

# THE WORLD'S LARGEST MAIL-ORDER WINE SPECIALIST

## INTERVIEW WITH TONY LAITHWAITE

Tony Laithwaite is one of the quiet forces of the international wine trade. His Laithwaite's group of companies has steadily grown since 1969 to become the largest specialist home delivery wine business in the world. Based in the UK, it now also encompasses the largest mail order operation in the US and a négociant in Bordeaux.

----- **Wine Business:** We're meeting in a wine bar rather than an office?

----- **Laithwaite:** This bar - which we bought three years ago just down the road from our headquarters - is my office. I learn so much from watching people here and the way they react to the wines. It really brings you down to earth - and so does trying to run the bar profitably!

----- **Wine Business:** How big is Direct Wines?

----- **Laithwaite:** Our turnover is getting on for £300m in 2006 and its growing at around 20% compound. Most of that is through Laithwaites and contracted clubs such as American Express and Barclaycard. Avery's, Virgin (£10m plus) and the Australian Wine Club (less than £5 m) are small when compared to the overall business, but their growth is pretty good, especially now.

----- **Wine Business:** How many new customers do you sign up every year? And how many do you lose?

----- **Laithwaite:** We probably recruit around 100,000 new ones per year. On average, for every ten new people we sign up, we lose less than half. People buy a cheap offer and then don't carry on for all sorts of reasons. The trick is to keep them. The quality of the customers depends to a great extent on the initial offer. If the offer is really, really good, you get a lot of take-ups; but many of them won't stick. However, if the offer is more serious, with prices that are more in line with what the wine is worth, you get less take-up but more serious people.

----- **Wine Business:** One of your current offers is £49 for a case of 12 plus two bottles of sparkling. Would you describe that as a „serious“ or a „really, really good“ offer?

----- **Laithwaite:** We have had a big debate over the last four or five years within the company: do we want a lot of new

recruits - of whom we'll lose a lot - or do we want fewer, of whom more will stick? There was a swing toward the former, but now we're swinging back the other way. So, we're roaring ahead in a way we didn't for a few years.

----- **Wine Business:** Let's talk about the internet. You took a while to get going online, didn't you?

----- **Laithwaite:** Laithwaites now does 20% of its business on the web - and that's growing very fast. We had a website for a long time, but we didn't make much noise about it because it didn't seem to work very well. We did a lot of testing - we're obsessed with testing everything - and found that if you encouraged your customers to switch to the web it was not a good idea.

----- **Wine Business:** Did the web begin to work because the market was coming round to it, or because you were getting it right?

----- **Laithwaite:** I think that our site was launched at the same time as many of our competitors, but that was probably too soon. The internet just wasn't ready. We should have noticed that it was very difficult to put wine on the web. As time has gone on customer confidence and ability on the web has increased at the same rate as our learning of how to sell wine on the web.

----- **Wine Business:** The biggest web seller at the moment is Tesco; are they and the other online supermarket offerings your biggest competitors?

----- **Laithwaite:** Yes, I think so - especially now that they're offering small parcels, too. We're not complacent, I can assure you. We spend a lot of our time thinking about what we should be doing next.

----- **Wine Business:** Having started to look at some of the competition you are facing, let's do a little SWOT analysis on your business. What would you say are the Strengths, Weaknesses, Opportunities and Threats?

----- **Laithwaite:** Our great strength is our corporate culture. We're a good bunch of people. For a somewhat large company, we not only seem to have a very pleasant working team, but we can project this out to the customers.

----- **Wine Business:** What about weaknesses? You admitted a few years ago that your wines weren't necessarily cheaper than those on offer elsewhere.

----- **Laithwaite:** In the past I might have said that, but I don't



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know that I’d say it now... there’s been a bit of a change in the last few years. We realized that we were getting loads of compliments for our service, but fewer for our wines, so our buyers and marketers really had to sweat a bit. And we’ve got more and better buyers than we had... and the quality’s better.

-----**Wine Business:** But it’s tough to compete with supermarkets at the lower end on price.

-----**Laithwaite:** We do compete in our introductory offers.

-----**Wine Business:** But those are surely an exception.

-----**Laithwaite:** Supermarkets use discounting in very clever ways. It’s not everything that’s discounted. We can match them in many cases.

-----**Wine Business:** They sell branded wines and you don’t.

-----**Laithwaite:** We don’t have to do the big brands, and we don’t want to do them. We don’t have thousands of identical shelves on which we must have the same stuff all year round.

-----**Wine Business:** What about opportunities?

-----**Laithwaite:** We have an American business which we acquired in June, the biggest wine club in the US. It turns over £20m. We’ve been working with them for over 20 years and are looking to do the same there as we have here. It’s a very big market where they drink far less per head than in the UK, and it’s always been a dream place for direct marketing. They invented it. We’re looking everywhere in the world. We get lots of approaches and do a lot of talking. We’re not lacking in ambition. Ours is a very young firm. The average age of our 1,000 or so employees is below 40. We have nine shops and we’re looking for good sites to open more. We’ve launched a beer club and just started a new wine club linked to the UKTV satellite television channel.

-----**Wine Business:** And threats? How do you coexist with the supermarkets? Would it be fair to say that the UK customer is relatively ready to be led into adventure, but quite lazy about making the effort? They stick with Tesco or with you and don’t take the trouble to look far elsewhere.

-----**Laithwaite:** They stick with both of us. Most of our customers go to Tesco or its competitors – and most of their customers have bought from us. The challenge is for us to get them and keep them.

