



DIVINE WINES



Watson's Wine Cellar is changing the way people in Hong Kong buy wine and looking to expand the concept further afield.

By Tim Metcalfe



Do you know your Chardonnay from your Semillon? Or your *Chateau Lafite* from your *Chateau Latour*? Or your 1993 vintages from your 1983s?

Do you detect cherries or a slight oakiness in your *Pinot Noirs*? Is your favourite *Sauvignon Blanc* citrusy or herbal?

Confused already?

Like most of us, you probably feel embarrassed when you admit that you are clueless about wine.

Relax. You're one of the vast majority who simply enjoys wine, but is not so devoted to it as to know every single

aspect of what is basically a simple, old-fashioned drink.

After all, when you order a steak, do you ask for the name of the hapless beast's grandfather, what farm it came from, or what year it was born? Do we discuss superior years for harvesting coffee? Of course not.

Doesn't it really come down to just two things: Is it in my price range? Will it taste good with the pasta, chicken, or seafood I'm having for dinner?

The fact is, there are two distinct varieties of wine buyer – the aficionados, sommeliers, connoisseurs or oenologists who have studied it, and

those who haven't. And most of us fall into the latter category.

Pure and Simple

Herein lies the challenge for Watson's Wine Cellars, the biggest and most popular wine retailer in Hong Kong, as it embarks on an ambitious initiative to expand globally by evolving, innovating and adapting a retail strategy specifically devised to meet the needs of modern wine culture.

"Wine is surrounded by too much mystique," says Christian Nothhaft, Director and General Manager of A.S. Watson Wine. "For most of us, it's intim-

identifying, and we are too shy to ask for advice. It's admitting you don't know anything about the product when the wine community makes you feel you should. But you have to remember that wine connoisseurs are an elite group."

Paul Liversedge, General Manager, Watson's Wine Cellar HK, concurs: "Many consumers in Hong Kong are already well educated in fine wines," he says. "They are generally high-income individuals and we also supply top hotels, restaurants and clubs. But a far greater number don't know much about wine, so we are trying to make it easier for ordinary people to understand."

The key to success, of course, is being able to supply the best wines at the best prices so customers can be sure of getting a quality product they will enjoy,

whether they are knowledgeable about wine or not.

In charge of day-to-day operations, Liversedge also spends much of his time buying.

Watson's is taking its wine out of the elite's stuffy cellar

"To make sure we have the right wines, we read a lot, we go to major wine fairs around the world, and we try our own producers' wines," he says. "Tasting is very important. We taste everything before we stock it. We keep up to date with the latest vintages and compare them with what we've got. If we see wines we don't have that are highly rated, we make an effort to get them."

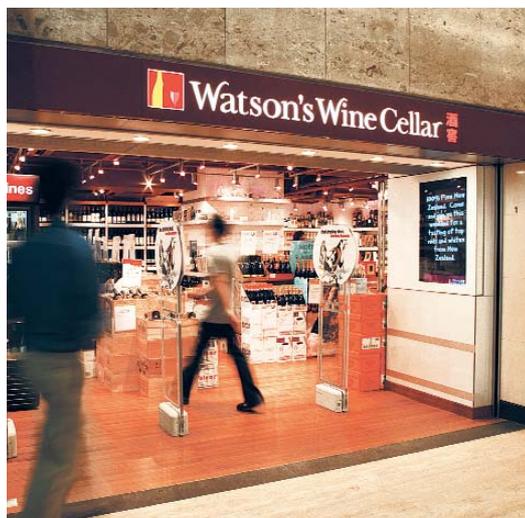
Concept and Culture

In response to what it has identified as a vast, untapped wine-challenged market, Watson's Wine Cellar, in a metaphorical sense, is taking its wine out of the elite's stuffy cellar.

As the company embarks on expanding in Hong Kong, the image of a traditional cellar's wine-racks and subdued lighting is on the way out.

In its place is a light, bright new look and philosophy – initially pioneered at new outlets in Central and Causeway Bay, but ultimately to set the benchmark for the entire chain, which is eyeing opportunities to develop the concept both elsewhere in Asia and ultimately in Europe.

