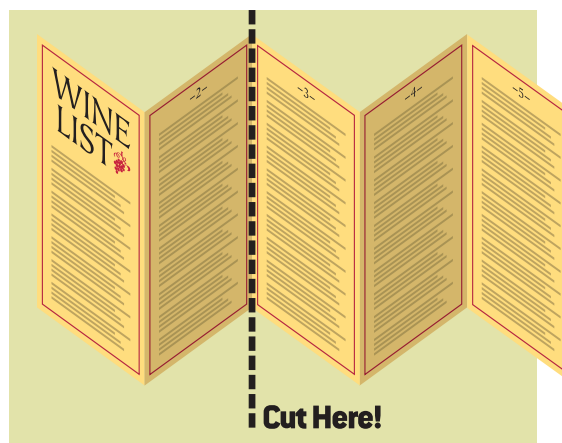


# Boozhooz

WHEN IT COMES TO YOUR WINE LIST,

## Small is Beautiful – and Profitable!

BY RANDAL CAPAROSO (WWW.CAPAROSOWINES.COM)



**W**hy do restaurateurs feel compelled to put out wine lists of biblical proportions? Beats me. I've spent most of my professional life dedicated to the proposition that a small wine list – defined here as no more than 100 selections – is not only superior to a big wine list, but also just as appealing where it counts most: *meeting customers' needs*.

Here are some of the advantages of a well-constituted and well-maintained small wine list:

**Profits generator.** Our 200-seat Roy's restaurants typically carried less than \$25,000 in inventory at any given time, yet regularly generated over \$50,000 in monthly wine sales. Turnover helped boost profits. A wine program that doesn't constantly turn over hurts everything else you do – especially menu pricing – because, besides service, strong-value/high-quality food is what customers care about most.

**Competitive advantage.** Providing that your food, spirits, labor, and fixed costs are under control, the small wine list provides more leeway with lower markups (40 to 50 percent pouring costs – a crucial edge in competitive markets.

**Built-in flexibility.** Changeable at the drop of a hat, a small list gives you the greatest chance of taking advantage of the best buys and the highly allocated wines, keeping the selections

fresh, and finding the ideal matches for anything new and different your chefs devise.

**Staff- and guest-friendly.** Small size makes a list easier to manage, more meaningful to your staff, and more personable for guests. The majority of guests prefer a less intimidating list and are more likely to return to a restaurant with small, personal touches and servers who can speak intelligently about their food and wines.

Those are the benefits. Now here are the techniques that make it work:

**Pick your format** and stick with it through disciplined rotation. My 75-selection wine lists at Roy's easily ran inventories below \$25,000, generating over \$500,000 annually with standard 33 percent pouring costs. For smaller restaurants (less than 100 seats and \$2 million in annual gross revenue), a 50-selection wine list (\$15,000 inventories) is entirely appropriate. When done right, it can still generate at least

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(CONTINUES NEXT PAGE)

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\$25,000 a month by average industry standards (18 percent of sales), even with lower markups.

**The smaller the list**, the more flexibility you need to keep it exciting. Make sure you're printing in-house on reasonably priced paper and using easy-to-change binders.

**Consumers perceive** small wine lists as being friendlier, and you can make it more so by including heartfelt descriptions and even food recommendations. Wine consumers prefer annotated wine lists over ones that don't provide any guidance.

**The selection process requires** ongoing discipline. In the small format, representation of all of the basic wines from around the world is far less important than finding wines that fit your chosen niche, match your food, and

“wow” your guests. The wines more likely to do the latter are those that are easy to appreciate (i.e., ease of drinking and price), yet vividly flavorful, strikingly original, and surprising. Stick to wines that leave your customers begging for more!

**Make your selections count** by focusing on styles that match multiple dishes; that is, silky-smooth wines that avoid excesses like high alcohol and bitter tannin. Pinot Noirs and Rieslings are a good place to start.

**If your clientele demands** big-name brands and classic or “comfort” labels, so be it. But be sure to mix these in with your cutting-edge, “fun” stuff. With the myriad of choices available in the marketplace, there is no excuse for a dull list.

**Sit down for heart-to-hearts with your distributors and suppliers.** They need to understand your selection process in order to help you find the wines that meet your needs – not theirs!

**Staff training and enthusiasm** are essential, but only a beginning. Servers actively involved in selling naturally gravitate toward wines that yield the best customer response. Eliciting their input and actively seeking more of the wines they like to sell

will strengthen your program.

**It's OK to ride with your successful selections** for longer lengths of time, but retain the attitude that change is always good. Your constant goal should be to enlarge, rather than sit upon, your customer base; a small, profit-driven wine program can do this if you embrace the freedom to innovate that it provides.