-----**Wine Business:** What about the risk of the barriers

**History:** Launched as Bordeaux Direct in 1969

**Turnover 2006:** £ 275-300m (€ 406-443m)

**Turnover 1998:** £ 78m (€ 115m)

**Volume:** 50 million bottles

**Delivered wine:** 5% of UK market

**Direct wine:** 60% of delivered wine market

**Market share:** 3% of UK market

**Calls:** 1.9 million per year, 18,000 per day

**Direct mail:** 3.5 million items per year

coming down to allow British consumers to buy directly from a European outfit like Savour Club?

-----**Laithwaite:** We know how we’d respond to that. We’d react in kind – by starting to sell in Europe.

-----**Wine Business:** On that note, when you started out with your van as Bordeaux Direct in 1969, everything you sold was French.

-----**Laithwaite:** And that’s how it stayed for the first few years. Now the proportion is down to 27% and still dropping.

-----**Wine Business:** Can you describe your average customer?

-----**Laithwaite:** Probably a man of around 50...

-----**Wine Business:** So historically you could say that he’s the typical French wine buyer – and if he’s moving away from France as quickly as his sons and daughters, that’s not good news for France.

-----**Laithwaite:** Maybe we’re not offering French wine to them in the right way.

-----**Wine Business:** You’re reflecting the market as a whole.

-----**Laithwaite:** You can influence people – but there are vast areas of France that seem to have dropped off our radar. We used to do loads of wine from southern France. For at least 20 years that was our biggest area.

-----**Wine Business:** Surely if your customers wanted it, they’d ask for it.

-----**Laithwaite:** I’m not certain it works that way. A wine merchant’s job is to lead. That’s what customers pay us for.

-----**Wine Business:** Jacques Weindepot, the Hawesko retail subsidiary in Germany, claims that education is a crucial part of their success...

-----**Laithwaite:** Our customers want to learn, too, but perhaps the British view of education is very different from the

*„Some Bordeaux estates didn't want it known at the time that they had flying Australian winemakers working for them.“*



**UK based wine services, clubs and regular offers:**  
 Since the addition of the Sunday Times Wine Club in 1973 many more brands have followed. They include American Express, Avery's of Bristol, Australian Wine Club, Barclaycard, British Airways Wine Club, Direct Wines, Grattan Catalogue Wine Offers, Laithwaites, National Trust, NatWest Wine Club, Richard & Judy Wine Club, Sunday Times Wine Club, Warehouse Wine Co, Virgin, National Trust, Telegraph wines, UKTV

German. You have to educate. People do desperately want to know about wine, but it's a matter of how you do it. You have to encapsulate the information in six words and make them stick. We've run courses, but most people drop out.

-----**Wine Business:** Of course you did do some wine education when you sent in the Flying Winemakers. Did you invent the concept?

-----**Laithwaite:** We certainly came up with the name, but we weren't the first people to bring in Australian winemakers. They'd been coming to make wine in Europe for some time, but people kept very quiet about it. Some of the Bordeaux estates wouldn't want it known that they had Australians working for them at that time. All I did was make a noise about it - maybe I should have kept quiet. We went to Slovenia, Chile, Italy, all over France and Spain. On average the wineries took 3 to 5 years to get the message and not to need any outside help, but some never did. The flying winemakers were most useful in the worst places, where in some they made a staggering turn-around. We still have a few, but they're now restricted to particular areas where there's still an advantage to be gained.

-----**Wine Business:** You must be discovering some big differences with the US.

-----**Laithwaite:** Wine's not as aspirational in the UK as it is in the US. British consumers are more likely to find a Côtes du Rhône they like and stick with it than to trade up to a pricier Châteauneuf du Pape, which can be a pity; but the US snob-buying is bad, too. I'm fundamentally a wine merchant and I like to see good wine and value at every level. People in the US who jump straight to Château Petrus are never going to enjoy a good Midi red and that's a shame. But the US is proving a

good market for some of the bigger reds that are being made in our Red Heads winery in Australia.

-----**Wine Business:** You have a chateau in Castillon in Bordeaux. But you moved away from using the name of your Bordeaux Direct brand. Why was that?

-----**Laithwaite:** It was nothing to do with wanting to move away from Bordeaux, but the name was confusing customers. We're going to do a lot more in Bordeaux. Bordeaux needs some new ideas. We've been a négociant for some years, but have never really used it. However, we've just opened a lovely old warehouse on the river in Castillon.

-----**Wine Business:** What about selling fine wine?

-----**Laithwaite:** People often say „I didn't know you did fine wine“. We've been doing it for years. We don't do any broking, but we sell stacks of Bordeaux and other fine wine. I think we probably sell more fine Bordeaux than anyone - to end users. Maybe the Fine Wine Service is too bland a name. Maybe we should do more to market it. We're showing some of those top wines in our new tasting shop in the City of London. Unlike our other outlets, it is not a shop as such. You can taste and order, but you can't buy. However, it answers the comment we've had from mail order customers who say they'd really like to be able to sample our wines before buying.

-----**Wine Business:** Which bit of the business do you personally enjoy most?

-----**Laithwaite:** The most exciting times are when I'm discussing ideas with my young managers. It's a change from me always wanting to be the one who has all the ideas. I've changed: my role is to let them let rip with new ideas, challenge them and let them run.

-----**Wine Business:** You enjoy the chairman role?

-----**Laithwaite:** I had a heart attack that made me pull back, but chairman is the best position for me to play - especially if I want to reach a ripe old age. But I'm not a good manager. I was lucky to have someone like my wife Barbara who stopped me running off in all sorts of directions. Once you go too wide it causes all sorts of problems. But if you forget wine, that's a mistake too. It's crucial to keep a balance. ■

This is an excerpt from a longer interview.  
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