

Subject: Oranewood Wines Newsletter No. 1, January 2nd, 2004

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To Our Wine Aficionados,

Introduction

We hope that you all had a wonderful holiday season. As 2004 begins we have done our wrapping up of the old year and planning for the new. We share our thoughts with you in our ramblings. In the meantime, we are in the process of registering a new name for the wine part of the business: Oranewood Wines. This is a "doing business as" name. We continue to be Oranewood Consulting LLC.

Box Score

New Restaurants:	1
New sales people:	-1

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Paso Robles Earthquake

On December 22, 2003 there was a major earthquake in central California. As you probably remember from the news reports, Paso Robles was hit the hardest. One of our wineries, Westberg Cellars, is located in the Paso Robles area. I spoke to Peggy Westberg a few days ago. First, she and Tom and their family and friends are all safe and well. We are relieved. Their home and winery are structurally intact, but they did have some damage due to a falling aquarium and a few other things were broken. They are still cleaning up the mess. Three of their barrels were damaged and the wine lost - this is a significant proportion of their wine production. We still have a supply of their wine and silently wish them the best whenever we raise a glass of it. Peggy also told me that quite a few of the wineries in the area lost barrels of wine as they fell from shaking shelving.

Events

Tour De Paso Robles - February 29th.

I know this seems a long way in the future, but Tom and Peggy Westberg are planning to attend this "First Annual" event featuring Paso Robles wines. The event is sponsored by AJ's and another wine distributor and will be held at the Scottsdale Culinary Institute.

Event Feedback

Sierra Foothills Kickoff - New wines sampling - Nello's, Tempe

Dick, Alison, Dyane and Laurie were on hand at the Tempe Nello's to give people a chance to try the wines from the 4 new wineries: Granite Springs, Hyatt-Baumbach, Latham and Young's. Geno, the owner of this Nello's, not only generously allowed us to hold the tasting, but also gave great price breaks for purchasers of the wine. This was an excellent kick-start to the marketing of the new wines.

RustRidge New Vintages Tasting - AZ Wine, Scottsdale

The new labels on the RustRidge wines are a hit. People seem to prefer the new vintage because it has a picture of Seabiscuit's granddad, Man O' War, on it. Jim Fresquez and Susan Meyer, the RustRidge owners and operators, were there and a fine crew of newsletter readers showed up (thank you Linda, Dale, Keith, Barbara, Jen and Megan). Separately, we rushed Jim and Susan to visit other places. Tarbell's now has the new RustRidge Chardonnay and Epicurean has some signed bottles of the 1998 Cabernet Sauvignon and 1999 Zinfandel. I had offered to trade in the old vintages for the new ones at Epicurean, but John didn't go for it. (Did you see John's picture in the Arizona Republic Wednesday?

<http://www.azcentral.com/home/takeout/articles/1231goodtogo31.html>)

Red Kangaroo Christmas Tasting - Scottsdale

At the Red Kangaroo I was pourer extraordinaire of the Marinda Park Sauvignon Blanc, Chardonnay and Pinot Noir, plus the RustRidge Zinfandel, Young's Barbera and Granite Springs Muscat Canelli. I had to flit from table to table, giving snippets about each wine while giving everyone a taste. This seems to be the normal Friday night at the Scottsdale Red Kangaroo and the crowd was mostly regulars. Some people arrived late, some wanted only white, some only red, some wanted to leave early... but, I kept on smiling. Chris Strone played Christmas music on his cello and was happy to taste the wines, too. Jim and Karen arrived late – but were welcome faces in an otherwise anonymous crowd.

New Location

The Asylum - 200 Hill St, Jerome

Jerome is Arizona's most populous ghost town. After mining operations stopped there in the 1950's it was pretty much of a ghost town, but as time moved on a few businesses have carved out niches. One recent addition has been the reactivation of the Grand Jerome Hotel, which includes the restaurant The Asylum. Paula Woolsey is the owner of The Asylum and likes to have wines from small wineries on her list. She is winning awards for the quality of her wine list. Reviews of the food are good too - I'll be up there shortly. Paula has started with the Latcham Cabernet Franc and is offering it by the glass.

Loss of a Salesman

Just when I thought that we had the north of Arizona under control with David Zurowski signed up to sell in that area, he got seduced by one of the big three distributors and we're out of control again. He did break into The Asylum and has made initial contacts with places in Sedona, but we'll be on the lookout for a replacement. It sends us back to thinking about the requirements for sales people and also thinking about our compensation and benefits package.

Visit to Hyatt-Baumbach

Before Christmas, Laurie and I felt that we needed to meet Neal Baumbach and Ron Hyatt. Since this is a relationship business, it's important to know the people we are working with. The label on the Hyatt-Baumbach wines shows a drawing of the winery, which was important because we would never have found the place otherwise. It's a historic winery, built in 1874, on the grounds of Auburn's historical museum. The interior of this old stone building is darn cold, and when it rains water runs through the building. Fortunately, it wasn't raining. Neal and Ron allowed us to sample from the barrels, including the 2003 that had been put in the barrels just 6 weeks earlier. One wine that they have is related to Primitivo – an ancestor of Zinfandel and originally from some part of Yugoslavia. This tasty little bugger will be used for blending. They wanted to experiment with a potential blend and we were happy to help. After a little arithmetic the appropriate proportions were blended and tasted. This kind of experimentation is all in a day's work for winemakers, but for Laurie and I tasting this blend and trying to guess how it will be after another year in a barrel and some months in a bottle is a learning experience. Typically they will experiment with various blends over the 18 months that the wines are in the barrel until they are happy.

New Year Rambling

There's nothing like an increment in the year to prompt a review of the past year's progress. We have had lots of activity, but as has been said, one shouldn't confuse activity with progress. Looking at the numbers, we see that our monthly sales have steadily increased. Our overall year was more than 2 1/2 times 2002. However, once again we failed to make a profit. How did we increase our sales and why didn't we make a profit? This past year was our first full year with Dick selling. He is our most effective sales guy and has led the way in getting new clients and increasing sales to existing ones. We recruited 5 sales people during the year, although 2 of them are no longer with us. As our other "wine consultants" increase their sales, we should be able to sustain the growth. So why aren't we making a profit? Bottom line is that we planned on a sample rate of 10% and we're still above that. In 2002 our sample rate was over 20%. This year it's over 12%. Why is it so high? There are three things that cause us to need samples. First is getting new customers. You can't sell wine if you don't let the client try it. Second is training new sales people. We had a couple of misfires in 2003. We want our sales people to know and like the wines - so they need to evaluate all of them. We try to combine tasting the sales staff with tasting at potential or existing clients, but even so there is a cost for getting sales staff on board. Third is introduction of new wines. Whether it is the new vintage from an established winery or a new winery, we have to pour the wine. Most cost effective is selling a new vintage or wine to an existing customer - so we try to do that. Fourth (nobody expects the Spanish Inquisition) is quality control. Laurie and I must, of course, ensure that the wines are staying as delicious as we remembered them. So, should we stop getting new clients, stop hiring sales staff, stop broadening the portfolio or stop drinking? A rhetorical question, but we will be extra cautious about new wineries and be extra grateful to those wineries that give us free or discounted samples.

Cin-cin, alla salute!

Richard and Laurie

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