

HAVING A CRACK

Dean Taylor, founder of Cracka, responds to the launch of Dan Murphy's Range Extension program, which appears to be a direct attack on his business.

What do you think of Dan's Range Extension program?

I'm flattered. It shows that they are either so impressed or concerned about the potential of our model that they felt the need to rip us off. However, to be perfectly honest, I'm not that worried. Cellarmasters tried to copy us before with Zimi.com.au and failed miserably. I can't see why this will be any different.

Why don't you think it will work?

Fundamentally they left out one of Cracka's most important features: allowing wineries to set their own prices. Instead in their model, Dan Murphy's has full control over the prices, making it totally clear they will drop the price to whatever is required to honour Dan's 'lowest price guarantee'. The winery does all the work, takes on all the risk – and Dan's takes 25 percent for its trouble even if it's sold for less than the wholesale price. The potential for brand damage is enormous. I'm confident that very few wineries would be desperate or foolish enough to agree to those terms.

You've called it anti-competitive. Why?

By signing up to this program, wineries are effectively giving Dan's the power to undercut any price in the market without any cost to Dan Murphy's at all. Once committed to the program, even the winery can't sell its own wine cheaper. Anyone undercutting Dan's prices will only hurt the wineries. I know that we certainly don't want to do that, so we're locked in a situation where the best we can do is match their prices. If that's not anti-competitive, then what is? It also shows their blatant disregard for the Code they signed with the WFA – which specifically stated that changes to the agreement without the other party also agreeing should not be allowed in a commercial relationship. If price isn't a key term, then what is? I don't think they're interested in generating online sales for wineries. This is just another strategy to use genuine brands to attract customers to Dan's so that it can cross-sell private labels that generate much higher margins. Dan's also

understands the potential of its technology to use the inventory listings and content provided to them to dramatically improve their SEO footprint. It'll help them improve their website traffic – effectively wiping that winery off the Google map. Meanwhile charging the wineries for the privilege.

Is this the biggest challenge they've thrown at you?

No, but it's certainly one of many. As a challenger brand we deliberately set out to 'poke the bear' and we always expected some blow-back. However we never realised just how hard and dirty they would play. Not only applying pressure to suppliers but trying to destabilise our relationships and partnerships with other corporates. Fortunately there's no shortage of suppliers, consumers and corporates who don't want to deal with Woolworths. We seem to appeal to that market and as a business we're going from strength to strength.

You've called for an ACCC investigation. Why?

Woolworths Liquor Group is a vertically integrated business with interests in everything from vineyards, packaging, winemaking, wholesale distribution, liquor logistics and retail. Between their brands, they control at least 45 percent of the overall wine retail market and over 60 percent of the online wine retail market. There are few wineries they don't touch in some shape or form so trying to get anyone to go on the record has been historically next to impossible. The only way the ACCC is going to make any headway is to do the same thing it did in the grocery market and informally and in confidence ask suppliers to disclose their dealings. Even then it's going to be tough to get the truth out. Everyone is shit-scared, however if the industry doesn't act soon, we'll all soon be working for Woolies. I think Woolworths Liquor Group has become too powerful and needs to be broken up or in the very least put on a damn short leash. Why the ACCC ever approved the acquisition of Cellarmasters, I'll never understand. An enquiry into the tactics it uses to suppress competition is overdue. ■