



How to manage your business through crisis

Cracka Wines CEO **Dean Taylor** explains what glass bottle shortages, logistics nightmares and unprecedented demand taught him about resilience.

In 2015, Australia experienced a glass bottle shortage. Without enough processing plants around the country and low recycling levels, this shortage of glass bottles was the last thing Cracka Wines, a direct-to-consumer online wine marketplace, foresaw as a risk when planning a retail promotion.

Let me take it back a step. In 2010 we were riding on the success of a growing trend of websites leveraging the internet, inventory and information to connect suppliers and consumers at scale, such as carsales.com.au and seek.com.au. Cracka Wines was born, providing a one-stop online wine shop that cut out the middleman and allowed winemakers to sell directly to customers. The business was thriving.

By 2015, we were representing more than 700 winemakers around the country and growing at a rapid rate. We had decided to partner with a major Australian retailer to offer a gift-with-purchase: an opportunity to expand our customer base by an estimated 10,000-20,000 and significantly increase our exposure through TV, print, in-store and website advertising and branding, but this opportunity was not without risk.

We predicted the number of eligible purchases (spending \$400 or more) to be around the 10,000-20,000 mark based on sales data and spent six months planning the campaign around this figure.

To manage the risk, we produced 10,000 cases of wine, ready to be dispatched from the first day of the promotion. We secured an additional 10,000 cases and planned to assess how the promotion was going after the first week. We'd continually produce over the four week promotion and would easily be able to meet our six week delivery time frame... or so we thought.

The campaign launched and we were immediately inundated with orders. Around 30,000 cases were

redeemed in total, 50 per cent more than we expected and had planned for.

To give you an idea - the average small winery makes ~ 5,000 cases per year. We needed:

- 1,200 barrels of wine
- 27,000 litres of wine
- 360,000 bottles
- 470 pallets of wine
- ... That's 24 semi-trailers full of wine.

Then the glass bottle shortage hit. We needed an additional 250,000 bottles to fulfil our orders. There were delays. To make matters worse, when August rolled around, we began to experience significant logistics issues. We were working with Toll, who had taken on Australia Post that year, and many of our existing customers were refusing to buy from us while we worked with Toll. With the sheer volumes of stock we were delivering, we saw hundreds of cases 'go missing'.

We had to regroup. While our revenue was at an all-time high, the underlying business was in turmoil. Our switchboard had gone into meltdown, our sales staff were glued to the phones and we couldn't find enough seats for all the temps we'd brought on to assist.

Using every resource we could muster, by the end of the six week period we had managed to deliver 85 per cent of our orders on time, a mammoth effort from all involved. Unfortunately, the 15 per cent we couldn't deliver to within the six week period still represented 4,500 angry customers. While our attention was focused on "making good" and trying to salvage the promotion, our underlying business suffered massively. We'd lost focus on our existing business and our most loyal customers. It took nearly 18 months to fully recover the business. It wasn't all bad news though. For our business to continue going from strength to strength, this stumble proved immensely valuable in planning for

the future issues management.

We learnt some valuable lessons: Never, ever underinvest in planning and prevention.

In the event of a crisis:

1. Make a plan

- Isolate the 'fire' and contain the spread of damage
- Protect your core business and/or revenue
- Be prepared to bring in external help - sooner rather than later

2. Over communicate

- Identify a spokesperson
- Provide updates early and often to those affected
- Don't forget social media

3. Communicate well

- Be transparent with all stakeholders (employees, suppliers, customers)
- Ensure messages are consistent
- If you reset expectations, under promise and over deliver

These were costly lessons to learn, but ultimately challenged us for the better. Our year-on-year growth is around 25 per cent - well in excess of the overall online retail industry. Having rebuilt relationships and trust, we're currently supplying 250,000 customers and have saved many smaller wineries from going under. When we get behind a wine we can move an entire vintage. For example, we recently sold over 10,000 bottles of an \$80 shiraz to our customers without even telling them what the actual wine was.

We're planning to harness this trust and support by inviting our most loyal customers to invest in the business and join us on the next phase of our journey, taking premium Australian wines to the rest of the world. **BFM**

Dean Taylor is the founder and CEO of Online Liquor Group, which includes Cracka Wines, Winegrowers Direct and My Wine Guy. With seven successful ventures under his belt, he's been named one of the '50 Stars of Wine' and one of the 'Top 50 People in Australian E-Commerce'. www.crackawines.com.au