

Just Drinks

“Consumers are full of contradictions” – The Wine Group’s Helen Kurtz on winning over the new drinkers

The Wine Group CMO Helen Kurtz on buying Phony Negroni, US wine trends and responding to what, how and why consumers drink.

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The Wine Group’s 8% abv Cupcake Lighthearted range, offering 80 calories per glass. Credit: The Wine Group

The Wine Group, one of the largest wine producers in the US, has sought a foothold outside its core category with a move for non-alcoholic cocktail brand Phony Negroni.

The privately-owned company offers some non-alc wine SKUs under its Chloe and Cupcake brands but the deal for Phony Negroni caught the eye.

“We want to stay with our consumers wherever they go,” Helen Kurtz, The Wine Group’s chief marketing officer, says.

In a wide-ranging interview, Kurtz sets out the company’s interest in broadening its portfolio while underlining how the Franzia and Meiomi brands owner remains committed to wine.

“Is wine going to die? Absolutely not,” Kurtz tells *Just Drinks* – but she’s clear the wine industry, amid falling sales in a tough economy, needs to work hard to win over younger drinkers and more health-conscious consumers.

Dean Best (DB): Why did you move to acquire Phony Negroni?

Helen Kurtz (HK): Selfishly for us, it expands us beyond wine. We are huge believers and optimists about the wine category – it’s our middle name, right? We are The Wine Group – and we recognise that consumers are changing. Most consumers of non-alc are still consuming in the alcohol category. We want to stay with our consumers wherever they go, at whatever occasion, and be part of their rituals and traditions.

It helps us get into a growing category and there is no denying that. Whether it is beer, spirits or wine, non-alc is growing by more than 100%.

The other thing is we wanted a product that was really good at what it does. Sometimes it takes majoring in something to become really good at it.

DB: Where do you see the biggest near-term upside and where will you focus resources to grow the brand in the US?

HK: First of all, we really want to preserve what we have because there has been such exceptional work done on curating exactly the right places [to sell the product].

I hail from Minnesota and, if I think of my three favourite restaurants there, it is in all three. We want to hold on to that because the company it keeps speaks as well about the brand as the brand itself.

Our goal is not to come in like a wrecking ball and undo everything the incredible founders have done. It is to preserve and then to scale.

We tend to be very good at national retail. That is a huge opportunity for us – getting into the Safeways, Krogers, Walmarts and so on. I do not think we are precious about where it can go. This consumer is everywhere. We also want to be thoughtful about independent retail.

We are not here to bring our big bully company and change everything. We want to bubble-wrap what is incredible about it, scale it and make it accessible to more consumers.

The founders are staying with us for six to twelve months so we make sure we get it right and do not risk what we have seen happen in so many places on the food side. That is where I come from – I was at General Mills for 20 years – and you can see how that can go in the industry.

DB: Is the brand on sale outside the US?

HK: Very tiny. It has a very small presence and I am excited we can build that. It is not our top priority because there is so much to focus on here.

Candidly, the product is being really made “just in time”, so there is not a tonne of inventory. A lot of what we are doing is scaling the manufacturing in a thoughtful way, so we are not ramming it through some mass-production system.

DB: Production is going to stay in Brooklyn for around a year, according to the statement announcing the deal. Do you see that site continuing, or will you set up or contract another facility, maybe further west, to build the brand nationally?

HK: I am not really ready to comment because we are still figuring out production.

Its Brooklyn roots will stay very much part of the brand, I would say that. We are not trying to mass-produce it or take away any of that magic. We do need to expand to make it accessible to more people, because the current Brooklyn facility – you know, we’re going to be able to scale it and that’s why we’ve got it for the year, but we want to make sure we can make it accessible beyond its confines.

DB: You already have some non-alc wine SKUs under brands like Cupcake. Is this a step change and are you looking at further non-alc acquisitions?

HK: What we’re very loyal to is going where the consumer goes and meeting their needs. In the wine category, we have learnt from consumers that they want trusted brands that they know how to make wine and they can trust that.

At the same time, consumers are looking for discovery. They love trying new things. There might be another acquisition in our future or we might home-grow it. We are very committed to doing both.

DB: Are you in any discussions to acquire any other businesses within non-alc?

HK: I probably cannot say that. I would just say we are always looking.

Consolidation is a very big theme right now. Understandably, if you look beyond non-alc into wine overall, there are a lot of moving parts. We are very fortunate that we have the resources to take part and a portfolio that can support acquisition but I would get in big trouble [if I said more].

DB: It has been about a year since we last reported on a wine acquisition by The Wine Group, with the [second deal with Constellation](#). Are you looking at further wine acquisitions as well?

HK: Yes, absolutely. We have breathed new life into a lot of those brands. We are absolutely looking at other wine brands as well. It is not just about non-alc. There is a lot of opportunity and movement out there right now.

DB: On that basis, can you sketch out the kinds of wine brands or businesses that could interest you – varietals, regions in California or beyond – that might fill gaps in your portfolio?

HK: I really cannot share that, I'm sorry. I can say we have three pillars to our strategy: expanding beyond wine; expanding beyond the wine we have, which means more premiumisation; and then really homing in on and growing what we have, which tends to be more under \$15. That gives us a lot of latitude and room to grow across all three areas.

DB: When you talk about “beyond wine”, could spirits be of interest, or is that a step too far?

HK: I think that could be in our future. We are not declaring that. I get nervous because we are very committed to wine. I often get asked: “Is there a future for wine? Is wine going to die?” Absolutely not. There is absolutely a future and we are very committed to it.

