



Denise The Wine Shop prides itself on the friendliness of its interiors.

## THE DENISE EMPIRE

The gap between high-end wine boutiques and supermarket wines in the Singapore wine retail scene was suddenly bridged when Malaysian wine retail chain Denise The Wine Shop, entered the market. Jenny Tan finds the chain is growing fast.

Singaporeans are drinking more wine. According to Singapore customs, the import of wines has risen from 4.3m litres in 2003 to 6m litres in 2006, with more entry-level wines entering the market through casual outlets like petrol kiosks and supermarkets. *The Straits Times* also recently reported that the well-known supermarket chain, Fairprice, has seen a 30% increase in wines between S\$18-\$25 (\$13/€6-\$18/€11). The increase in demand is in part buoyed by a healthy economy, but also the ready availability of wine retail stores for consumers on the island.

Leading the pack in the wine retail business is Denise Wine Shop. It's the brainchild of David Lim, who began it in Malaysia in 2001, in the unlikely neighbourhood of SS2, a predominantly Chinese area where the residents were better known for drinking brandy than wine. But despite raised eyebrows, this

was the crowd that Denise wanted. Wine shops then were perceived as snooty locations reserved only for the rich, so Lim consciously designed a wine shop that was just the antithesis. Glass doors were replaced with casual air-con curtains, and the shops were open 12 hours a day for the first six months.

Denise also launched an aggressive advertising campaign, emphasizing the lifestyle aspect of wine. Cheeky taglines such as 'Seductive Wines, Indecent Prices', or 'After all, wasn't wine the culprit of your last indecent proposal' were instant attention grabbers. After 9/11, the Denise tag line was quickly changed to 'One Life, Live it'. Ads were regularly placed once every two weeks on Page 3 of the local newspapers.

Doing business in Malaysia turned out to be a complicated affair, with illegal competition (such as parallel importers) leading to a price war in which it

was impossible to compete. According to Lim, a bottle of Jacob's Creek wine would retail at RM\$19.90 (\$6.20/€4), when the tax per bottle was RM\$17. This phenomena, which he termed 'wine tsunami' - when the country was flooded with wine from third parties - led to complaints by franchisees, who had already invested RM\$130,000 in the business. Hypermarkets would also often slash prices in a bid to attract more consumers. All these factors forced the company to look outwards. It turned out, in Lim's word, to be a "blessing in disguise".

### *The road south to Singapore*

Ironically, Singapore wasn't the first on Lim's list; rather, he was looking at Thailand and China. "I was focusing on developing countries, which are similar to Malaysia," he said. The up-side of doing wine business in such places is that the wine chain can muscle in and

influence the wine drinking culture, with the power to introduce small wineries and build brands.

Bringing the concept to Singapore turned out to be a matter of timing. While pitching for funds for his Thailand and China expansion, two brokers became investors. The stipulated criteria was to start the business in Singapore, grow it to three times the size of the Malaysian business, and to be the most prominent wine retail specialty chain in the Asia Pacific Rim by 2010. Today, Denise and its sister company, The Straits Wine Company, are the official distributors for 55 agencies and the list looks set to be growing. Three quarters of the agencies had been distributed in Singapore before, which, as Lim jokingly said, has made him the "most popular guy in town".

Although there is a selection of First Growths in the portfolio, the bulk of the company's representation is still New World. At last count, Australia dominates with 47%, followed by France (15%) and New Zealand (9%). The majority are in the S\$20-\$80 per bottle range. All wines imported by Denise are shipped in reefer containers and when the wines arrive, they are stored at 20°C.

It is no secret that there is a serious lack of good service staff in Singapore. Finding those who have a decent knowledge of wine is next to impossible, which is why Denise Wine Shop started with a different approach to hiring. Staff are hired based on passion and attitude, rather than their credentials. All the staff in Malaysia and Singapore are sent for WSET courses, and those at the management level would have passed the Stage 3 of the programme. 'District Managers' are also required to taste the wines when they arrive. As Lim pointed out, "We want to invest in people as it is only through them that we can sell an experience. If not, I'd rather invest in vending machines." In Malaysia alone, the training takes up to 3% of the annual budget, which is around RM\$400,000. Staff are also given incentive trips to regions such as Burgundy once a year. "We want to be the Chelsea and Real Madrid of the wine business," declared Lim. Which explains why they recently

**"The advantage of doing wine business in developing countries is that you have a strong influence on the wine drinking culture, with the power to introduce small wineries and build brands."**



*David Lim is the founder of the Denise wine shop chain*

appointed Grayson Durham, ex-Vasse Felix winemaker, as general manager. The company is also working with the University of Adelaide to instigate an internship programme.

### *The franchise model*

Currently, there are 17 Singapore shops, recognisable by the signature wine crates and teak storage cellars, though with different individual design concepts. Selected shops have a 'member's area', where members can buy wines and drink there at no extra charge. Eligibility is just a one-time purchase of S\$300 or RM\$500.

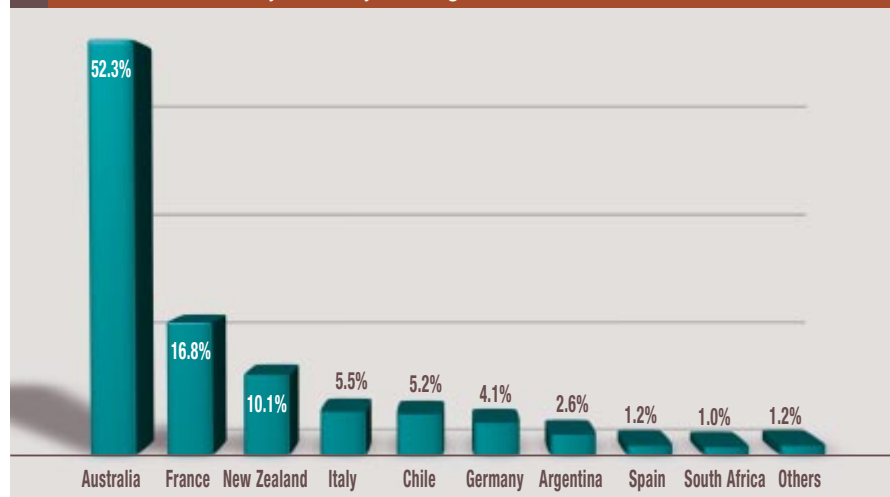
Malaysia also has 17 stores, including eight franchises. Each franchise has to pay a fee for three years, which covers the store design, marketing and staff training. However, the franchise model has yet to kick-start in Singapore, as Denise will only start selling the franchise after it has set up 20 stores. The sky-rocketing rental prices have put a

dampener on the company's expansion plan, though tenders have been submitted. "Only when we reach 20 shops can we have critical mass and hit the economies of scale," shared Lim.

Despite the slowed expansion, the company broke the seven digit turnover figure for the first time in January, and estimated sales for 2008 are S\$12m (€5.5m/\$8.7m). In 2007, there was a 20% compounded growth. So how does Denise Wine Shop make a profit? Lim explained, "Not all stores are 'A' stores, and we do expect that 20% of our stores will close. Hopefully, 70% will survive. We are going for a long-term goal, and not about making a quick profit in the first few years."

Vietnam looks most likely to be next - and Denise Wine Shop may even go beyond Asia, into Jamaica. However, there's one place where one can expect to see Denise Wine Stores in time. "It's always been my dream to go to China," says Lim. ■

1 Sales in volume by country of origin in 2007



Denise does about 10% of its business with beer and other alcoholic beverages. Interestingly, the USA which is generally strong in Asia, accounted for less than 1% of volume sales.