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LARRY CHERUBINO

The business
of winemaking

OVERSUPPLY

What needs to happen next



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Photography by Frances Andrijich

Star of the West

Anthony Madigan

Robert Oatley Vineyards is arguably Australia's most dynamic emerging wine business. It is, of course, the latest venture of former Rosemount owner Bob Oatley, who has unfinished business in the wine industry after his inauspicious dealings with Southcorp. It says a lot about Larry Cherubino's skill as a winemaker that the wealthy entrepreneur has chosen him to help make his first Western Australian wines.

The son of an Italian-born dairy farmer, Cherubino rose to wine prominence with BRL Hardy before becoming a flying winemaker with clients in Australia, America, Italy and South Africa. Oatley hopes, no doubt, that some of Cherubino's success (50 trophies and 200 gold medals at last count) can rub off on his wines.

While the consultancy remains the main bread-winner for Cherubino, four years ago he launched Larry Cherubino Wines which made its debut in James Halliday's *Wine Companion* last year with five stars.

With Australian winemakers facing multiple challenges on top of the global financial crisis, Cherubino, like most in the industry, is running a tight ship. "We treat every dollar like it's our last and every sale like it's our first," says Cherubino, who has two kids, Ilario, 3, and Amelio, six months.

"One business makes money and the other one chews it up. It was actually my wife Edwina's idea to start the wine business. It's a long-term project and not something we're looking to make a living out of any time soon. We *couldn't*. We have a young family so it will be there for them if they want it, but it's certainly a moonlighting job. Eighty percent of my day is spent looking after clients.

"Our wines are going well and everything we're laying out is selling. We could probably be more bolshy with production levels, but we're risk averse and I guess that stems from my agricultural background. Farmers have memories like

elephants. Every year we crank it up a bit but we try to treat every day like it's our start-up day; we never want to get away from that initial fear you have when you take the plunge with a new venture because it makes you question every decision. Many wineries have committed a lot of stock to their models and now, of course, they can't sell it."

Advising clients about business, marketing and branding issues—not just winemaking—is a big part of Cherubino's consultancy. "In a former life I did a business and marketing degree in agriculture. I didn't like it very much, but a lot of the disciplines I learnt have come in useful," says Cherubino, adding that the wine industry is notorious for wastage and managers would be surprised how easy it is to find savings in a wine business.

"Our own business and a lot of my clients' businesses, for example, have been clever with oak use. We use new oak for only 10-20% of our very best wine. The best wines don't need to be in barrel for ages, they need



time to settle down in bottle more than anything. We've cut our barrel maturation times down to eight months and the wine spends 12 months in bottle. Our one year old barrels go straight back into the system for the next vintage, so we're not doubling up on oak inventory. These things have a massive impact on the bottom line. Sure, there are holding costs in keeping wine in bottle, but making assets like oak work twice as hard for you, is vital."

Cherubino lists poor inventory management, "decisions by committee",

double-handling and even wasting money entering too many wine shows as other culprits that can mean the difference between success and failure.

"Good inventory management can save a lot of money, and many in the industry still haven't got their heads around just-in-time processes," he says. "Some people will buy an extra 20,000 labels to save a few dollars. Decisions like that can cripple cashflow."

"Having an understanding of product sales cycles and making that the mechanism for all decisions, rather than running the business on gut feel, is critical. Monitoring costs and inventory management and all those things have a huge impact on how you blend and style your wine, because without that understanding, how do you know, for instance, that the wine has got to be released after 10 months of maturation? There are no excuses these days—there's no margin in the business and there's no margin for error."

Cherubino, 39, completed a degree in horticulture in 1994 and a degree in oenology two years later. His first job as a winemaker was with BRL Hardy's Tintara in McLaren Vale. Cherubino moved home to WA in 1998 and took over as senior winemaker at BRL Hardy's Houghton winery in the Swan Valley. Six months later Cherubino was appointed senior winemaker/manager and was promptly promoted to WA regional manager. During this time Cherubino completed vintages in Tuscany, Bordeaux, Burgundy and the Loire Valley. He left Houghton in 2003 after five years to start his own consultancy. So began a flying winemaker career which Cherubino says has given him a great education on the dos and don'ts of the global wine business.

"I was thrown in the deep end at BRL Hardy at 26 years of age. I was overseeing \$60 million of sales a year. I didn't sleep well for six years, but it was a wonderful insight into how a big business operates," Cherubino says. "In a large company you tend to be working away in a little corner somewhere not having a real feel for the commercial side of the business that you

would if you were working for yourself, so I was always hesitant to start our own business before I did some groundwork overseas. Having an appreciation of the commercial implications and not being selfish about what you think is right, is something I needed to understand.

"What I really appreciate about my consulting role is, yes, I bring something to the table, but I always take something away, too. The past five years have taught me that nothing is more important than the customer. When you're young and naive you just want to make wines that live forever, but you soon discover there are horses for courses—certain styles for certain markets and specific varieties for each region.

