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Commentary

Cracking open the wine sellers

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Watch out Dan Murphy's, watch out Coles' liquor and watch out up-market clothing retailers and the shopping centres that house them.

Let's start with liquor. Dan Murphy's is an enormous Woolworths profit powerhouse and Coles is working hard to catch up. Yet they face dangers not that dissimilar to Fairfax a decade or so ago.

Fairfax was mauled when Seek (in employment) and Carsales.com.au (in cars) ripped huge market share from the classified advertisements of newspaper owners.

Among the main drivers of the Carsales juggernaut were CEO Greg Roebuck, chairman Walter Pisciotta, former chief operating officer Shane Pettiona, Grant Taylor and Steven Kloss.

Carsales continues to prosper but all five men have concluded that the next big internet opportunity is wine.

Roebuck, Pisciotta, Taylor and Kloss have backed their former colleague Shane Pettiona in Crackawines.com.au. They believe that just as internet car sales took off, so will wine.

Pettiona, in his Management Insights interview, forecast that by 2016 at least one quarter of all wine will be sold on the internet. If that happens then the land-based wine operations of Dan Murphy's and Coles would be dramatically changed. Coles and Dan Murphy's might thrust promotion to their online sites, but if they succeeded it would affect the value of their real estate and their lease agreements.

Normally when operators make extravagant claims like those of Pettiona then you are sceptical, but the Carsales people have a record of success and have put their money behind their belief in online wine. In the process they have also opened up a future for the myriad smaller wineries.

Cracka believes that it has two weapons. Firstly, its online Dutch auction, whereby the price goes down with each bid, and secondly, the ability for wine consumers to access wine information. So, a wine drinker that likes one style of wine can be shown similar wines from other areas.

While the prices are lower than retail, Pettiona believes that there is more to wine enjoyment than price – hence the extra background information.

From a small base, Cracka wine sales are exploding and there is great excitement that the boys from Carsales can once again take on majors saddled with legacy businesses and win. The small winemakers will be hoping the Carsales people are right because they have been given a very hard time by the supermarkets.

The big wine makers are also looking hard at the developments.

Now to clothing. In doing some research for *Eureka Report* I came across a study by the Quantum actuarial group which has access to the credit card sales of all land and online retailers.

It has classified clothing stores into four groups: low-priced (value), mid-value, high-value and premium. That way it is able to project trends in clothing demand.

Quantum estimates that by 2016 an incredible 30 per cent of high-value clothing sales will be online. And in the premium area, and even in mid-priced clothing, it will be at 20 per cent.

However 'value' or low priced clothing online sales will only be 5 per cent of the market.

Stockland CEO Matthew Quinn is displaying these figures in his profit presentations because he says value and mid-value stores dominate the company's centres. By contrast, some of the newer Westfield centres go for high-value and premium stores.

If Quantum and the Carsales people are right, many forms of retail property will be put under pressure and the businesses selling clothing and wine need to learn from the mistakes of Fairfax.

Comment

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