



Direct-to-Trade Services

WineWeb Position Paper

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Direct-to-Trade Services

Abstract

Direct-to-trade is the ability for a winery to sell their wines directly to a wine retailer or a restaurant. Most states allow a winery to sell directly to retailers and restaurants within their state. Some states also allow out-of-state wineries to sell direct to their retailers and restaurants. The WineWeb's mission is to provide technology tools to promote the free trade of wine, in places where it is legal to do so. WineWeb has built an electronic marketplace that enables a pool of buyers (restaurants and retailers) and a pool of sellers (wineries) to interact, establish relationships and conduct business transactions. WineWeb's approach differs from competing services as no wholesaler is involved in the transaction, it provides a much lower fee structure with a robust feature set, and it supports a community-based marketplace.

What is Direct-to-Trade?

Simply put, direct-to-trade is the ability for a winery to sell their wines directly to a wine retailer or a restaurant. This process is known by several terms, including "self distribution", "winery-to-trade (W2T)" and "trade direct". It could also be called part of the "business-to-business" (B2B) sales model for a winery. If you compare this to the direct sales model to consumers, the primary difference is that your customer can resell your wine.

The key to the direct approach is that there is no middle tier involved in the process. The middle tier is typically a wine distributor or wholesaler.

Current Laws

The first question heard from wineries on this topic is typically, "Is it legal?" The answer, just like direct-to-consumer sales, depends on the shipping destination.

Currently, most states (California, Oregon and Washington included) allow your winery to sell directly to retailers and restaurants within your state. That alone should convince you that this sales channel is worth considering. Additionally, six states (Arizona, Connecticut, Massachusetts, Maryland, Vermont and Washington) also allow out-of-state wineries to sell direct to their retailers and restaurants, subject to permits and volume caps.

Additional information can be found in an article published in the May 2007 Wines and Vines magazine, as well as from wine trade organizations.

WineWeb Approach

The WineWeb's mission is to provide technology tools to promote the free trade of wine, in places where it is legal to do so. We believe that the wine distributors and wholesalers play an important role in the wine marketplace, but we also believe that where a winery and a retailer/restaurant have established a business relationship, there is no need for their involvement to move product or monies between the parties. This is in line with the approach being promoted by various free wine trade associations.

Traditional Model

The direct-to-trade sales channel has existed before the Internet, and in many places, before the fax machine. Let's look at how you would create this sales channel in the traditional method, and then we'll apply online tools to this approach.

Let's say you are a California winery and want to sell your wines to upscale retailers and restaurants in Washington. After you obtain the self-distribution endorsement from the state, you'd likely schedule a trip to Seattle and begin phoning retailers and restaurants in the area to schedule appointments. Then you'd prepare packets of marketing materials, box up a couple cases of wine and head to the airport. Once in Seattle, you'd call upon the prospective customers, let them taste your wines, and hopefully establish some trade accounts. Back home, you'd fill and ship the orders. You'd add them to your newsletter mailing list and the trade customers would phone or fax you subsequent orders.

Online Marketplace Model

Now let's migrate this model to the online world. Obviously you could use email for your communications with your trade accounts. You could even setup a password-protected area on your website, where your trade customers could access and place orders online, but that is a small piece of the e-Marketplace model we have built. Imagine an electronic marketplace with a pool of buyers (restaurants and retailers) wanting to buy wine, and a pool of sellers (wineries) with wine to sell. Imagine online tools available to both buyers and sellers to research the other companies, establish relationships, communicate, and conduct business transactions.

Let's look at the scenario again. Your goal is the same and you apply to the state for the self-distribution endorsement. Now, instead of scheduling a trip, you login to the e-Marketplace and look for restaurants and retailers in Washington who have already registered in the marketplace and who could be a good fit for your wines. For each of these potential buyers, you invite them to become a trade partner and offer them a discount code to be used when ordering a sample of your wines.

