

# THE BIGGEST RETAILER OF IMPORTED WINE

Wine.com, founded by entrepreneur Mike Osborn, is now the biggest retailer of imported wine in the US, finds Adam Lechmere. And as the growth in Millennial spending power converges with the growth in mobile technology, it's tipped to get even bigger.

The Internet represents the single biggest revolution in the way information is delivered since the invention of the printing press. And not only information. Ten or twelve years ago, for example, it would have taken a considerable leap of imagination to picture the amazon.com of today, whose product list includes shoes, pet supplies, patio furniture, vitamins, ovens and office products, as well as books. Wine, of course, is no more immune to this revolution than sofa beds and music, and Mike Osborn, founder of US retail website Wine.com, is the Jeff Bezos of the 75cl bottle.

## Growth ahead

Wine.com – which incorporates the daily deal discount site wineshopper.com (acquired in 2001) – is the biggest retailer of imported wine in the US. That, in a country of some 100m wine drinkers, whose per capita consumption will have to double before it reaches the 20 litres a day every Briton guzzles down a year, is quite something. It's a formidable operation: 250,000 people (from an opt-in database of 500,000) ordered wine last year, selecting from 4,000 lines; deliveries go out to 43 states from seven countrywide warehouses. With annual growth rates, for the last six years, of 18%, Osborn expects to clear \$80m by the end of the year.

Osborn, who founded the current website's forerunner evineyard.com in 1998 at the age of 29, fits the ideal of the Internet entrepreneur: slightly nerdy, with a precise, rapid delivery and a pleasingly dry sense of humour. He barks out a short laugh when he's amused by something, as when he's talking about the higher-than-average percentage of high net-worth individuals in the database and he deadpans: "They're also better looking."



Wine.com has been described as the Amazon of wine.

It's not only their looks that differentiate online wine consumers from their bricks-and-mortar counterparts. Online shoppers tend to be 10 years younger: wine.com's customers are aged between 35 and 45, compared to the 40 to 45 average age of core wine consumers in the US. They also buy more expensive wine: "The average retail is less than \$9.00 a bottle – our average retail is nearly \$30.00," Osborn says, and adds: "There's a higher average retail value and they are also buying in different segments." Younger wine drinkers are far more open to new regions than their parents. This is borne out by recent Wine Market Council research which showed 91% of baby boomers, when asked, saying they had drunk California wine in the last month, while only 77% of Millennials said the same: the rest were more likely to have drunk imported wine. Wine.com's statistics show an even more

marked preference. This year, slightly more imported wine than domestic was ordered – 51% against 49%. Again, the online shopper bucks the trend.

What becomes abundantly clear, talking to Osborn, is how breathtakingly different the business of selling wine online is, from procurement onwards. In the early days of the web, in the late 1990s, the Internet was seen as no more than a different way of presenting information, or goods. Just as magazine publishers decided the web was simply a matter of putting pages on a screen (with never a thought of interactivity), so retailers imagined they just had a new kind of virtual shop window. They couldn't have been more wrong.

Where a traditional retailer, whether supermarket or independent, uses his or her expertise to select wines and present them for sale, an online operation like wine.com is entirely customer-led. Osborn has no team of buyers in the traditional sense – that is wine experts, MWs, who spend eight months of the year on the road servicing their contacts, finding new producers and new regions with which to tempt customers. "Our buyers do spend some of their time travelling – we've had buyers in Spain on at least two occasions in the last 12 months, and in France, but they are less likely to be attending tastings than listening to suppliers and importers about the behavioural trends they see. A big source of our inspiration is what our customers do." Buyers also "scour restaurant wine lists, we ask our agents to bring us data when they sell to us, in order to offer all popular and commercially available wines."

So instead of sitting in tasting rooms and travelling the world, Wine.com's buyers are watching their screens and crunching data.

Osborn wants the route from producer to customer to be as short as possible. "There are no gatekeepers. When we see a region beginning to light up we'll scratch into that and make sure we have more from that region. Our customers are a whole lot more intelligent than we are – they do the curating. I try not to get too involved." With a quarter of a million regular buyers, there is a constant stream of information on buying patterns.

