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A HEADLINE-MAKING ACQUISITION

THE WINE GROUP'S NEWEST BRANDS JOIN A PORTFOLIO PRIMED FOR GROWTH

PHOTOS: JEREMY BALL

cover story

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by Kate Newton

PHOTO: JEREMY BALL

John Sutton is CEO of The Wine Group (TWG).

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The Wine Group Portfolio at a Glance

THE MAINSTAYS: Among the most recognizable brands in The Wine Group's ever-expanding portfolio of 125-plus wine labels are Franzia, Cupcake, Chloe, 7 Deadly, Benziger, Imagery, and Cooper & Thief.

THE NEW ADDITIONS: Robert Mondavi Private Selection, Cook's, Meiomi, Woodbridge, SIMI, and J. Rogét, with a cumulative annual production of more than 12 million cases, were acquired from Constellation Brands earlier this year.

PHOTO COURTESY OF THE WINE GROUP

Among the properties TWG acquired in the recent deal is Stonewall Canyon Vineyard in Monterey County.

In a year largely defined by widespread anxiety around the ongoing challenges impacting the industry, The Wine Group's (TWG) headline-making acquisition of six wine brands from Constellation Brands, Inc., signified cause for optimism. The Livermore, California–based company is poised to invest significantly into revitalizing these well-regarded labels as well as the three production facilities and roughly 6,600 vineyard acres it also gained through the agreement. I recently connected with TWG CEO John Sutton to discuss some of the major takeaways and developments to stem from the deal; the interview has been edited and condensed for clarity and length.

Q You worked in the White House early in your career. What were the major lessons you took from that time that informed your approach to leadership in your current role?

I probably have the most interesting or circuitous route to the wine industry and to the CEO [role]. I was fortunate enough to work for the deputy chief of staff in the White House in the first Clinton term, and I tell people all the time I probably peaked in my 20s, just because that experience was so amazing. *[Laughs.]* I was just a staff assistant, but I was right in the chief of staff suite; the vice president was to the left of us and the Oval Office was 10 or 15 feet down the hall. In many ways, I had a front-row seat to a lot of things, and I really learned that hard work and perseverance will get you farther in life than anything else. You don't always have to be the smartest person in the room, but you always have to overprepare and outwork everybody else.

Q You joined TWG as its general counsel after initially serving as outside counsel for the company; what compelled you to fully align yourself with the wine industry at that time?

After Clinton won in '96, I was trying to decide whether to stay or go, and I couldn't decide if I wanted to go to law school or business school. So I ended up doing both and did a joint JD and MBA program. When I graduated, I became a venture capital and M&A [mergers and acquisitions] lawyer. It was completely coincidental, but the very first transaction I got assigned to was The Wine Group buying the Glen Ellen brand from Diageo [in 2002], and I think the third transaction I got assigned to was The Wine Group buying the Concannon brand from the Wente family [the same year]. That's how I got to know The Wine Group, by working on general corporate and acquisition work from the outside. Eventually, [TWG] brought me into the company in 2007. At the time, I knew little about the wine industry and alcoholic beverage law, but I knew I really wanted to join the company and sink my teeth into an exciting industry.

From the get-go, you were involved in high-profile acquisitions as TWG continued to build a portfolio focused on representing a wide range of price points and categories. Now that you've been there for nearly two decades, just how essential has that versatility been to the company's overall vision and success?
Our goal is to have a diversified portfolio of brands that are truly beloved by today's consumers, from value to luxury offerings, and that deliver on what [those consumers are] looking for—whether in [large] retail outlets or on-premise. This is still a work in progress; however, our recent acquisition fills some key portfolio gaps for us. On the value end of the spectrum, we have Franzia. And now with the addition of Meiomi and SIMI, both priced at above $15, we're expanding our portfolio on the ultra-premium-plus end of the spectrum. Acquiring Benziger in 2015 was really our first foray into premiumization, which has given us credibility within the trade and with consumers that we can produce high-quality premium wines. Our latest acquisition adds to this credibility.

What are the non-negotiables that you and the TWG team look for when acquiring new brands?
Our acquisition strategy usually falls into one of three buckets. What made our recent acquisition with Constellation so exciting is that it was a rare transaction that actually hits on all three. The first bucket is about consolidation: We view ourselves as an industry consolidator and like to acquire high-volume but declining brands, and one of our core strengths is taking these kinds of brands and generating synergies [while] working to reverse or slow down declining trends. We have a history of doing this going way back to acquiring Almaden and Inglenook from Constellation [in 2008 as well as] the Beringer Main & Vine brand from Treasury [in 2021]. The second bucket is about acquiring something that we can't efficiently produce ourselves internally or that comes with some kind of story that we can't simply replicate. These are typically offerings in the $15-plus category, which we're looking to expand within. Often these brands might come with tasting rooms or other assets. For example, we're really excited about Meiomi and SIMI, which both have a long history of

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authenticity; this will help us grow in higher price points.

Lastly, we look for something that has internal capabilities that we don't currently have. For example, our recently acquired Woodbridge winery supports our long-term innovation roadmap, which is about attracting the next generation of wine lovers. To do this, we're focused on being one of the industry's most agile, consumer-centric wine companies out there. Many of today's consumers don't want traditional wine culture. They want products that meet their needs for a wide range of occasions beyond the dinner table. They're looking for new packaging formats, fresh flavors, convenience, and options that fit their budget and lifestyle. Our new facilities give us in-house capabilities to produce things like Tetra Paks, cans, sparkling, and RTDs under 20% alcohol. For all these key reasons, the acquisition was a no-brainer for us.