There's one constant in our business: consumer tastes evolve with increasing speed. It's easier to keep pace with change by working with a program that is short and sweet rather than big and expensive. **BN**

*This article originally appeared in the September 2004 issue of Santé, the Magazine for Restaurant Professionals. To learn more about Santé or to sign up for a complimentary subscription, please visit [www.santemagazine.com](http://www.santemagazine.com)*

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*Barry Driedger,  
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# Are wine mark-ups too high?

*How to price your wines to avoid the stigma that restaurant wine prices are gouging the customers.*

**“I rarely buy wine in restaurants anymore because their prices are too high.”**

— Letter to the editor,  
*Wine Enthusiast*, Oct. 2004

**“When it comes to wine prices, consumers are angry, and restaurants are easy targets... Consumers are sick of getting gouged when they dine out.”**

— *Wine Spectator*, Dec. 2002

BY IAN FOSTER, BEVINCO SAN DIEGO

**T**hese comments represent a complaint that I hear more and more lately – that restaurants jack up the price of their wines too high. Notably, these quotes are from “wine connoisseurs” – one can only imagine how “ordinary” customers feel about wine pricing. All they know is that they buy Kendall-Jackson Chardonnay at the supermarket for \$9 but The Olive Garden charges them \$27 for the same wine.

Your customers don’t know or care about storage, spoilage, payroll taxes, Worker’s Comp, or other costs. All they know is that the supermarket can make a profit selling the bottle for \$9 – the \$27 they are charged at your restaurant seems like a rip-off.

*Wine Spectator* estimates that restaurants have “increased their standard wine-markups, from a norm of 2 to 2.5 times wholesale a decade ago, to the current standard of 2.5 to 3 times” (Dec 2002)

If your customers feel like they’re being gouged on wine, it is going to cost you a heavy price. Either in lost wine sales or in lost repeat business and referrals.

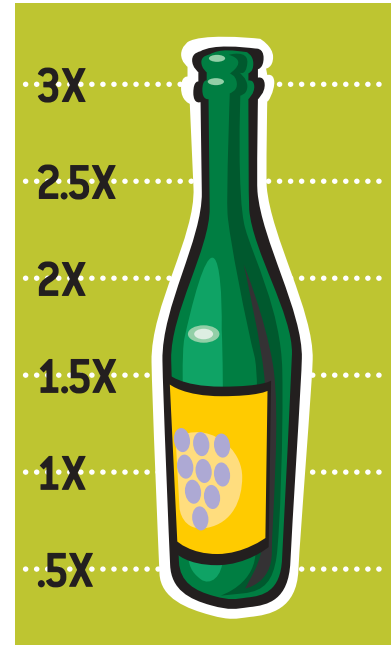
## **Wine pricing policies exacerbate the problem**

The interesting thing is that I never hear complaints about mixed drinks. Partly this may be due to the fact that your customers value the bartenders personal service and expertise but, more likely, your customer cannot easily compute how many drinks are in a bottle, how much the bottle costs at the supermarket and what your mark-up is.

Part of the problem is that many “experts” recommend using a standard percentage markup for different price categories. Thus, most restaurants mark-up their low-end wines by 3 or even 4 times the cost. That mark-up declines as the wine price goes up so that most restaurants mark-up their high-end wines by 2 times or less.

In my opinion, this is just bad advice. By following it, you are ensuring that the very wines that are marked-up the most are those which the customer has seen in the supermarket – and knows exactly what it costs there.

Incredibly, in a national trade magazine, I just read where one columnist says that a higher mark-up on well-known brands was a “reasonable punishment for customers who refuse to step out of their comfort zone.” Punishment?...What a thought coming from someone in the “hospitality” industry.



## **Can a restaurant thrive by lowering their wine mark-ups?**

The short answer is no. One restaurateur who should know is Gary Parker. He owns two well-regarded restaurants in San Diego – both *Wine Spectator* Grand Award winners. The Wine Sellar and Brasserie, has the lowest wine mark-ups on the west coast. “There is a customer perception that restaurants charge too much for wine,” notes Parker. “We ran into that head-on at the Brasserie. Because our restaurant is in the same building as

**“If your customers feel like they’re being gouged on wine, it is going to cost you a heavy price...in lost wine sales or in repeat business and referrals.”**

our retail wine store, our customers used to see the same wine being sold in the restaurant at two or more times the price we sold it at downstairs in the store.”

About three years ago, Parker reduced his restaurant pricing across the board. Today, the Brasserie’s wines are all priced at a 50% markup – far less than the average 300% mark-up in most restaurants.