At the new store in Central in the heart of Hong Kong's business dis-

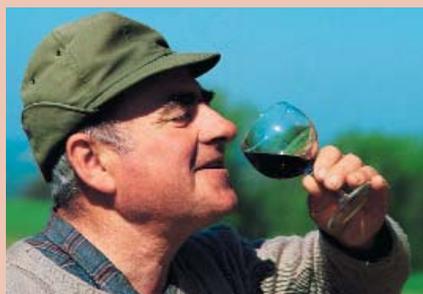


GOOD, BETTER, BADARACCO

When Thomas Jefferson sailed back to America from Europe in 1789, he travelled with a selection of fine French wines. To ensure that no one would substitute his bottles for inferior vintages during the long voyage, the future President of the United States personally signed each one.

Today, two of those original bottles, a 1784 and a 1787 vintage, are the oldest in Badaracco's impressive collection.

"Their value would be whatever someone was willing to pay," says General Manager Stefan Graf, "but



the company is not selling."

Founded in Lugano on the Swiss-Italian border in 1879, the company is today a leading wine trader with one of the largest vintage wine collections in Europe, which numbers approximately 750,000 bottles.

Celebrating its 125th jubilee this year, Badaracco was bought by Hutchison in 2001 as a springboard into the European market.

The acquisition was seen as a good investment as the price was close to the value of its store of rare and prestigious vintage wines.

The collection includes one of the world's biggest selections of large-format (three-18-litre) bottles of old wines, including a classic range of rare 40-50-year-old Italian vintages.

Badaracco specialises in acquiring private collections from all over Europe, both privately and at auction, for onward sale. The Badaracco Price List is a valuable guide for wine buyers everywhere and the company receives daily orders from collectors and

for special events.

The company also supplies quality vintages to Watson's Wine Cellar and is set to play a significant role in expansion plans into the European retail market.

An increasing demand for wine tasting at Badaracco's cellars sees regular groups of up to 60 people attending.

On the staff of 15 is Paolo Basso, the world's No 2 sommelier. He will take part in the World Sommelier Championships in Athens during the 2004 Olympics.

Badaracco also produces *Ratafià del Ticino*, a traditional Swiss-Italian walnut liquor.



trict, the gulf between the average punter and connoisseur even extends to floors. At street-level are the affordable New World vintages. With few priced over HK\$200 and some bottles as low as HK\$88, the wines are in everyone's range, despite the 80% government tax.

Step up the stairs, however, and you know you're going to be spending more. Here, customers explore the pricier "Old World" of French *champagnes*, *Bordeaux* and *Burgundies* alongside up-market vintages from the Rhone Valley, Germany, Spain and Italy.

There are still bargains to be found, with *champagnes* costing from HK\$200 and some decent French country wines at half that price, but most vintages are beyond most budgets – especially in the temperature-controlled Fine Wine Room, which is stocked with *Grand Cru*, *Premier Cru* and ancient Italian rarities, and where a *Chateau Lafite*

Rothschild 1982 will set you back HK\$10,900. Here, each bottle is not only kept inside the room under lock and key, but has its own individual security tag.

With around 9,000 wine-producing *chateaux*, and 13,000 wine growers in the Bordeaux region alone, Fine Wine Manager Jeanette Peterson's role is crucial in ensuring that the Fine Wine Rooms stock the very best vintages the world has to offer.

"Fine Wines is a very specific area," she says. "It can be difficult to get access to them because of worldwide demand. We travel regularly to Bordeaux and other regions to taste from the barrel and persuade suppliers of the importance of our company. Customer relations is also very important. Because of the high cost, they want to talk about Fine Wines before they buy."

A new concept within this Fine Wine retreat is a mini-club-style seating area

with wine magazines and reference books so enthusiasts can relax and take time to select what they want. Music plays in the background and customers can also watch Plasma TVs for information on current promotions, wine production techniques and vineyards. Also scheduled are regular "Meet the Maker" tastings with touring winemakers and *chateau* owners.

