaker to satisfy a market demand?
- Do you resist this change and then jeopardise the image of a progressive innovative quality red wine producer that the market thinks is stuck in the dark ages? How can you be seen as one of the best red wine producers in Australia if you do not produce the fastest growing, market leading variety in the USA?
- Other Australian producers are doing it, is there a risk in not following suit?
- If you do not produce the variety everyone wants, can you blame your importer when your sales slump?

The stores only have slots for Merlot, It’s hot, they already have your Cabernet Sauvignon and Chardonnay, everyone has those.

It is common knowledge that Shiraz been a hit in the USA. Penfold’s Grange, Henschke and a raft of other premium Shiraz have caught the attention of the wine press and collector. In this past week, a Greg Norman Reserve Red received a 94 rating in *Wine Spectator* magazine. It was a McLaren Vale Shiraz. Obviously Australia is producing consistently high quality Shiraz from all areas and receiving
critical acclaim for them. This is all good news for what is considered ‘Australia’s grape variety’, but the consumption figures show that Shiraz has a long way to go to capture the market share enjoyed by Merlot.

What do you do as a grower?
What do you do as a winemaker?
What does the Author do as a wine marketeer?

Looking back on experience, if history does one thing, it repeats itself.

In 1975 when the Author started in the wine industry, consumers drank large quantities of Ben Ean, Liebfrauwine etc., equivalent to the White Zinfandel that is being consumed now in the USA.

Lindemans/Leo Buring began to introduce varietals, specifically Chardonnay. The variety took off like a rocket. Every man and his dog planted, grew and produced Chardonnay, even at the expense of other varieties, and Riesling got the big pull!

The question always asked was “will the Chardonnay fad last? What will be next?”

Chardonnay has lasted whilst Moselle and sweet blends have disappeared. The market and consumer have become more mature.

The Author believes that the USA is evolving and Merlot is part of the evolution.

Whilst the Author lived in the USA during the 1980s, wine coolers were the flavour and varietals were just starting to be recognised. The Author had a bit of success (sic) introducing a dreamed up brand specifically made for the USA, Bin 65 Chardonnay. Americans hardly drank at lunch but consumption was growing.

Living in the USA again for the past five years the Author has seen a massive change. Wine drinking is more common at lunchtime, coolers have all but disappeared, and a new generation of wine hungry consumers are looking closely at varietals and are thirsty for knowledge.

Merlot, and the general consumption of red wine reminds the Author of Australia and its discovery of Chardonnay, and the maturing of taste 20 years ago.

The Author suggests that Australia listens to the market and if the aim of a producer is to produce wine for sale in what is quickly becoming the most dynamic wine consuming countries in the world, the producer must be serious about Merlot.

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