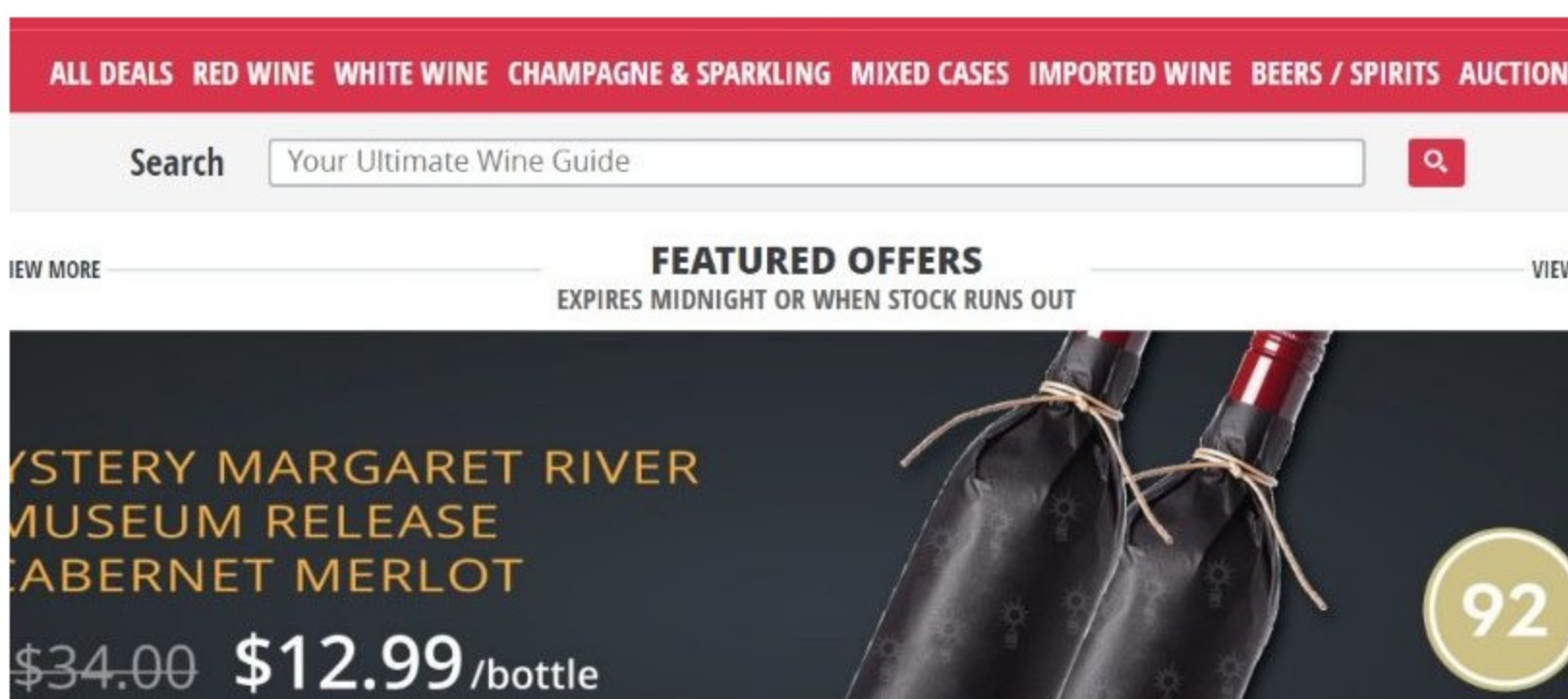


Cracka Wines merges with The Wine Society



MATTHEW ELMAS
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[UPDATED] Online Liquor Group (OLG) has merged with The Wine society in a deal that the companies believe could position them as the largest independent player in Australia's online liquor industry.

The deal will see OLG's portfolio of online wine brands, including Cracka Wines, My Wine Group and Winegrowers Direct, combine with Australia's longest standing wine club, bringing together more than 400,000 customers.

A merger is seen as a win-win for both parties, with TWS looking to rebuild itself into a more digitally focused business as late and OLG looking to expand its customer base and brand equity with an established business partner.

Wine Society CEO Lloyd Heinrich and Cracka Wines founder Dean Taylor, who will lead the new business as joint-CEOs, will look to consolidate the companies in the new year before launching a range of services between the brands that leverage existing capabilities within the group.

Heinrich said one of the first priorities for TWS will be relaunching its eleven-year-old website as part of a broader digital revamp of the business.

"The first step will be integrating the businesses and getting the teams working together. We'll continue to operate under the two main headline brands [Cracka and TWS] but we'll start offering services to customers that both businesses hold as strengths," he told *Inside Retail* on Tuesday.

On the other hand, Cracka Wines will launch a wine-club style offering in the new year and will also utilise TWS' supply chain infrastructure to begin selling wine by the bottle, instead of just by the case.

The new umbrella business, which is yet to be named, will also act as a buying agent for each brand, which Taylor said will significantly increase product range and enhance the competitive position of the portfolio.

"At the top line this gives us the best opportunity to really start consolidating industry and take both businesses forward," Taylor said.

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"We'll be bringing a much broader range to both businesses, which we are really excited about ... particularly at a time when the major retailers are consolidating their range."

Both Taylor and Heinrich believe the merger will put them on track to becoming the biggest independent player in Australia's online liquor market amid intensifying competition from competitors like Vinomofu and Naked Wines.

Online currently represents around 4 per cent of the overall liquor market in Australia, which is dominated by Woolworths Group and Wesfarmers; however, with \$400.5 million in sales up for grabs OLG and TWS see significant room to grow.

International expansion is also on the horizon, *Inside Retail* can reveal, although both Taylor and Heinrich appear to be more focused on the local market as an immediate priority.

Competitor Vinomofu is already well progressed in its international expansion, having made \$3.5 million from its first year trading in Singapore, with plans already in motion to move into the US next year.

TWS' recent acquisition of online marketplace From The Producer (founded by Heinrich) will be included in the deal, which is expected to further expand group-wide buying power.

Cracka Wines had intended to undertake crowd-funded capital-raising from its 250,000 customers to fund the next stage of its growth, which had included an intention to expend into Asia, but those plans have now been sidelined.

The merger represents the next step for Cracka Wines founder Dean Taylor, who has worked through a rollercoaster ride with the online wine brand since its establishment in 2010.

Several years ago the business negotiated a supply crisis that left the business reeling, following a period of recovery that's lead the business to where it is today.

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