But Parker does not use this pricing structure at his other restaurant, Laurel Grill. “I tried very aggressive pricing at the beginning,” Parker notes, “but it isn’t sustainable. Our Wine Sellar and Brasserie situation is unique in that we have the wine store right there and a whole different overhead structure. But no conventional restaurant can afford such low markups. You cannot show me a restaurant in town that has survived doing that.”

**“...mainstream wines on your list will help to make your customers feel more comfortable. But...price those brands with the lowest mark-ups.”**

**A better wine pricing strategy...**

You must carry some well-known consumer wine brands. Seeing some mainstream wines on your list will help to make your customers feel more comfortable. But instead of very high mark-ups, a much wiser strategy would be to price those brands with the **lowest** mark-ups. If your customers see Kendall-Jackson Chardonnay on your menu for \$13 instead of \$27, they will believe that everything you sell is a good value.

BEVINCO clients who have followed this advice have reported that, instead of buying the Kendall-Jackson at \$13, many customers traded up to a better wine. These customers came in expecting to spend \$30 on wine. When they saw the Kendall Jackson at \$13, they were reassured that the wine list offered good value so they felt very comfortable buying the \$30 wine that they had not tried before. The net result is that the restaurateur still sold a \$30 bottle of wine, and the customer bought a wine that s/he thought was a “better” wine for the same money.

**Why lesser-known wines are a restaurateur’s best friend**

Marc Weinberg, who runs BEVINCO’s New Jersey office, advises his clients that they should work with their wine reps to actively seek out little-known wines, especially those that are not available on the grocery store shelves. The world is full of fantastic wines from small producers that offer terrific value to the restaurateur.

Parker, for example, touts South African wines as an exceptionally good value today. “Prior to the end of apartheid, South African wineries were paid by the ton so their main motivation was quantity. They are now market-driven and much more interested in quality. Their vines are more mature – South African shiraz, sauvignon blanc and Bordeaux blends offer fantastic quality,” enthuses Parker.

There are similar values all over the world – except that, ironically, there are fewer really outstanding American wine values. Parker suggests that this is mainly due to the fact that American wineries know the market best and understand what they can charge. Sometimes foreign wineries underprice their wines through a lack of knowledge of the American consumer.

Because these lesser-known brands are not available at the local grocery store, your pricing will not look unfair in a comparison. You can add these

**“Because... lesser-known brands are not available at the local grocery store, your pricing will not look unfair in a comparison.”**

gems to your wine list with a higher mark-up without risking unhappy customers. Your customer will place a value on the wine based on its quality, not on your mark-up. Of course, this means that it is critical that you choose wines that are easy to love – but isn’t that what running a restaurant is all about?

For lesser known brands, your servers play an especially important role. Their personal recommendation to a customer is critical to your sales of these wine brands.

Many of your customers are reluctant to ask the server for a wine recommendation. One of the problems is that servers are often trained to ask the customer what s/he wants to spend on a bottle. This is a very intimidating question to ask when your customer is sitting in front of a business associate or a loved one. Your customer risks appearing cheap in front of their companion, on the one hand, or of spending too much and feeling annoyed later, on the other. I believe that this prevents a lot of customers from asking for help in the first place. Gary Parker, from Wine Sellar & Brasserie, teaches his servers to point at three or four wines on the wine list and, without mentioning the price, suggest to the customer that those wines are particularly good. The customer can then pick the wine with a price tag that they are comfortable with without the risk of appearing cheap.

Parker also suggests that one of the best ways to ensure that lesser-known wines gain acceptance is to include them on your list of wines-by-the-glass. And, of course, make sure your servers get to sample them.

### Pricing wines-by-the-glass

Wines sold by the glass are particularly interesting to price. On the one hand, Starbucks have proven that consumers don't get too worried about "value" when they are paying only a few dollars for a product. The difference between a \$5.75 glass of wine and a \$6.25 glass of wine is insignificant to your customers so there is some room to take a higher profit by the glass.

On the other hand, most customers are going to compare the price-per-glass with the bottle price of the same wine on your menu to see if it is "fair." Very few customers can look at a glass of wine and know how many can be poured from a bottle but they do attempt a rough estimate.

I show my clients how many glasses they get from a bottle and recommend that they include a premium of 20% or so when determining pricing. For example, if your restaurant serves a 6-ounce portion and the same brand is on your wine list at \$22 per bottle, then the glass should be priced at \$6.80 ( $\$22 \div 3.9$  glasses per bottle = \$5.64 + 20% = \$6.80).

