

Brave new world of wine retailing

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Online wine sleuth Max Allen. Picture: David Geraghty Source: News Limited

THE way we buy wine online is changing. Fast. The new world wine web is all about speed: daily deals, flash sales and quickie auctions that last only a few hours.

It's a virtual world on your laptop, tablet or phone, where you can click-and-bid on the latest once-in-a-lifetime, must-buy-now bargain opportunity.

There are already thousands of e-commerce-enabled wine websites in Australia, of course. Hundreds of wineries sell direct to the consumer through a virtual cellar door. Almost every traditional bricks-and-mortar liquor store has set up a website.

Woolworths alone now has a huge web presence through its Dan Murphy's liquor store, Cellarmasters wine club and Langton's auction sites.

But the past 18 months have seen the proliferation of a new breed of online retail businesses. Websites such as Cracka Wines, Vinomofo and Winery Lane differ from what's already out there. These new companies are pure-plays: they only exist online, rather than being the virtual

extensions of an existing shop. Some don't even have a warehouse or hold any stock, but sell on behalf of the producer.

The key to these new businesses - the thing that drives people to the site - is the concept of the daily deal or auction: massively discounted products that are available for a brief time. These concepts are not entirely new, of course; many online shoppers are already used to buying wine for as little as \$1 a bottle at sites such as graysonline.com, and anyone who's signed up to Tony Sells's email newsletter at getwinesdirect.com.au will be all too familiar with the daily exhortations to "get in quick and let your mates know before this lot sells out".

The newer online wine retailers shift that sense of urgency to a new level. They urge you to sign up to their buying club so you can bid on wines that are available only for a few hours.

These new businesses also have big ambitions. Last year Cracka Wines invested heavily in billboard advertising challenging Dan Murphy's over its pricing. And last week Vinomofo announced a partnership with Catch of the Day, the leading daily deal site, which expands the reach of the 12-month-old wine business from a database of 30,000 to Catch's 1.8 million subscribers.

But I wonder whether we, as consumers, shouldn't step back and ask ourselves a few questions about this brave new world of wine retailing. What exactly are we letting ourselves in for? Are those daily deals really as special as they make out? And if these new websites do fundamentally change the way we buy wine - as is their stated intention - is it a change for the better?

For a start, surely a business model built on deep discounting is not sustainable? Cracka Wines chief executive Dean Taylor argues that discounting is the new normal, and that sites such as his are not only being more creative in how they discount but are also offering better returns for producers.

"The last thing we're trying to do is encourage a race to the bottom," Taylor says.

"We don't decide the prices on our site, the prices are set by the wineries. Because they're selling direct to the consumer, they can sell at 46 per cent of the recommended retail price and still deliver a higher margin than selling through distributors and the supermarkets.

"And the fact is that a lot of the brands we sell are brands being taken off the shelf by Dan Murphy's, by Coles, by BWS. The wineries are supporting online ... because they think it's going to save them."

One of the biggest wholesale wine suppliers, Samuel Smith & Son, recently employed a full-time manager dedicated to dealing with online retailers. "We've (been moving) very carefully," says trading director Nick Waterman.

"We have avoided the bid-what-you-like auction sites because we're not interested in throwing a brand out there and just letting the market determine what it's worth. By contrast, the main benefit of the fixed-price, deal-a-day sites is that, because they act as sales agents for us as opposed to traditional retailers, we can totally dictate that price."

Regardless, as a consumer, when I see some of the special offers I can't shake the lingering suspicions: Why are these wines so cheap? What's wrong with them?

And let's face it, those suspicions are well-founded. Ever since the industry became oversupplied in the mid-2000s, most of the deeply discounted wine available through online retailers has been what is known as distressed inventory: failed export orders, pallet-loads of last year's unsold sauvignon blanc.

Which is why the wines are so cheap, why so many of the brands are unfamiliar, and why they often taste like crap.

"We want to change the online experience from buying distressed inventory and made-up brands to being a valid way of buying wines you already know," insists Andre Eikmeier, chief executive of Vinomofo.

In this virtual world of selling real brands, Eikmeier says, integrity is the key. "I'd like to see retailers being a bit more accountable," he says. "Because currently, there's a lot of inflated RRP's out there, listed higher to make the discount look better, and that's no good."

Cracka Wines's Taylor agrees, pointing out that the savvy modern consumer is able to research prices and information thoroughly on the internet.

But Eikmeier and Taylor should perhaps get their own houses in order before criticising others. At the time of writing, Vinomofo was offering cleanskin mystery wines from producers whose identity it wouldn't reveal, and Cracka was advertising a McLaren Vale cabernet discounted to \$14.95 from an alleged RRP of \$22 - although the winery's own website lists it at \$18.50.

My biggest concern about the new way of buying wine online, though, is that it appeals to a mob consumer mentality where perceived value matters more than substance. In other words, what I'm buying doesn't matter as much as the fact that I got it for a crazy low price. There's more than a whiff of the late-night infomercial about all this: just as I don't want a complete 30-CD box set of 1980s love ballads until I see it advertised at 2am for just \$11.99, I also don't really want a tired, flabby, two-year-old ros aac until I'm told I can buy it for \$2.50 a bottle.

Worse, the commercial pressure of large-scale deal-a-day selling might lead to a dumbing-down of the offering: there is more money to be made out of selling 1000 cases of \$10 Marlborough sauvignon blanc than 100 cases of \$15 McLaren Vale sangiovese.

Taylor disagrees. He says that while the auction page of Cracka is what has driven many people to the site, most sales are now through the more conventional, fixed-price catalogue area of the

site, where there are many good, well-known wines, often discounted only slightly, if at all. "And the average purchase price per bottle is over \$20," he says. "Which says to me that it's not just value driving online."

But as Eikmeier contemplates moving from a small business selling a few dozen cases a day to one with potentially much larger turnover, he admits he may soon be flogging much less \$20 Tasmanian pinot noir and much more, much cheaper sauvignon blanc and shiraz - because that's what's popular in the world of online wine.

A steady diet of heavily discounted shiraz and sav blanc? Doesn't sound all that appealing when you put it like that.

THE TASTE TEST

I tasted a selection of special-offer wines sold through Cracka and Vinomofo. Some of these wines are no longer available.

Nicolas Feuillatte Brut NV Champagne: \$40 from Vinomofo. This can cost about \$70 from a bricks-and-mortar store so \$40 online does look attractive. But I don't think it's a great champagne at any price: it's simple, fruity, straightforward. For this money, you'll get more style, finesse and complexity in a bottle of Tasmanian sparkling - Jansz, Stefano Lubiana or Clover Hill.

2011 Fush 'n' Chups Sauvignon Blanc: \$9.95 from Cracka normally, but occasionally sold through the daily auctions for less. This is advertised on Cracka with an RRP of \$18.95 - but as it's a made-up brand produced by a mystery winery exclusively for Cracka, that's almost irrelevant. It does, however, deliver the big flavour punch of tropical fruit that regular Marlborough savvy drinkers expect, and \$9.95 is a fair price.

1999 Clarendon Hills Liandra Shiraz: \$45 from Vinomofo. You might find older bottles of shiraz from this cultish producer at auction for a similar price but you'd have to pay double at a specialist retailer. Good wine, too; perhaps a little past its prime, but full of seductive autumnal plum and wood-smoke characters.

2009 Merops Cabernet Sauvignon: \$11.95 is the starting auction bid on Cracka today. This is very good value at \$11.95 - especially as Cracka advertises the RRP as \$30; a quick online search, however, shows it's only \$25 direct from the winery. The first glass is full of cabernet character but it also reveals some good herbal, regional characters and fine complexity.