Each buyer receives your invitation, logs into the e-Marketplace and views your online trade marketing materials and other information on your website. They like what they see, and they accept your invitation and decide to order a few bottles online. You add them to your email marketing campaigns, and if all goes well and they like your wines and your message, they become regular trade customers.

In addition, each winery, as well as the WineWeb, can market to retailers and restaurants asking them to become part of the e-Marketplace. Also, the buyers can research wineries that are part of the marketplace and invite them into a trade relationship. Being part of the community's efforts to build the marketplace pays off for all its members.

Comparison to Competing Services

There are other service providers promoting "direct-to-trade" services. We believe that some advantages to our approach include the following:

- Our service does not include a wholesaler in either the shipment or payment flow. As stated earlier, we believe that the "direct" sales approach removes the wholesale tier (and thus any fees they charge) from the transaction. In addition, we believe that our approach supports the free trade of wine advocated by several trade organizations and supports the model legislation being debated by state legislatures around the country.

- Our approach understands that while business-to-consumer (B2C) transactions can command a slightly higher fee structure, the volume of business-to-business (B2B) transactions typically result in a lower fee structure. Our second tier order processing fee of 0.5% clearly makes us the lowest cost provider.
- Our approach benefits from the community building the marketplace, while allowing for private buyer relationships with one or more wineries. We do not require the winery to solely build their own buyer network.

What You Can Do

You can become part of the WineWeb Direct-to-Trade e-Marketplace, even if you use another service for direct-to-consumer online sales. There are no monthly minimum fees and no contract commitment periods. Our one-time setup fee for this service is typically \$250.

While a link to our trade service from your existing website is the starting point, you'll soon see the value and robust feature set that we offer in all our services. Upgrading to any or all of our other services is a straightforward process.

Lastly, please support the organizations that are working toward the open and free trade of wine in this country, including the following:

- Family Winemakers – www.familywinemakers.org
- Free the Grapes! – www.freethegrapes.org
- Specialty Wine Retailers Association -- www.specialtywineretailers.org
- WineAmerica – www.wineamerica.org
- Wine Institute – www.wineinstitute.org

About the Author

Ron Kreutzer has over 20 years information technology (IT) experience, over 15 years IT project management experience, over 14 years Internet technology experience, and over 12 years experience with wine industry technology. Ron is President of WineWeb Enterprises, Inc. a company he founded in 1995 to provide an electronic marketplace for wine and Internet services to wineries and wine retailers. He has worked over eight years with a global information technology services provider, and previously was a Senior Manager with Deloitte & Touche Management Consulting (Deloitte Consulting) having spent over eight years on a variety of IT projects across many industries and technologies. Ron is a PMI-certified Project Management Professional (PMP) and a Certified Public Accountant (CPA-inactive).

About WineWeb Enterprises, Inc.

WineWeb® provides a suite of cost-effective services for wineries, including websites, e-commerce sales processing, and e-Marketplace promotion services. WineWeb can create and host a unique, effective and robust website with their content management system, unlimited email accounts, traffic statistics, blog and much more. Anytime access to your content allows website maintenance by non-technical winery staff. Order fulfillment tools, custom data exports and application integration reduce staff labor requirements.

WineWeb's online order processing service is customized to the needs of wineries and includes fully compliant shopping cart, credit card processing, shipping carrier integration, age verification, fulfillment center routing and order fulfillment tools. The e-commerce service can be integrated into an existing website, and includes both direct-to-consumer and direct-to-trade sales.

WineWeb services can integrate with your other winery applications, and provides tools to manage your online sales channel and customer repository. Advanced features including multiple users, role-based security, event reservations and ticketing, gift certificates, sales dashboard and reporting module, with additional components for wine club member management, email campaigns and affiliate sales.

Since 1995 WineWeb has been providing cost-effective Internet services to wineries. WineWeb provides small winery value with a large winery feature set. There is no contract commitment period. WineWeb earns your business each month.

For more information, please visit services.wineweb.com