



EDITORS' NOTE *As the third generation member of the family who owns and operates C. Mondavi & Sons, Peter Mondavi, Jr. now leads the vision for the Charles Krug-Peter Mondavi Family Winery. He attended Stanford University, where he earned a B.S. in Mechanical Engineering and an M.S. in Engineering Management, and then an M.B.A. He is a member of numerous wine-related organizations, including The Wine & Food Society of San Francisco and the American Society for Enology and Viticulture.*

COMPANY BRIEF *The first winery in the Napa Valley was founded in 1861 by Charles Krug. After his death in 1892, James Moffitt purchased the winery in 1895, holding it in proprietorship through prohibition. By 1943, he sold the winery to Italian immigrants Cesare and Rosa Mondavi. When Cesare died in 1959, Rosa was named President. Their sons worked at the helm of the winery operation with Robert as General Manager and Peter as Vice President. In 1966, Peter became President and Robert began construction of his own winery. Since the early 1980's, Peter's two sons, Marc and Peter Jr., have assumed major roles at Charles Krug Winery. Peter Mondavi, Sr. remains active in the day-to-day winery operation, and with his sons is dedicated to producing the best red Bordeaux style wines in the Napa Valley. They embarked on a nine-year, \$25.6-million investment program begun in 1999. Sustainable farming methods are now employed in the vineyards and state-of-the-art wine-making equipment is in place at the winery.*

The Charles Krug Winery has a long history and tradition. Will you give us an overview of that tradition and how it has evolved?

The tradition is based around and focused on family. That has kept us going for four generations and is how we have been able to maintain it as a family business since 1943.

We also adapt to the evolutions in the wine industry.

In recent years, the biggest change for us has been focusing Charles Krug, our luxury brand, on just a handful of grape varieties.

Many years ago, wineries produced whatever consumers were buying with total disregard to what was best suited to the land. But now we're focused on Bordeaux reds – they represent about two-thirds of our business.

Focused on Family

An Interview with Peter Mondavi, Jr., Co-Proprietor, Charles Krug Winery

As our environment becomes more challenging on the business end, we have sought out more expertise to help manage that with the family.

It's an agricultural business so you always have the challenges associated with that, but in recent years, it has evolved to the point where sales and marketing are also critical.

In such a crowded space, how do you differentiate today?

It's a rarity to have a family business in the California wine industry with this kind of a legacy and experience; that sets us apart.

We're also located in the heart of Napa Valley and we have a significant amount of land. That allows us to drive towards an estate-driven portfolio, primarily around Bordeaux reds.

Another advantage we have is that we are a very well-established family of multiple generations. Since the distributors are principally family owned, we have strong relationships we've developed over many years with our distributors.

Has technology impacted the wine-making process or is it still done as it was in years past?

It's a bit of both. The fundamental technologies remain unchanged. However, there has been much refinement in areas like the yeast and the barrels, and there have been a lot of advancements in quality control.

When I first got into this business, I'd do competitive blind tastings once a week of competitors' Cabernets against ours. Back in those days, you might find a couple of good wines, but the rest of them were technically inferior. Today, there is no reason for low quality wine and, for the most part, you see good to great wines out there now.

How broad is the market in terms of price points? Is the top-end product you're offering more of a niche?

The farther up you go in the price spectrum, the narrower that niche becomes.

At the upper end, in our family reserves, we have our Vintage Select Cabernet. It's our flagship Cabernet that we have been producing since 1944; it's about \$70.

Then we have our Generations, which is a proprietary blend of Bordeaux reds that is about \$50.

About \$100 is the upper limit for a nationally distributed brand, and above that, it gets dicey – it's not that people don't compete up there, but it's becoming a much more challenging price point, especially when it comes to

restaurants, because we sell a lot of our wines to restaurants.

In pre-recession days, there were some robust sales in the upper end, but now it's limited to wines priced below \$100 a bottle.

How much of an impact did the economic crisis have on the business and do you see opportunities for growth?

For Charles Krug, in the luxury price category, it had a significant impact. We were down in the modest double digits but our peer group was, for the most part, down significantly more.

By December of 2010, our Cabernet was back up to our pre-recession levels. Because of the brand's strength, integrity, and reliability, people felt comfortable with it and that's why it rebounded so fast.

New wineries with no track records are the ones that are having a harder time bouncing back.

How challenging is it to modernize without losing your sense of history and tradition?

It's tough, especially as wine-making styles ebb and flow. Bordeaux reds, the Cabernets, had evolved into this really heavy, overripe, opulent taste profile – now people are starting to back off that, but we never pursued that extreme overripe, high alcoholic style; we remained more moderate. Now the others are beginning to edge back to where we've always been.

So the pendulum swings, but based on our history and experience, we tend to be more moderate with respect to those wine styles and there is a core group out there that appreciates the stability of a house style.

What has made the family dynamic of the business work so well?

It has been a checkered career, but we kept our family focus, and our key is trying to find areas in the business where individual family members can excel; we're now starting with the fourth generation.

Will you ever slow down?

I always imagined myself involved in one way or another in continuing the strategic plan of the business but also in a promotional venue, because it's fun and you get great feedback.

My dad still shows up here almost every day and he's 96. This has kept him going. ●

Margrit, Peter Jr., and Peter Mondavi, Sr. around the table (left); Redwood Cellar, built in 1872 (right)