You mentioned the premium category, which has been a bright spot under your tenure, with brands like Chloe and Cupcake driving much of the growth. What is the category's current outlook, in your view?
We're particularly proud of the successes of Cupcake and Chloe, as they've grown to be power brands at their price points. Cupcake, sitting at the $8–$9 price point, is unfortunately in [the] segment of the industry that is struggling the most; this has probably been the biggest surprise to me over the last three years or so. Historically, when there've been tough economic times, the consumer has traded down to that price point, but that really hasn't occurred here. We're seeing the consumer either trade down to the value level [where Franzia is], or they're still buying $15-plus wine. This has created a big hole in the middle, which is causing issues for the industry. This is why we like having a diversified portfolio that offers wines from the value category all the way up to the luxury price point of $25-plus. In particular, we want to focus on innovating under $10 to really capture that next generation. We're confident that our current and future innovation roadmaps, which include nontraditional offerings, will help us achieve this goal. For example, this could be flavored wine, slightly sparkled wine, or wine in alternative packaging like Tetras and smaller-size formats. We're committed to the under-$10 category and strongly believe that if the industry as a whole doesn't innovate in this category that younger consumers may never develop a palate for these offerings and ultimately never move up the price ladder to $50-plus bottles of wine. Despite the doom and gloom being written about the wine industry, there are significant opportunities for growth. However, this growth requires truly embracing a consumer-first mindset; by being open to change and fresh thinking, we're confident that The Wine Group will deliver the innovative products and channels for a strong future.

In terms of in-house development, what are some of the opportunities presented by the new facilities and vineyard acreage you've acquired through the Constellation deal?

These new assets ultimately bring us greater operational efficiency and flexibility, which is really a core strength of ours. We strongly believe that innovation is the key to growth not only for The Wine Group but for the entire industry. We've launched eight new brands and 33 new items this year, and our new facilities will help us significantly build on this strong momentum. We're now able to produce new packaging formats, ready-to-drink offerings, sparkling, and nonalcoholic products much more quickly and efficiently than ever before. We're incredibly excited about the opportunities before us.

In terms of the vineyards, while we're not entering any new regions, we are really excited to expand our presence in Monterey, Lodi, and Sonoma. These areas always produce high-quality grapes, so we expect the acquired vineyards to play an important role in [the aforementioned] innovation roadmap, allowing us to produce high-quality wines across the spectrum of our portfolio. Additionally, our new vineyards and facilities will empower us to increase our corporate-brand business. While it's not widely known, The Wine Group is actually the number-one supplier of corporate-brand wine today by volume. We're energized about the additional ways in which we can collaborate with national retailers on [such] programs.

Q With TWG's position as one of the largest wine producers in the world comes a heightened responsibility to lead by example in the realm of environmental stewardship. How did maintaining those standards factor into this deal?

We take environmental sustainability very seriously; it's critical to the health of our environment and the industry long term. The assets we acquired fit right in; all of our California vineyards—including the recently acquired [sites]—are 100% Certified Sustainable by the California Sustainable Winegrowing Alliance. Additionally, our Sonoma vineyards for the Benziger winery are organic or biodynamic, in addition to being certified sustainable. Finally, all of our California production facilities adhere to sustainable production practices.

Q Of the newly acquired brands, what dimension do you see Meiomi, Cook's, and Robert Mondavi Private Selection in particular bringing to the portfolio, and what strategies do you view as key to furthering their longtime success in the market?

We're really excited about all three brands. Meiomi is the number-one ultra-premium table-wine brand, and thanks to Constellation's hard work, the recent trends on Meiomi are positive. We're equally excited about Cook's, which will be our first nationally distributed traditional sparkling brand. We see great opportunity to reinvigorate Cook's and plan to put significant attention and spend behind it; we hope our distributors will do the same.

We're [also] enthusiastic about the acquisition of Robert Mondavi Private Selection and Woodbridge, as both of these brands have great scale and heritage in the under-$10 category. We want to work with our retailers and wholesalers to really reinvigorate this category. Robert Mondavi Private Selection complements Cupcake very well. While Cupcake is a premium white varietal–led brand, Robert Mondavi Private Selection is a premium red varietal–led brand. As a result, we see a lot of opportunity to co-market and co-promote these brands. We're really excited about how all the new brands round out our portfolio, from Franzia all the way up to Cooper & Thief. We believe that with some time, attention, and focus to take these brands back to their roots, we will succeed in positioning them for a new chapter of growth.

Q There's been much conversation about this deal and how it can inform the future of the industry. What have been your major takeaways from the reactions to the recent acquisitions regarding TWG's broader influence and the outlook for wine consumption as a whole heading into 2026 and beyond?

What we've heard from distributors, retailers, and other wine executives is that they're happy to see The Wine Group step up and take a leadership role in wine. Because, at this point in time, we are a wine company. We're not a spirits company or heavily into RTDs or anything else. Above all else, we are committed to the success of the wine category, and the feedback from the industry has been very positive.

We see great opportunity in wine. You just have to find the pockets and be almost surgical in what you go after, whether it's the types of products, the packaging formats, or the channels. This acquisition increases our presence in on-premise, the club channel, and convenience as well. Those are three channels that are growing right now, and there's still a lot of opportunity with wine at all different price points if you're really focused on creating the kinds of products that consumers are asking for and delivering them in the right channels.

It won't be fast. I don't believe there's a turnaround necessarily coming in the next six months. However, over the next two to three years, if we remain optimistic that we can deliver the products today's consumers are looking for, I believe the industry's future is bright. Everything is cyclical, and I do believe the industry is going to come out stronger and better in the long run.