

Assignment 3

Wine Store 2010 Proposal – “Cellar Door”

Due Date: 31 October 2003

Student: Debra-Jayne Kimlin - # 1071141

Course Coordinator: Dr David Crombie

Word Count: 2373

Contents

1.	Cellar Door’s Mission:	3
2.	Target Market:	3
3.	Retail Market Strategy:.....	4
4.	Competitive Advantage	5
	Staffing.....	7
	Educational Interactive Technology	7
	Loyalty Program	8
	Referral Service	8
5.	Layout & Store Design.....	9
	Aisle & Fixture Layout	9
	Promotions	11
	Atmospherics	11
6.	Merchandise Mix.....	12
7.	Location	13
8.	Summary.....	14

1. Cellar Door's Mission:

To become market leader by raising the bar in wine retail standards by combining quality wine products with consumer education to grow the wine category and provide return on investment above 10% within two years of operation.

2. Target Market:

There are a few assumptions used to estimate patterns of consumer behaviour and buying trends in the year 2010:

- Firstly, the terrorism-related events of the early years of this century will continue to have a 'containing' influence on international travel. This will result in the domestic consumer seeking more vibrancy in his free time to satisfy a need for quality and diversity of experience.
- Secondly, the declining birth-rate in Australia will result in a more aged population who have paid off their homes, and are likely to retire early - making way for next generations who are fighting for the limited number of employment opportunities due to innovative technologies.
- Thirdly, consumers have been exposed to rewards programs for so long by this time, that the novelty has well and truly worn off. Consumers no longer want points towards flights they either don't want anymore, or can never get due to over-subscription of the rewards programs. Cellar Door will not use any points-

related consumer loyalty programs, but rather will provide significant service benefits by offering a frequent shoppers club including discounts on purchases and invitations to exclusive events in-store.

Cellar Door's innovative approach to wine retail will target new wine drinkers, aspirational drinkers and serious wine enthusiasts. Rising interest in wine by the 25+ consumer with higher levels of discretionary income due to dual income households, and delayed family plans, will be one focus of the store's concept. The other end of the market – Australia's aging population - increased numbers of empty-nesters who now have more leisure time and discretionary funds due to enjoy wine.

3. Retail Market Strategy:

Cellar Door aims to be a category killer. This destination store concept will provide a unique experience for the wine shopper, by not only stocking a comprehensive range of wines and accessories, but by offering education about wines with the use of interactive media.

The main aim is to bring the wineries and winemakers to the consumers (hence the name "Cellar Door"). The unique atmosphere customers will experience when shopping in Cellar Door outlets will be the concept's sustainable competitive edge. Shopping at Cellar Door will be an outing customers look forward to, and the intangible service extras they receive will keep them coming back. The name of the store also lends itself to great advertising possibilities ("*Oh, I would never buy wine from a supermarket ... I'd rather get it at Cellar Door!*") and offers a perceived element of status.

Initial markets for this concept store will be Melbourne and Sydney due to the large population bases, the diversities of culture, (with higher numbers of migrants who stem from wine drinking backgrounds) found particularly in these two major capitals, and the higher levels of income. The number of stores in each city will be restricted to two or three stores maximum. This will assist to maintain that element of exclusivity one feels when going to a traditional winery's cellar door to purchase wines.

Each store will remain regionally focused in terms of merchandise mix and breadth. Population demographics will determine placement of stores and merchandise mix in each one. Primarily the best selling varietals, blends and styles in each region will be stocked. In-store surveys, along with inventory data will be monitored on an ongoing basis to provide Cellar Door management with insights into consumer buying behaviour, to enable it to stay abreast of change in demand.

4. Competitive Advantage

By 2010, the global wine glut will be in full swing – creating opportunity for retailers to provide premium products and negotiate lower prices to suppliers. Alcohol consumption trends are already showing the increase in wine and reduction of beers in the Australian consumer's repertoire of alcoholic beverages. The race will be on between the supermarket chains to “own” the consumer. To succeed in this environment, Cellar Door will need considerable competitive advantage.

Cellar Door's commitment to service excellence and education of wine lovers will be the key component of its retail format that provides the competitive edge. When making a decision on a purchase, the typical customer has to choose a wine:

- appropriate for the occasion
- complimentary to a meal which may be served
- of acceptable quality and style to those who will drink it

The vast arrangement of wines available adds to the confusion:

- Varietal? or blend?
- Which region or country?
- What style?