"And over-making wines was a mistake I repeated for several years. Walking away from a lot of old techniques and styles and making less-interfered-with wines is one of the best things I've done. A lot of wines suffer from winemakers overdoing it. All the older dudes know minimalist winemaking down to a tee, but some of the younger crew still over-engineer. It takes time to get a feel for that."

Cherubino says the Australian wine industry must reinvent itself to do better at higher price points, and he agrees with all the things Wine Australia is doing to promote regionality. He says it will be a long hard road, and thinks Australian winemakers going off chasing big scores with big wines in the US over the past decade, has damaged our reputation.

"We need to be open to criticism as we work towards redefining our style because



Australian winemakers (me included) went off making big wines right when those styles were receiving massive acclaim in the US. It was like buying into the stockmarket right at its peak; of course the euphoria always dies. We bought into it way too late and gave up some of our identity in the process. When I left McLaren Vale and came to WA to start our wine business, a lot of people I spoke to wished they were in those areas that were getting big scores, whereas all they needed to do was tweak what they were doing on

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the Australian industry peaked several years ago," he says. "How do we reinvent ourselves? If I knew, I would tell you. There are a lot of forward-thinking people out there trying to sell Brand Australia, but we've got a long, long way to go.

"It's no secret that the US is turning away from Australian wines and sales of those big ticket wines—not just from Australia but all over the world—are currently down 50-60%. A lot of that of course is to do with the economy, but the writing was on the wall a while ago.

their home turf. A lot stuck to their guns and are now doing well.

"I don't think anyone got carried away with the US. Everyone thought they could have a piece of it. That's business. What worries me, though, is what happens to the batch of young people coming through the system who have to take the industry somewhere? Will talented young people choose other industries now that the glory days are over? Are we going to attract the right people with the intellectual power to drag us through this? I certainly hope so."

Cherubino is fond of America (but doesn't think much of their ability to make a good cup of coffee). He has spent three years collectively working in the American wine industry and thinks Australian winemakers can learn a lot about marketing from their US counterparts.

"America is where it all came together for me," he says. "They taught me how to sell wine. My God, can they market! The level



Larry Cherubino with wife Edwina and son Enzo.

of presentation is amazing. They have an ability to cut through the rubbish and get to the detail. It's the old saying: you'd get an Italian to design it, a German to engineer it, a Frenchman to sell it, an Australian or a Kiwi to do it, and an American to market it. It's fascinating to watch digital TV in America; they beam different commercials into your house depending on where you live. When we talk about the wine market in Australia we talk about the NSW or WA market, but they talk about customers down to a street level, for example people

in a certain group of houses on Fourth Avenue, New York. Understanding target marketing is something Australian winemakers are going to have to grasp.

"I also think we can learn a lot from the French. They're a lot shrewder and more fiscally aware than we think they are. If we think they're arrogant, the way we see them is how we come across sometimes. It's fine to feel good every now and again but as a boss once told me, once you start believing your own publicity you've got problem. It's important not to get carried away because the tide turns."

Cherubino is not laying awake at night worrying about the global financial crisis, although he remains cautious. He reckons it will throw up new opportunities for quality wine producers and shrewd operators. Cherubino's more concerned about what he sees as massive structural problems within the Australian wine industry, compounded by New World producers giving our big commercial operators that source from

inland areas, a run for their money.

"I'm over any fear I had about the economy," he says. "We're probably in a better position than most. I'm more fearful for the industry. The economy will always change—and I think it will get worse before it gets better—but the industry has bigger challenges than that. It's a worry that some of our major export markets like the UK and America will naturally gravitate towards sourcing wine and resources from countries close to them. We've got to look at what we've got going on in this country. Some regions will need to be shut down because it's just not going to be viable to grow grapes in them. *Something* has to

retract into their corner and not do anything at all, but as far as opportunities go to advertise your brand, it's never been cheaper. Creating brand awareness and advertising is something the wine industry has never done in a big way because it's never been cost effective, but now I reckon it's amazingly affordable. It's important to remember that a lot of people won't be doing anything. I think you've just got to look through this and say, 'where do I want to be in two years?' and 'have I got an opportunity and means to do some things with my brand that have never been available to me?' I would say don't be a pessimist or an optimist, just be a realist."



change. It's unfortunate that there are going to be big losers including people who have invested their whole lives in the wine business. It will sort itself out. Spain and Italy and most other European countries have been in oversupply for 50 years and they just get on with it."

Cherubino's advice to small to medium winemakers in this tough economic climate is simple: get out there and keep your brand in front of people's faces.

"Australian winemakers are going to have to start listening more to distributors and salespeople and get connected with people on the street," he says. "And sometimes there is a big disconnect between the planning process within a winery and what's going on at the coalface out in trade. If you think you're selling wine, go into the bottle shop and have a look at the condition of your bottle on the rack—if there's dust on it, you know you've got a problem. I guess some will

The success of New Zealand Sauvignon Blanc in Australia has had a major impact on WA producers of aromatic whites like Semillon Sauvignon Blanc, but Cherubino suspects the cracks that have appeared in the NZ Sauvignon Blanc phenomenon in recent times, are widening every day.

