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Crackawines: Getting the Drop on E-Commerce

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26TH JUNE | CAMPBELL PHILLIPS 594

Founder and CEO of Crackawines, Dean Taylor explains how his offer is achieving triple digit annual growth with the right blend of technology, savvy business strategy and booze.



The dawn of internet shopping has allowed the birth of many new consumer concepts, some of which were practically impossible not so long ago.

Foremost among these is the singular combination of shopping and alcohol. Very rarely would customers even consider having a tippie while browsing the aisles at Target, whereas today the practice is on the rise (anecdotally, at least). Unfortunately, this also leaves shoppers open to a new phenomenon: the 'I don't remember buying that' parcel arriving several days after a booze-inspired shopping spree.

For customers that enjoy a glass or two while shopping from home, there's another problem to consider: you can't just duck out for another bottle once you run dry without risking a DUI charge. The solution? Buy the alcohol alongside the rest of your online shopping and never suffer from thirst again.

This is what Founders Dean Taylor and Shane Pettiona had in mind when they first came up with the concept to mix liquor with online retail (slightly more entrepreneurial than the other interpretation, don't you think?). The result is Crackawines, an e-commerce vintage that, despite its age, already demonstrates plenty of depth and potential.

Power Retail recently interviewed Taylor to discover what it took to create Crackawines, as well as his thoughts on the journey ahead.

Crackawines

Website: www.crackawines.com.au

Specialty Product: Wine, beer and cider

Web Development: In-house

Search and Navigation: SLI Systems

Performance and Optimisation: SQUIXA

How and when was the business first started? How did the concept come about and who was involved?

Crackawines.com.au, the brainchild of myself and Shane Pettiona (former COO carsales.com) and was launched in October 2010 after about 18 months of development and planning.

At the time, the Australian wine industry was facing the toughest conditions in over 30 years. A local glut of over 1.5 billion litres, collapsed export markets due to the high dollar, cheap imports and the punishing dominance of the two major retailers Coles and Woolies who collectively control 65-75 percent of the local market and are actively filling their shelves with private labels. The Australian online wine market was extremely fragmented (over 1,000 wine sites)



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and lacked a single dominant player.

Our concept was simple; build an entirely new breed of platform that provided brand owners the ability to sell direct-to-consumers solution via a number of online sales channels. Harness content and the power of search to aggregate traffic, leverage the efficiency of the D2C model to deliver end-to-end value and reinvent the online wine buying experience making it interesting, engaging and fun.

### What particular technological challenges were involved in setting up online?

Probably the biggest technical challenge for us has been developing our unique and patented 'Falling Price' auction system. Unlike traditional auctions, where lots are awarded to the highest bidders, our prices start at RRP then fall until all cases are sold. Bidders can either make an offer in advance and take their chances, or accept the price as it falls. For users it's quite an exhilarating and addictive experience. The beauty of our system over traditional auctions is that large volumes of the same product can be cleared in a single go – leaving virtually no trace of what they sold for (which helps to protect the brands being cleared). While the interface makes it look easy, behind the scenes is a very powerful auction engine with web server servicing an array of open connections in real time. Considerable technical challenges had to be overcome so that the Auction Engine could analyse and rank bidding activity on multiple lots, adjust for latency, respond in real time to the falling price, allotting winning bids and generating notifications.

### Can you describe the specifics behind your product offering?

Since launching two and a half years ago, we've been focused on becoming Australia's largest wine site – offering the biggest range, the most information and the greatest value to our customers. We're pleased to have reached that milestone and currently have over 4,500 different wines for sale from over 1,000 wineries – catering for all tastes and budgets. We have everything from \$5 mid-week quaffers to \$50,000 sets of Penfolds Grange Magnums for sale.

As a result we've attracted a very different audience to your average online wine business. The majority of our customers are between 30–40 years old (the industry is typically 55+) and it's an even split between guys and girls. What surprises most people is our average bottle price – which is currently over \$15. The average bottle price across Australia is just over \$10, so it proves that when you do it right, online is not just a clearance channel.

Most of the wine we sell (over 75 percent) is dispatched from our vendors. As you can imagine, this is quite a challenge given the regional locations of many of our winery partners. To help in this regard we offer a warehousing service for auction stock and a cross dock service for partner who have a local agent or distributor. The idea is to try and create efficiencies wherever possible and feed that back to customers in the way of discounts or extra margin to the suppliers. The challenge is balancing that with the customer expectations regarding delivery times.

### What sets Crackawines apart from others?

Having the biggest range, most content and our 'Falling Price' auctions are the unique selling propositions we use to aggregate an audience.

For the vendors, it's our D2C (direct to customer) model, which provides them enormous reach for next to no capital investment. Our model allows them control of the prices and able to protect and grow their brand. Volume is just a question of how hard they want to work the different channels and levers that we provide them. It's a unique model that has immense potential in all the other key wine markets.

### Tell us a little about the technologies and components you outsource.

- **SLI SYSTEMS** – search and navigation tools, which continually 'learns' from past site search activity by tracking visitors' aggregate search queries and click-thrus.
- **SQUIXA** – a website acceleration platform that improves the site's load time by rewriting the resources of the website using filters that implement web performance best practices 'on the fly'.

### What elements do you continue to develop and maintain in-house and why?

Crackawines.com.au has been designed and built from the ground up by an in-house development team. Written in ASP.NET 4.0, the application is hosted on Windows Server 2008 R2 servers.

While our initial site was custom built and managed by an agency owned by one of the investors, we made the decision to move development back in-house about 12 months ago.

The primary motivator for this was increasing our speed to market with new products and turning development into a fixed rather than variable cost. While it took a lot of effort to build a team from scratch and migrate the IP, I have to say it's one of the best things we've ever done. Not that the guys before were doing a bad job, it's just that now we have our developers sitting alongside all the other staff and they can hear what's going on. They become sensitive to the business pressures and working in an agile environment are able to adjust the development program daily to respond to the most urgent demands.

We've also recently moved the management of our hosting environment in-house with some fantastic help from the crew at [PolarSeven](#). They came in and in just two weeks skilled up our development

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team then helped them recreate our entire hosting environment moving it from AWS North California to AWS Sydney. As a result we've reduced hosting costs substantially, eliminated management fees, improved performance, increased scalability – and now have the ability to release on demand.

### What does your marketing mix currently look like and how is this evolving?

The cornerstone of our marketing plan has and will always be SEO. While we've spent a considerable amount of time and money building a very powerful engine to leverage our content and inventory, the dividends that this is now paying easily offsets that investment – with up to 70 percent of our traffic being generated organically. Our digital footprint (number of indexed pages) is now bigger than every other wine site in the country combined. The power of search is an incredible thing if you know how to harness it.

### What does the road ahead look like? Are there any particular challenges you foresee?

Logistics has been our biggest challenge to date and is an area that we need to improve. We believe we have the strategies to do this, we now just need to execute them.

While we think that we've got the best broad screen site in the country, our mobile site is a couple of years old now and due for a full overhaul. It's our next major development project to drop and we're excited with what we've got planned.

Other than that we're just sticking to our knitting, doing our best to manage triple digit annual growth and having fun. It's a nice place to be.

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#### Article by CAMPBELL PHILLIPS

Campbell currently serves as Editor for Power Retail. He has a background in science communication and a long history in retail. Campbell has a keen interest in emerging technologies and their impact in the world of media and online retail. Campbell is an indoor sports junkie, to the point of playing in a local dodgeball competition once a week, "just for kicks". Follow Campbell on [Twitter](#), [Google+](#) or connect with him on [LinkedIn](#).

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