We are not looking to become a beverage company in the sense of going into water, coffee and so on but we do recognise that following the consumer on their journey might mean going beyond wine as well.

DB: Let's talk about US wine. BMO recently [reported](#) spending on US wine was up 3% but volumes were down again. Premiumisation is one factor behind that. How do you play into that trend and does it still have momentum, given cost-of-living pressures?

HK: It is really interesting because the stats on the economy are so sobering. You would expect a flocking back to the value end. We are seeing some of that – for example, our most value brand, Franzia, is growing in share.

But consumers are interesting and full of contradictions. They want no-alc and they want high-alc. Health is growing and so is functionality and lower-alc, lower-cal. At the same time, “treat yourself” is a huge trend. There is a lot of diametrically-opposed things happening.

In terms of premiumisation, there is still room for value as a response to the economy and shrinking pay cheques, as well as those “treat yourself” moments where people are willing to pay a bit more for something special.

We play into that with Meiomi, one of our Constellation brand acquisitions, which we are thrilled with. It is a great brand for us and a special moment for consumers, playing in that roughly \$18 ARP space. Then we have Cooper & Thief, our Bourbon barrel-aged brand, which plays in the higher \$20s.



Credit: @franzia wines/Instagram

DB: That sounds like the K-shaped market people talk about. How do you manage the portfolio and where you invest when consumers are sending contradictory messages?

HK: It is one of my favourite topics. When you're a portfolio company like we are, it is a privilege because we have such incredible brands to work on – but it makes it very important to have a portfolio strategy with different roles for each brand.

We have power brands. We have what we call “surgical brands” that play really hard in on-prem but are not prioritised as much in retail. We have managed brands that are very important and where defending distribution is critical but where we may not invest as much as in a power brand. We have to be very intentional about our investment strategy.

We also need a lot of upstart [brands] and innovation. At The Wine Group, we have introduced 53 new SKUs in the last two years. That is a big swing and recognition that we do not always have what we need in our current portfolio and we are not afraid to introduce more.

We are introducing new SKUs under established brands and also new brands. We have eight new brands we are either testing or launching in the next year.

DB: If beverage alcohol consumption is under pressure, and wine within that, how would you say companies can hang on to wine drinkers and attract younger cohorts given the proliferation of drink choices compared to, say, 20 years ago?

HK: Wine has so much room to grow in terms of approachability. It is very hard to be a newbie in this category. We have a very specific vocabulary that is intimidating. There is a beauty to it and a specialness I want to preserve – the appellations, varietals, vintages. Once you know it, it is a very elite and special club that feels good to be part of.

But there is a lot of room for growth in approachability. My favourite statistic is that only 27% of Millennials own a bottle opener. In our portfolio we are moving much more to twist-off, to screw caps, because why do we make it so hard to get to our product? We want people to enjoy it. That is a little microcosm of the broader issue.

Drinking is fun. There are times when you want a very serious brand and, if you look at the category, it tends to be cream labels with black script. But there is room for colour, for invitation, for acceptability of all different types of drinkers. That is a key part of marketing: invite people in, do not be so exclusive.

DB: There is debate about the extent to which Gen Z is moderating – and whether it is just their age and they will drink more as they get older – and also about how GLP-1 drugs might be affecting alcohol consumption. What are your thoughts on both of these topics?

HK: On the structural versus cyclical question, I think it is both. I do not think we can just say it will all come back. Drinking looks different and we talk a lot about different ways of entering the category.

Today, often the first drink is an RTD, which can set you up for higher-alc, higher-flavour choices and that will influence behaviour down the line.

Matcha actually gives me a lot of hope because it is not a big fruity explosion. It suggests a more nuanced flavour profile that could lead towards wine.

There is still room for traditional wines – Gen X is still a very important part of the drinking population and serving us is important – alongside introducing the next generation to wine and giving them ways into the category with an open invitation that is not so exclusive.

DB: And on GLP-1s?

HK: We are thinking about it and watching it all the time. The most obvious opportunity is to come with more single-serve.

Single-serve does not just serve the GLP-1 consumer. It also gets to people being on the go who want wine and RTDs at events and gatherings where a 750ml glass bottle is less conducive.

Another aspect of GLP-1 is the desire for more “bang” for everything you put into your body – more bang for your buck, more bang for your calories. We have explored protein wine. It did not test very well but you have to go to the edges to see what consumers will give you permission to do.

We are introducing a more functional wine – one with collagen peptides, or one with L-theanine, or one with prebiotics. We also have a line of wines that is very simple: minimal sulphites, sustainably grown, no added sugar.

The GLP-1 revolution – it’s not too overstated to say – is about greater awareness of what is being put into your body. We are being very true to that. We are calling out the fact Chloe and Cupcake wines are made with no added sugar. That is a message consumers want to hear.

Again, there is the duality: a greater health emphasis and interest linked to GLP-1, as well as the high “treat yourself” moment where sometimes you just want what you want.

DB: So, it's not something The Wine Group is concerned about so much as something you are making sure you can react to, given that more of us – not just GLP-1 users – look at food and drink through a health lens?

HK: I would put it this way: I do not waste a lot of time resisting the trends because they are so inevitable. It is more about how we respond.

I am energised by the challenges in the market. It pushes us to be better, to raise our game and not be complacent. That is the death of any company – complacency.

On GLP-1, it is also interesting that we still do not fully know how the trends play out once people lose the weight. Do they come back to previous behaviour or maintain moderation? How does it resolve? That is where we need to maintain some humility. We do not know everything yet.

So, the question is how we serve consumers wherever they are on that GLP-1 journey. It is just a point in time. Some may use it forever; others will cycle in and out.