"New Zealand—God bless them—have changed the dynamic of the Australian wine industry," Cherubino says. "I came back from NZ in '05 and my advice to clients was that when they start rocking with Sauvignon Blanc, it's going to change the face of the retail market with our aromatic white, and it did. In some stores 25% of their sales are based on NZ Sauvignon Blanc—25% is massive! But who knows what they'll do to themselves over the next two years when you hear that you can now buy a cask of Marlborough Sauvignon Blanc? That could be a good thing for Western Australia. When our production hit that all-time peak a few years ago there was a real desperation in the



ORGANISED AD HOC

Larry Cherubino's three-tiered wine business has the Cherubino brand (\$35-\$65) at the top followed by The Yard (\$25-\$35) and Ad Hoc (\$15-\$20). While the first two are 'serious' labels he has fun with Ad Hoc with names like Straw Man Semillon Sauvignon Blanc, Hen & Chicken Chardonnay, Etcetera Cabernet Shiraz and Tree Hugger Chardonnay. The labels are colourful and distinctive—and look ad hoc.

The wines are based on matching the ideal site to the appropriate variety.

Cherubino is a man who likes to get things happening quickly and is passionate about efficiency—those traits came through in the birth of Ad Hoc.

"When we started the wine business we had some batches we thought could have been elevated but didn't quite get to the quality level we expected; we had a few hundred bottles of this and a few hundred of that. So Ad Hoc seemed like a good name," he explains.

"Some of the names for the wines had been rattling around in our heads for ages. My wife came up Middle of Everywhere for Franklin River Shiraz because it's in the middle of nowhere. We gave our sketches and names to our graphic artist on a Sunday and by Friday he came back with the labels, and the following Tuesday we went to print. The whole process took 10 days. It really was ad hoc. You just have to get out there and make it happen.

"I see a lot of label designs come together through art by committee. It doesn't work. I've seen people spend hundreds of thousands of dollars trying to get their branding right and it becomes convoluted and constipated because they can't make a decision to get something out the door. As long as you get it right fundamentally, you can tweak it as you go. Branding is an evolutionary thing, you have to realise that people will tire of it. Some brands are well entrenched and people get touchy about changing anything to do with them, and rightly so sometimes, but things can always do with a tweak."

air with the deals being done and the prices being thrown around—it was a race to the bottom for most and there's a lot of that going on in NZ now. But not the good ones, they're sticking to their guns with premium wine."

Cherubino, who lives in Perth but is based in Margaret River during vintage where he leases a winery, is excited about the future of the Great Southern region—although he thinks it should be several regions—and says its immense diversity offers some of Australia's best winemaking and style development opportunities.

"The tyranny of distance means we have to work harder to be noticed, but I think the Great Southern has huge potential, but it needs solid brand architecture going forward," he says. "We have been able to develop our own styles in Great Southern which has been a good point of difference."

With the Victorian and South Australian vintages taking a pounding over the past two years with back-to-back heatwaves, it will be interesting to see if more wineries look to Western Australian wine regions—which don't seem to suffer from extreme weather events compared to the East—to spread the fruit sourcing risk. One company firmly committed to the West is Robert Oatley Vineyards. Cherubino has been working with them for three years. Their new WA wines include an '08 Margaret River/Pemberton Sauvignon Blanc, an '07 Margaret River/Mudgee Cabernet Merlot and an '07 Frankland River/Mudgee Shiraz.

Cherubino says the Oatleys are the best thing to happen to the Western Australian wine industry for years. "They're a very strong company marketing wine nationally and internationally that carries the WA name. That's got to be great for WA," Cherubino says. "Western Australia is a big part of their plans. It's an exciting project. What I find amazing about them is they can take a view on something and act quickly. They don't mess around. Decisions get made and you just go out there and do it.

"They're willing to change. With some of the larger companies it's like turning an oil tanker around, because not only do you have to turn the business around but you have to turn hundreds of people around with it, and having a great team willing to change quickly is really important. Every time I walk away from a meeting with those guys I always walk away smarter."

Chris Hancock, Oatley's deputy executive chairman, told WBM that while Cherubino's reputation preceded him, what



appealed to them about Cherubino was his "incredibly instinctive knowledge" about the vineyards and regions of Western Australia.

"But aside from that it is his attitude to winemaking. He's very clear thinking and transparent in his approach—and that's gold. It's less to do with his ability to win trophies and more to do with his ability to read wine styles and respond to our stylistic direction."

Cherubino has a great understanding of modern wine styles. "I always try to look at what is on the horizon as far as style goes and then try to apply that to what happens on a larger scale. Surviving in the wine business is 80% about what is working with the consumer and 20% about what's next," he says. "You need to have things that consumers can identify with, and an element that is new but keeps them interested."

Meanwhile it's steady as she goes for Larry Cherubino Wines. "A little drop in a lot of places" is Cherubino's mantra when it comes to global distribution, and he's prepared to be patient. Who knows, maybe one day Harjo or Amelio will be on the cover of WBM talking about the runaway success of Larry Cherubino Wines, which their father had the patience to build.

Cherubino says, "As a famous Bordeaux winemaker once said, 'the wine business is very easy, it's just the first 200 years that are difficult.'"