

Subject: Wine at Orangewood Consulting 31, January 28th, 2003

Sent: Tuesday, January 28, 2003 4:36 PM

To our Wine Aficionados,

Introduction

Summary (Box Score)

House of Trick's event is upon us
2003 Sales off to a slow start
Event at Epicurean on Thursday February 20
New outlet at AJ's 7141 West Ray Road.

Content

Outline for the remainder of this newsletter
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Event Update and Reminder – House of Trick's February 4, 2003

We mentioned the Trick's event at 5:30 – 7:00 on the evening of February 4 in the last newsletter. What's new is that Jim Gullett will be there. Jim and his wife Suzy are the owners and spiritual leaders of the Vino Noceto winery. Who better for a wine tasting with the titled of "Sangiovesi di Vino Noceto". Trick's provides nuts and cheese for the event. Cost is \$15 and you will need to call for a reservation. (House of Tricks - 480-968-1114). It would be a good idea to reserve your place soon – they sold out 3 weeks ahead of time for the charity tasting in December.

Epicurean Wine hosts Marinda Park owner

Epicurean Wine at 7101 East Thunderbird Rd has been slowly evolving its strategy. They have long had a tasting bar, but the focus has been on selling bottles of wine. Recently Nick, formerly one of the bar guys at AZ Wine, has joined the staff as bon vivant. With this addition and expansion of the bar area, Epicurean is poised to become more of a pub style bar in parallel with the wine sales operation. It is in this location that Mark Rodman – one of the owners of the Marinda Park winery – will be talking about his wines on February 20. The \$15 event starts at 6:30p.m. which should give everyone time to show up. We will take the wines one at a time with everyone having the same wine at the same time – Mark will then talk about each wine while everyone swirls and gurgles. Their full complement of wines will be there - Chardonnay and Pinot Noir that have been available so far, the Sauvignon Blanc that we hope will be available for sale by then and finally the Merlot that still needs time but is showing promise – you can order futures! Some fruit and brie and crackers will be available and more substantial fare can be ordered. I am hoping to have Mark pouring wine at other location during his visit - I will send a short newsletter prior to his arrival on February

Chateau Benoit Event

At the end January the first shipment of Chateau Benoit wines arrived in Arizona. Initially we have brought in 4 wines: Muller Thurgau, White Reisling, Pinot Gris and Pinot Noir. I had promised information on style and pronunciation, but that will wait until the next newsletter. Deliveries were made immediately to Epicurean Wine. Shortly thereafter delivery was made to sister restaurants Tarbell's and Barmouche. These are the pre-sold locations. Now Dick and I have to continue with selling process. For you however, a introductory event is scheduled for Mario Day (March 10). The event starts at 5:00pm and runs until you leave or get thrown out. In addition to cheese hunks, I am thinking about some fruit for the white wines. It may be beyond my competency level, we'll see.

Uptown 713

One day I was throwing away junk that purports to be mail when I saw a flier for a new restaurant had just opened close to 7th Street and Bethany Home Rd. Actually located on Palo Verde, one block south of Bethany. Later that day I was heading north on 7th Street couldn't find the road. Next day, after examining the flier more carefully, I headed south and spotted Palo Verde. I turned in and looked for a restaurant. I found a kind of office style building – square and with a courtyard inside. I parked the car. Walking in past the barber's shop and the ballet paraphernalia I was tempted to head back to the car, but intrepid wine sales people are not discouraged but such disquieting surroundings. Inside the restaurant I ordered a beer and had started drinking it before Phil politely alluded to the fact that they really didn't open for another half an hour. Phil is the owner of the restaurant. When I saw several people with guitar cases walking by I asked if they were looking to get a gig here. No, says Phil, they are going to lessons in jazz guitar – the teacher will be playing here on Friday's and Saturday's. It was around this time that I mentioned that I was in the wine business and did he want some. Sure, bring some samples. So Laurie and I took some samples back at dinner time. We stayed for dinner too. It was good. Good enough that we went back the following Saturday for dinner and jazz. I think Phil is a good marketing guy because in addition to the fliers he has had a couple of column inches in the Arizona Repulsive and on FOX 10. The Saturday jazz night was packed – a good job we made reservations. Phil is still experimenting with his wine list. So far he has the Noceto Sangiovese, Marinda Park Chardonnay and RustRidge Zinfandel.

Directions. Heading North on Central look out for the Apollo sign. Turn just past it into Palo Verde. Uptown 713 is in the next building on the right (Number 713, duh). Heading South, look out for the Apollo sign also. If possible turn just before it - but if you missed the turn all is not lost. Turn left anyway and zip through the parking lot behind to the south and east of Apollo's. This route has the benefit of giving you a view of the mural on the entire west wall of the 713 building. Don't try to enter through the painted archway. Enjoy.

AJ's Ray Road

I didn't write too much about Dick in the last news letter. This isn't because he hasn't been selling. He has been working a number of accounts where persistence is needed. The first of these has succumbed to Dick's charm. Clyde at AJ's in Chandler has taken delivery of the Noceto Normale and the Marinda Park Chardonnay. If you are in the Chandler area this may be your opportunity to score a couple of bottles.

Rambling Business Man

Looking back to an early (December 2000) business plan, I saw that we expected to be profitable in 2002. So looking at the numbers, why didn't we actually make a profit? We had identified the various costs categories pretty accurately. Staring at a negative number at the bottom of the sheet was not very helpful. It did lead to the overall conclusion that our "sample to sales" ratio was too high.

Expressed differently, we currently view what happens to each bottle in one of four ways:

1. Sales (Deliver wine, get money)
2. Tasting prospective clients (restaurant owners, retail outlets)
3. Sampling non-trade people (priming the pump by tasting the general public (including you guys). This also includes the wine we provide for tasting events.
4. Consuming it ourselves (quality control!)

When we look at the number of bottles in categories 2 - 4 compared to the total we find for 2002 about 20%. Our business plan had called for under 10%. Aha, we have drink less! Where's the fun in that?

In search of more palatable answers, we started slicing and dicing the numbers differently. A couple of ways were helpful.

By product line showed that several of the product lines are profitable while others are not. To some extent the profitable ones are where they are established in several outlets that sell at finite as opposed in infinitesimal rates. The unprofitable lines are where we have sampled with limited success or we were successful only in places that sell very little. One reason for unprofitability is that the product line may not be established. It's OK to do more sampling of the wine in the early "start up" stage. When should that stage be completed? By customer we see that profitability comes primarily from places that were able to decide quickly that they liked the wine and began stocking and selling it. One place has bought 1 ½ cases another only ½ a case. As each of them involved a couple of bottles of samples they are not positives on our P&L. Maybe they are also in a start up stage and will bloom shortly with their current or a different product.

The questions we need to ask are: Can we figure out where we are on the "start up" curves for both products and customers? Should we be able to spot when a wine is not going to "move"? Should we be able to spot when a customer is going to let the wine sit on his shelf? Does anyone have any insights that would help us?

Meanwhile, got to get out and deliver a case of wine and check in with John to see how things are at his store.

Feedback

Thank you for the feedback on the last Newsletter, most of it complimentary (thank you Frank).

Cin-cin, alla salute!

Richard and Laurie

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