Not wanting to be embarrassed by his choice, the customer needs as much information as possible to make it a good one.

Cellar Door will build on their core merchandising and customer relationship skills by combining a broad merchandise assortment with extensive information services to targeted consumers. In doing so, new sources of profitability will be available to Cellar Door by moving away from simple product provision, to providing a complete package to the consumer.

Staffing

Cellar Door staff will be selected based on their training in wine. Roseworthy students, salespersons from the alcoholic beverages industry wanting a change from being on the road, and people who can demonstrate extensive wine knowledge, will be sought to staff the stores. This will ensure that customers will receive knowledgeable and experienced advice and assistance in choosing an appropriate wine for their occasion.

Educational Interactive Technology

Kiosks using interactive media to educate customers will be available as educational tools. Holographic imagery – as used at the National Wine Centre in Adelaide – will provide opportunities for customers to “talk” to the winemakers, wine writers and other industry experts.

Touch-screens located at the ends of aisles will give more extensive information on regions, grape varieties and other subjects such as storing and serving wine correctly. Such information provided to customers enables them to grow their knowledge of wine, and provide an element of entertainment, which encourages them to shop longer in the store.

This technology also allows for the shyer customer who may be embarrassed about his lack of knowledge about wine to find the answers himself, and thus be able to enjoy a feeling of empowerment and prestige.

These options for self-service information gathering will also lessen the load on staff. Experienced personnel, with the qualifications sought by Cellar Door management, will not come cheap! Less staff will be required if interactive media technology is provided.

To expand on the education theory, a web-site for Cellar Door will be set up to offer online information, ordering facility and opportunity for feedback on whatever issues the customer faces in his wine choices.