### *What they're buying*

The most important lesson to be learnt is that, when given a choice, people are keen to broaden their repertoire, to buy from Chile, Argentina, France and Spain. And as soon as a trend is noted, then Osborn and his team start servicing need. This means that "varietals that would be lucky to even get a place at a supermarket in the US" are offered. There are 14 different Albariños, for example, almost all of them Spanish, whose offering also includes Godello and the increasingly popular Txakoli. There are a dozen or more Grüner Veltliners, wines from Greece and Israel; there are 400 Italian wines; and comprehensive French coverage, including en primeur.

Having said that the selection of wines is curated by the customers, it's important to note that Osborn sees the importance of the hand-sell. The 'wall of wine' is a concept familiar to all wine retailers: especially in supermarkets, shoppers can be intimidated by shelf after shelf of labels they may not recognise. Wine.com has used different techniques for overcoming this problem, depending on the customer group in question.

For those new to wine, as Osborn sees it, a sure way of breaking down barriers and making the global online wine community seem like a small, friendly neighbourhood, is to let people see what the neighbours have on the table. The default search setting on wine.com

is the popularity of the wine. "If I can say 'show me every bottle of Margaret River Chardonnay in order of popularity' then I can see what my neighbours are drinking. It makes it all less intimidating. Then of course there are consumer reviews, which run the gamut from the positive: 'outstanding, delicious' – to the frankly disappointed: 'Based on the very positive reviews, I bought six bottles. Big Mistake. I find none of the aromatic qualities described. It is flat and dull. No one at our tasting liked it. It must have gone over the hill. Avoid.'"

Consumers are segmented broadly in terms of the value of their purchases. "We can service

new consumers in one segment, and one doesn't have to be without the other. There is the consumer looking for third party endorsement, and the one who buys an annual allocation of Caymus Napa Valley or Bordeaux." Experienced wine lovers – an important group, seeing the average price of bottles bought on wine.com is three times the national average – are catered for personally, with what Osborn calls a "concierge desk. We take calls from collectors".

The site sells a fair amount of Bordeaux en primeur – there are 64 wines on offer from the 2012 vintage and 97 wines from 2011. It's a small part of the site, he concedes. "Americans are not accustomed to the process of buying wine futures."

Indeed, the idea of buying a wine and not seeing it for several years is alien to the online shopper, who wants instant gratification. While Osborn is proud of wine.com's comprehensive selection of wines, he becomes even more animated when discussing the technology that delivers those wines.

One facility which he points to is wine.com's ability to let the customer choose a delivery date – six months in the future, if need be. "What happens if I want to send some wine for Valentine's Day? If it arrives on the 13th, that's no good, and on the 15th? Bad idea! I shouldn't have sent it at all."

More important than fulfilment of Valentine's Day dreams is dealing with the shift to mobile platforms, the latest Internet

revolution and one with which many online operations are still coming to terms. Osborn says mobile usage is "skyrocketing" and predicts that "using a web browser on a computer at home will be a thing of the past"; browsing will be done on the move on tablets and smartphones. At present, 40% of wine.com's traffic comes from mobile devices, accounting for 20% of revenue. Looking at those statistics it should be remembered that mobile technology is relatively young. How is wine.com preparing for a time when 80% or 90% of traffic comes from people on the move?

"It is paramount we have this covered," he says. "We have apps for the iPad, and the mobile site is device-agnostic" – it will work on any platform, whether iPhone or Android, and mobile sites are instantly synched to desktops. Osborn notes that his headquarters are in San Francisco – "between Silicon Valley and Napa Valley. A huge amount of what we do revolves around bridging gap the between software and wine. We are leaders as wine merchants and also leaders in wine technology."

In the virtual universe there are few constraints on size. US wine consumers are increasing in number and in the amount they drink; more and more wine regions are opening up: international-quality wine is now being produced in Brazil, in Turkey, Thailand and India. It seems that wine.com can only go on growing as online consumers demand greater and greater selections – many more than the 4,000 wines that wine.com currently offers. How big does Osborn expect the site to grow? "In the five-year horizon, we expect to be offering 20,000 to 25,000 unique wines. And then we need to find homes for all these wines, and the more the consumer base grows the more the selection can afford to grow. There is a day that will come when buying wine at a bricks and mortar retailer or grocery store will be a thing of the past – that's what dad and grandpa did, not what modern consumers do." When this happens, Osborn intends to be very much in control, a faithful supplier fulfilling the least wish of the consumer, the king of the brave new virtual world. ■



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**Michael Osborn,**  
founder, wine.com

