

Merchants news

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“We’ve picked up trade online and are supplying restaurants all over the country, which is a nice bit of extra business”

WORLD WINE WEB

With online wine sales booming, independents stand to lose out to bigger players unless they use the web wisely to promote their USPs.

Andrew Catchpole reports

Despite all the ecstatic headlines and solid figures pointing to the rapid growth of online wine sales, capturing a significant slice of the action can present something of a challenge for independent merchants. The UK online market for wine currently stands at 11% of total wine sales, representing some £1.1 billion, with a solid £8.69 as the average price per bottle sold, and significant ongoing growth predicted. But, as with the traditional “independents versus multiples” battle for customers, the big players look set to scoop most of this fast-expanding channel.

The challenges for independent merchants are many, compounded by a multitude of well-financed big players capturing ever-greater online sales. Consider Aldi’s launch early this year of its online wine service, selling by the case, or Amazon’s UK roll-out of its US-trialled one-hour delivery slots for wine to its Prime customers. Then there are operators such as Naked Wines and Virgin going great guns, the latter reporting a 12% sales

increase and 30,000 new customers this last Christmas trading period alone.

If they are not to miss out, independent merchants need to box clever and continue to hone and differentiate their online offer which, currently, is all too often seen as an add-on to sales, rather than a driver of sales and new customers in itself.

Return to spender

The problem is, though, that for smaller operators the investment of time, manpower and cash is often not being covered by the returns.

“Online is around 4-5% of our sales,” says Ted Sandbach, managing director of the Oxford Wine Company. “We are currently working on developing our website, but each time we have done so it doesn’t have quite the impact we thought it would.

“It takes a long time to get payback on the investment, with a lot of work involved behind the scenes.

“One of the difficulties is that when people go online they start looking for the cheapest deal around and it gets very competitive – someone will always put up a New Zealand Sauvignon Blanc at £5.99.

“Some are taking all the margin out of it,” he adds. “But online is, in effect, another shop and we need to keep working on it.”

What Sandbach and other independents see as a key function of an online presence is that it allows customers to see what that merchant is up to, browse the list and any special parcels. “It’s not just a question of sticking stuff up there and expecting people to order,” he says.

Where online does play to independents’ strengths, though, is at the more premium end, whether that be spirits or wines. This plays to the higher average online spend

identified by Wilson’s Drinks Report/ProWein (see box), but with the bonus that the more esoteric ranges of independents will draw customers from web searches for very specific and harder-to-find labels.

Douglas Wood at WoodWinters, based at Bridge of Allan in Stirling, finds that the online presence – currently only accounting for around 1% of direct orders – acts most effectively as a “gateway” via Wine Searcher (he’s just shelled out £2,000 for a subscription) and from searches leading to enquiries “for top-end stuff”.

“Probably around 3-4% of sales come as an indirect result of the website, with people phoning or dropping us an email with an order [as a result of finding a wine online], so it initiates a conversation,” says Wood. “These can be customers who can’t find what they are looking for locally – say a hard to find Burgundy or Riesling – not normally a popular Sauvignon Blanc, which likely means a promiscuous customer, which we don’t really want anyway.”

A similar story emerges at the other end of the UK in Wales, where the added value – rather than volume sales – is again perceived to be the greatest return from an online presence.

“Our online sales sit at around 5-10% [of business] depending on the time of year, and we see online as a very healthy add-on and a good way of getting more expensive wines to market that we wouldn’t necessarily sell in the shops,” says Dafydd Morris, director of Cheers Wine Merchants.

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Douglas Wood