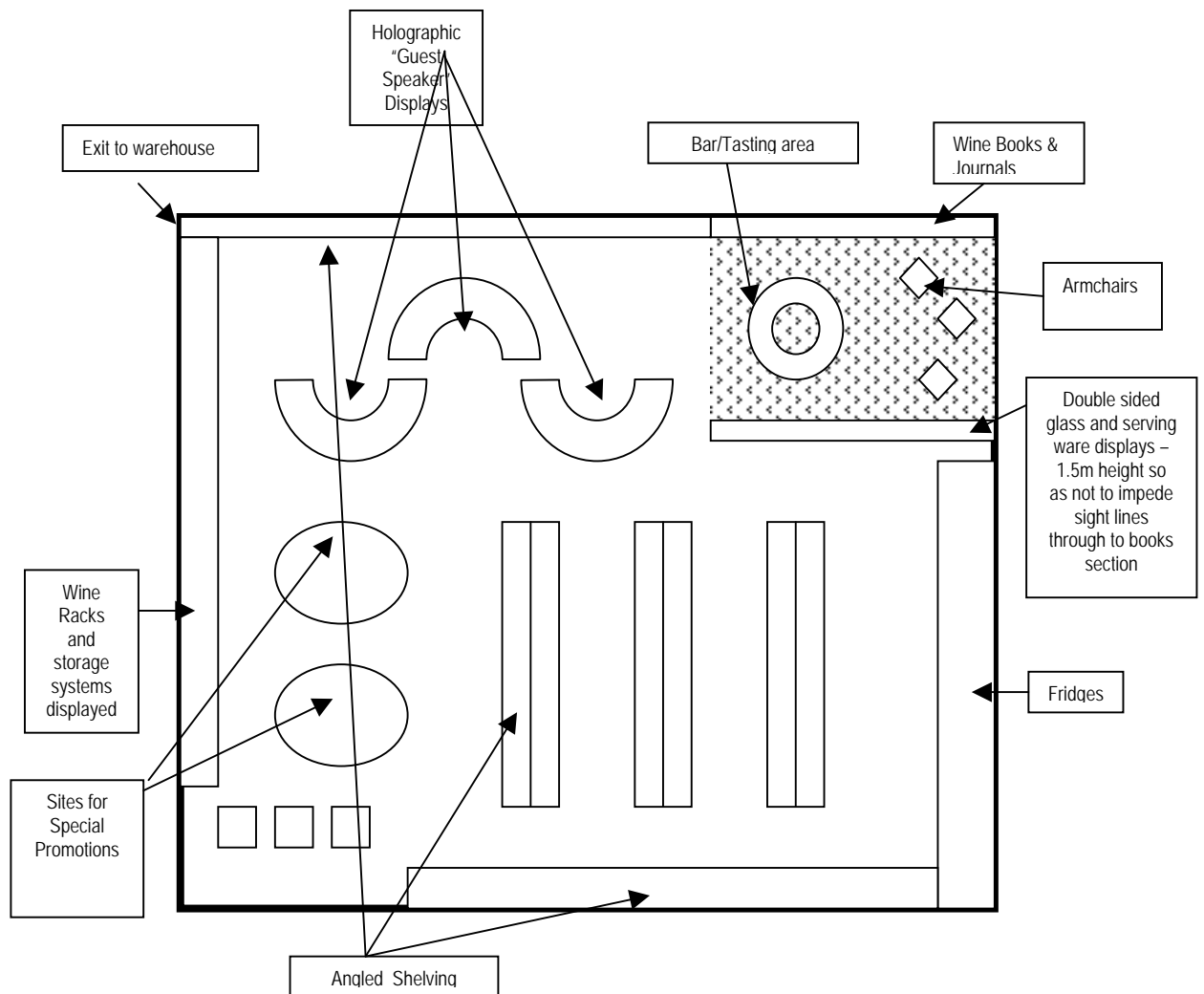
Loyalty Program

A wine club program will be instigated to encourage customers to build a relationship with Cellar Door. Guest speakers – winemakers and other aficionados – will attend invitation-only nights held in a bar area to the rear of the store, with limited numbers of customers identified by database. This exclusive opportunity for customers will be the basis of a loyalty program, along with discounts and access to rarer and limited release wines.

Referral Service

Using scanner technology, food matching options for wines purchased by the customer, along with recommended wine products to try on his next visit to the store will also be printed out on the receipt. This proactive sales technique will provide assurance to the customer, build loyalty and trust to develop long-term relationships.

5. Layout & Store Design

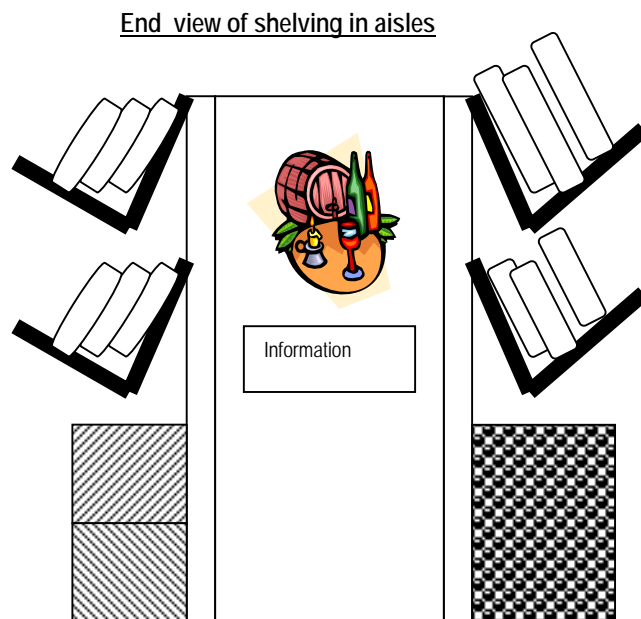


Aisle & Fixture Layout

Cellar Door outlets will have a slightly modified grid layout, which will encourage customers to move around the entire store. Stock displayed in aisles will be divided into varietals and blends of either red or whites.

Touch-screen information kiosks will be built into the regular display areas on the ends of the fixed aisles. Although this space is traditionally reserved for special offers and considered expensive real-estate retail-speaking, Cellar Door's image of prestige will be maintained by reserving such promotional activity to the designated areas behind the check-outs. This will maintain the integrity of the store as focused on quality offerings – not a discount outlet. Kiosks will not be placed down the aisles as they could cause crowding which would obstruct traffic flow and discourage shoppers from venturing down blocked lanes.

These kiosks will provide information on the varietal/region that is displayed on surrounding angled shelving (which will position the bottles laying at a 30 degree angle away from the customer - thus making the labels easily read, and stores the bottles in a much more appropriate manner than stored upright on the shelves. No wines will be on shelves below 1m from the ground (no stooping to get bottles).