### When to take a high mark-up

There are two categories of wine that can and should be marked up aggressively. One category is those limited-production wines that are only available by allocation. The other category is those wines that have been cellared for an extended number of years. In both cases the pricing level is simply a function of supply and demand. These wines are in demand by your more affluent customer and, more significantly, they are in very short supply. Thus, you should take a higher mark-up on these types of wine.

You can make sure that any of the cellared wines on your list are priced appropriately by looking up their current value at [www.winerecherche.com](http://www.winerecherche.com) – this site is like a Kelly's Blue Book of the wine world and you can easily see what other retailers are charging for a 1982 Chateau Leoville-Barton and price accordingly.

### Two-buck Chuck

The retail industry has certainly learned a lot about boosting profits by moving volume. By now everyone has heard of "two-buck Chuck" which is the affectionate nickname given to the wines of Charles Shaw which generally retail for, you guessed it, \$2. \$150 million dollars of "Two-Buck Chuck" was sold last year at Trader Joe's market – which certainly proves that there was a strong, unmet demand for "extreme value" wines.

Fred Franzia, CEO of Bronco Wines who produce the Charles Shaw label, thinks that restaurants and bars are missing a similar opportunity. Commenting on the "exceptional markups in restaurants...America is not going to become a wine-drinking nation without the kind of restaurant wine pricing that we find in every other wine drinking country," he has said. "I challenge all of these restaurants whether independent or chains to provide their patrons with wines under \$10," Franzia said recently. "It can be done."

"Trader Joe's became a destination retailer by providing this opportunity," says Franzia. "You'd think restaurants would want to become frequent destinations for their patrons." (quotes from *Wine Enthusiast* – July 2004)

This month's *Money* magazine (Oct. 2004), devotes a whole article to telling consumers how to decipher a wine list in order to avoid "a rip-off." Here is the advice that your customer is reading:

- The "sweet spot" for value is to order a wine that costs between one and two times the price of the

## A Better Wine Pricing Strategy

For well known wines sold both on- and off-premise, price bottles by adding a fairly small fixed or tiered amount to the wholesale price. For example:

- ➔ you might add \$6 for wines that wholesale for less than \$10,
- ➔ \$10 if the wholesale is between \$10 and \$20,
- ➔ and so on, adding perhaps \$40 for wines that wholesale for over \$100.
- ➔ You can add a larger mark-up for wines that are little known and/or are not available in the grocery store.
- ➔ Price wines by the glass at about 20% above the price by the bottle.
- ➔ Take a little extra profit on rare wines (allocations, cellared wines, etc).

average entrée.

- "House brand" wines-by-the-glass are awful ("if you care about what you're drinking, you won't like it").
- You'll find better value if you spend an extra dollar or two on a glass of wine (over \$5).
- Half bottles are almost always a poor value.
- Older wines are generally not worth a higher price
- The very best values are on lesser-known brands and, especially, lesser-known regions. *Money* specifically mentions merlot from Chile, sauvignon blanc from New Zealand, shiraz and chardonnay from Australia as well as malbecs, Beaujolais, Cotes-du-Rhones, Sancerres, Pouilly Fumes, pinot blancs and rieslings. **BN**

# TIPS



## *Avoiding a Wrongful Termination Suit: More Thoughts*

*Last issue, we discussed an unfortunate hazard of doing business in the modern world. The response to this was so strong, we've decided to revisit the topic with some further ideas.*

➔ **Make sure you include:** a clear list of cash handling policies, tip policies, cash register instructions, drink pouring policies and, perhaps most importantly, drink recipes that clearly detail how much of each ingredient goes into each drink.

➔ **Write warning letters for infractions** – Juries are composed mainly of employees – not

supervisors – and they will view as unfair any termination decision that was not preceded by a chance to remedy performance shortfalls. Furthermore, if you have documented evidence of violations of the same rule on two or three occasions, you will be on very solid legal ground.

➔ **Apply disciplinary action consistently** – One of the easiest ways for an employee to prove unlawful discrimination is to show that co-workers who committed similar infractions were disciplined less harshly.

➔ **Carefully investigate the incident** – Did you have an impartial party, such as another manager, look into the incident? Did you listen to the employee's version of the story? A fair process should always precede terminations.

The conclusion of last month's column certainly bears repeating:

"Above all, consider termination a last resort." **BN**

## CALENDAR OF UPCOMING events

**November 22-23:** Hospitality Trade Expo, Vancouver, BC

**February 9-11, 2005:** International Restaurant & Foodservice Show of New York; Jacob Javits Convention Center, New York, NY.

**March 1-2, 2005:** Nightclub & Bar/Beverage Retailer/Beverage & Food Convention and Trade Show; Las Vegas Convention Center, Las Vegas, Nevada.



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