

New online wine auctions player aims for \$100 million revenue in five years

A new player in the online [wine sales](#) market hopes to turnover \$100 million within five years, having already signed up industry giant Constellation along with a suite of smaller [wineries](#) targeting the mid-range buyer.

The new site will operate three sales channels, including a Dutch auction and a last-minute system where [wineries](#) can sell off excess bottles for low prices.

[Cracka Wines](#) managing director Dean Taylor, who has teamed up with CarSales chief operating officer Shane Pettiona for the new venture, says the new site will fill a gap in the market between the discount-heavy GraysOnline and Langton's, which caters for more high-end tastes.

"When you compare Cracka to other [online auction](#) sales channels, the biggest name is definitely GraysOnline. It's a great channel, but they've never managed the volume or quality. As a result, they've flooded the market with bottles less than \$4 and they can't make money."

"What we're trying to do is manage the supply-demand equation, and we'll start slow and ramp things up. But we think it'll move quickly and we expect to move a million bottles by the end of the year."

Taylor has ambitious goals, expecting an average price of \$10 per bottle. Combined with a commission of 20-25%, he expects Cracka to be making profit of around \$2 million by the end of the year and hopes to be the most visited wine website in the country.

Some of the biggest names in the wine industry such as Constellation, along with other brands including [De Bortoli](#), [Yarra Burn](#) and [Capel Vale](#), have already signed up to the site. A Foster's spokesperson says it will continue to watch the site "with interest" and that, "we always welcome the opportunity to talk to new initiatives".

The company's five-year turnover goal is an impressive \$100 million. But Taylor says the company will be able to meet those goals if it continues to sign up smaller [wineries](#) and focus on the mid-range of the market.

"We think we'll be selling a million cases a year within four or five years, putting us closer to \$100 million. It's a big call, but if you look at Grays, they're doing about \$40-50 million and they are much, much cheaper."

"We're relying on a less-volume, higher-value model to get us there. And that's why we think it's both a win for consumers and for wine-makers."

However, GraysOnline director Mark Kehoe says Taylor is mistaken and the company has been profitable "since day one".



"In our view we don't think offering bottles for under \$4 is a problem, we think that provides value...we also sell wine at fixed prices, and we have for wine partners including Constellation, Foster's and McWilliams. That wine is costed at over \$10 and that already represents over 10% of our overall business."

"We think sellers are very happy with that process. We also do a lot of high-value grange sales at auction, and we're regularly breaking sales at the top end."

Taylor says the structure of the site will "deliver more dollars into the hands of the wine makers". Cracka works via a direct-channel method, with the site only acting as a mediator between the [wineries](#) themselves and the consumers.

The other advantage, he argues, is the relatively low commission of about 20-25%. He says other wine retailers have a commission of about 35%, with supermarkets such as Coles and Woolworths pushing 50% - it was this current market setup that gave Taylor his inspiration.

"The whole wine space has no dominant player. You've got the most trafficked website in Dan Murphy, but you also have Grays, and then Woolworths and Coles, but we think there is a big gap in the mid-market offering here."

"So I've been looking for an online opportunity over the last few years, and I think this offers a variety of different and distinct sales channels, each being allowed to sell directly to market, and that provides good value."

Crack offers three different sales methods. The first is a Dutch clock [auction](#), whereby prices start higher and then continue to fall until a sale is made. The second model is a trade-based auction, where wholesale prices are used.

The third model is a type of last-minute scenario, where wineries are able to sell off excess stock in a type of "last-minute" bidding war. Through this model, Taylor says wineries will be able to effectively create a second website for themselves.

With the first [auction](#) to go live next Monday, September 27, Taylor says more [wineries](#) will come on board as they are attracted to the alternative sales channel he believes Cracka can offer.

"We've been trying to do something good from the [winery](#) point of view. Australia has been an incredibly consolidated market in terms of sales, and we think we can offer an alternative to them that works."

[Chapman Grove](#) managing director Ron Fraser says he signed up his winery as the new site offers a new sales channel for relatively little effort.

"It gives smaller [wineries](#) the chance to tap into the electronic marketing potential here, especially if they don't have their own website. It's simply another step in the process of getting your brand out there, and we think it's a great pathway market. We'll be testing



a couple of lines to see how it goes, and then possibly look at more products further down the track."

Taylor says the site is also embarking on a massive SEO campaign, and hopes to host one of the biggest collections of wine reviews online in teaming up with wine writer Angus Hughson.

Foster's, Constellation, Woolworths, Coles and Dan Murphy were all contacted for comment, but no replies were received before publication.

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<http://www.smartcompany.com.au/sales/20100920-new-online-wine-auctions-player-aims-for-100-million-revenue-in-five-years.html>