Promotions

The height of shelving in the central aisles will be at eye level – keeping the view through the store open. The booths surrounding holographic displays will, however, continue to the roof and will display images of viticulture above head height. The outer curves of the holographic display booths will hold a particular region/country's wine with images above head height of that particular region. These booth image spaces will not be for sale as advertising space - in order that no particular branding can be achieved on the holographic areas – keeping the impression that information given by the “virtual speakers” is unbiased, and therefore of more value to the advertising-wary shopper.

Large plasma wide-screens will be positioned on the upper, outer walls - showing continuously changing quality wine-related imagery; intermittently showing advertisements (no sound) which creates revenue for the store, and provides the opportunity for suppliers to stimulate consumer recall of advertising seen in other media.

Special areas are set aside directly behind the checkouts for gondolas providing space for in-store promotions by suppliers, and celebration/event promotions by the store itself. This area will provide opportunity for impulse buying.

Atmospherics

The stores' lighting will be soft and ambient with strategically placed spots on particular merchandise items (eg glassware) to enhance the product.

Relaxing music will be piped through the store. Aisles will be wide, to avoid brush-factor. People will want to take their time in this store to enjoy the whole experience, and will not want to be knocked or pushed by others whilst they study the products and educational components of the store.

The entire decore will consist of wood, wrought iron and glass to portray an image of first-class service and products.

6. Merchandise Mix

Cellar Door will have everything for the wine enthusiast. Staple merchandise wines will be sourced from domestic and international suppliers, with the regional focus of each store allowing the opportunity for smaller producers to get their product into only one or two of the stores – depending on stock availability. This provides the consumer with access to wines normally only available at winery cellar doors, or small regional town bottleshops. A separate area for museum wines can also be made available.

As well as wine, Cellar Door will stock accessories (glasses, waiter's friends, wine racks, ice buckets etc) and an extensive range of wine books and magazines. The bar area of the store will incorporate a readers' corner for customers to browse books whilst sipping on a glass of red purchased onsite. Serving wine in this manner will also allow the opportunity for customers to "try before buying", as well as provide further income for the store, and promotional opportunities for suppliers.

A section will also be set aside for innovative and unusual fad wine products (eg Chilli Wine, or exotic fruit wines).

7. Location

Cellar Doors will be located in suburban areas of large cities that exhibit a high existence of target market segment consumers. Wine is a lifestyle product, so needs to be around lives! Given the expected popularity of Cellar Door's, restriction of numbers in capital cities will not only serve to protect exclusivity, but to ensure there is no cannibalization. Competition – such as other large warehouse-style liquor outlets – will be taken into consideration, and due to the innovative nature of Cellar Door's concept, they will be monitored closely for copy-cat behaviour.

As freestanding destination stores, the primary aspect when considering location – other than consumer demographics – will be access. Each store will incorporate a storage warehouse to make sure stocks are always on hand, and this means plenty of accessibility for trucks to deliver supplies. In fact, the store itself will serve as a “front office” to the warehouse of wines. To maximize returns on invested capital (which will be substantial!), Cellar Doors will be placed in areas where the residential population will not surge dramatically – causing traffic congestion problems which will restrict patronage and further capital outlays for relocation. For example, inner city, older areas (where many old homes are removed and replaced with multi-dwellings) will not be considered.

Ample close parking will also be a requirement – as customers don't want to carry heavy cases and bottles of wine, or even push trolley-loads of goods too far. Using Huff's Gravity Model to predict demand, preference will be shown towards sites that are close to major arterial roads and thus provide easy access to the stores. Nevertheless, the primary trade area is expected to extend up to 20 minutes' drive using such roads, in view of the size and popularity of the store, and the unique service offerings.

8. Summary

On the whole, Cellar Door 's concept will meet the changing retail scene of the 21st Century. As society becomes more complex in Australia, with increased financial pressures, and less sense of security, consumers will demand more intangible and real benefits to get their attention – and convert attention into spending.

The wine product in itself is synonymous with relaxation, enjoyment and entertainment. It seems obvious that tapping into the subconscious of consumers, by providing an environment that they feel comfortable in, will ensure continuing profitability. The challenge will be in keeping up with the pace of changes in society and meeting the needs of consumers with a broad range of quality products, and the level of service they demand.