

Why Cracka won't sell to Woolies, Coles

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It's not often the founder of a business plots a strategy aimed squarely at making sure his major rivals never get the chance to own it.

Yet Dean Taylor is on a mission to ensure his online wine retail business Cracka Wines flourishes but remains out of reach of industry giants Woolworths and Coles.

"Our number one challenge is remaining independent," Mr Taylor said. "We don't want to be bought by Coles or Woolworths."

It may be easier said than done. A similar business, Vinomofu, was last week snapped up by James Packer-backed daily deals group Catchoftheday.

Mr Taylor is forecasting a wave of consolidation as online wine operators fight for supremacy to gain a greater share of expanding online wine sales, which are expected to reach \$500 million by Christmas.

Based on industry statistics, that would equate to about one in every 10 bottles of wine being bought online.

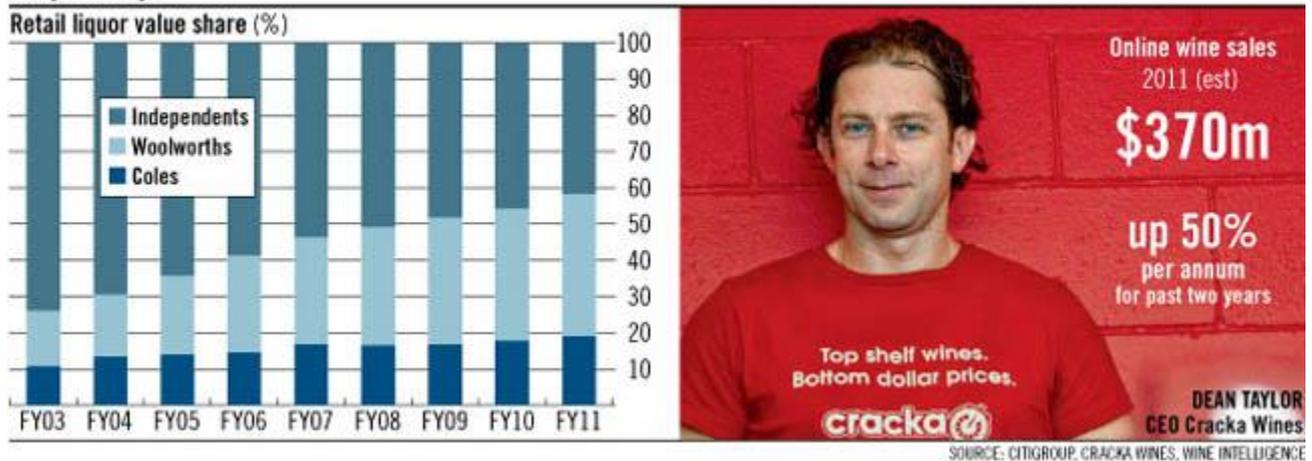
This growth comes despite one of the liquor industry's biggest retailers, Coles, not yet returning fire against a big internet push by Woolworths' big-box success story Dan Murphy's.

Coles' 1st Choice Liquor is expected to enter the market at some stage, especially given Coles' liquor division dragged down third-quarter sales by nearly 1 per cent.

As Coles plots its strategy, Mr Taylor is pressing ahead with ambitious growth plans, which include launching in New Zealand, exploring opportunities in Britain and listing the business on the Australian Securities Exchange within three years.

Founded nearly two years ago by Mr Taylor and former carsales.com.au chief operating officer Shane Pettiona, Cracka Wines received a \$5 million cash injection late last year from a consortium backed by the six founders of carsales.com.au.

Top drop



The consortium, Constant Innovation, gained a 30 per cent stake and gave Cracka Wines cash to expand. Mr Taylor wants to double the number of wines it sells to 5000 within 12 months as it chases revenue and profit growth to underpin its future stockmarket plans.

Part of becoming supermarket-proof involves offering equity in the business to wineries.

“Our preference is to take the business public, but there will be a few steps to that first,” Mr Taylor said.

“It will be a bit like when the dealers became shareholders in carsales.com. If enough of the company is [eventually] held by the industry then it would be up to them if they want to sell it to Woolies or Coles.”

Mr Taylor argues a new distribution channel is vital to Australian wineries, which are under enormous pressure to reduce margins from Coles and Woolworths. The supermarket giants control about 60 per cent of the nation’s bottle shops and have been increasing their range of private label wines.

“It’s a tough environment for wine producers and it is getting tougher,” Mr Taylor said.

“We are trying to provide a solution to Australian winemakers.”

It’s no easy task. Cracka Wines has been forced to drop at least a dozen wines because Mr Taylor said winemakers had been threatened by being dumped from Coles and Woolworths.

Mr Taylor is confident Cracka Wines can overcome the obstacles.

Next month it will launch a sister website, My Wine Companion, after striking a deal with wine critic James Halliday. The site will offer subscribers access to ultra premium wines at members only prices.

Mr Taylor welcomes new entrants to online retailing because additional marketing dollars being spent to promote websites would help fuel growth.

Mr Taylor said consultant Wine Intelligence had estimated 17 per cent of Australian wine consumers bought online compared with 35 per cent in Britain.

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