"As a specialist retailer, we are a bit like a cigar divan," Nothhaft elaborates, "we're trying to make the customers feel at home. It's all part of upgrading our overall concept and culture. Like Starbucks or Pacific Coffee, we're presenting wine in a modern, consumer-friendly way that suits metropolitan societies. Why sell wine from cellars anyway? We want to make Watson's Wine Cellar a place customers want to come back to. If you push customers in and out, they tend to feel uncomfortable and leave

TASTEFUL INVESTMENT

Extending wine retailing to an investment level, Watson's Wine Cellar this year started offering wine futures, also known as *en primeur*, over the counter for around a hundred top 2003 *Bordeaux* vintages.

While the wines are not scheduled for bottling until 2006, customers can purchase the rights to cases in advance.

Just as with buying futures in coffee, sugar or pork bellies, the main advantage of buying *en primeur* is the price.

Prestigious wines can easily double in value by the time they come to market.

A wine priced in shops at HK\$1,000 a bottle, such as *Chateaux Clerc Milon* for example, sells *en primeur* for under HK\$300.

Wine futures are also exempt from government tax, which is 80% in Hong Kong. Although tax is payable if the wine is eventually delivered, the savings are still substantial and customers can alternatively store their vintages in European cellars.

They can also trade the futures cer-

tificates at any time before the delivery date, and the market value constantly changes.



Wine futures are limited in their availability. Even Watson's Wine Cellar doesn't know exactly how many cases it will be allocated by each *chateau*, so a first come, first serve policy has been adopted.

"When we are informed of our allocation, and calculate how many cases we can spare, customers are contacted for payment in order of the time they reserved the wine," explains Jennifer Tse, cluster manager of the new Watson's Wine Cellar store in Central.

Leading *chateaux* only offer futures for a limited period, usually between April and July, ahead of the following year's harvest.

"We only just started with futures this year but the market is already popular," Ms Tse adds. "For wine enthusiasts, it's an interesting form of investment. For me, it's a bit like being a stockbroker!"

with their money. The interesting thing about letting customers sit around and reflect is that they spend more. And if they don't buy today, they will come back and buy tomorrow. People who are comfortable with a brand usually buy the more expensive line of products."

From Label to Table

So where does all this leave the customer who only wants a suitable bottle to go with his dinner but doesn't have a clue where to start looking?

Alongside the grape variety and price, Watson's Wine Cellar also labels every bottle with essential food-matching tips and, if available, the vintage's official tasting "score", marked up to 100, by

wine guru Robert Parker and *Wine Spectator* magazine, two of the best-known arbiters of fine wine.

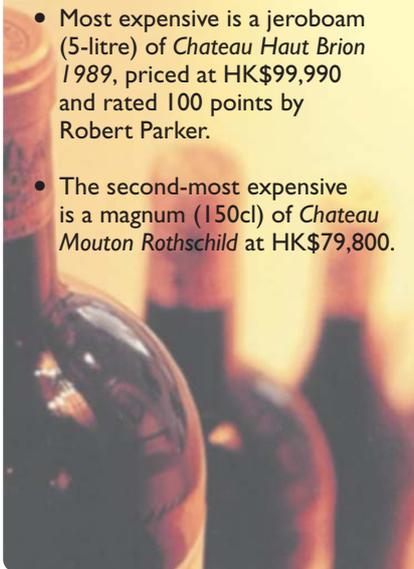
In another industry breakthrough, Watson's Wine Cellar is taking wine retailing hi-tech with interactive "Wine Kiosks", which are easy-to-use computer screens linked to a data bank. Every bottle has a barcode, which the computer identifies to screen a host of information about the particular vintage. They offer an individual food-matching tip.

"As far as I'm aware, nobody else in the world does this," says Liversedge. "It takes a great deal of effort to keep the system updated, but it's worth it if you want to give the best service."

Most revolutionary of all, however, is a

FACT FILE

- More than 2,000 varieties of wines in stock.
- Approximately 500 French wines, 100 Champagnes and sparkling wines, 300 Australian wines, and 200 American wines.
- More than 500 wines are exclusive to Watson's Wine Cellar.
- The oldest bottle in the Fine Wine collection is a *Chateau Lafite Rothschild* 1903 in a hand-blown bottle with original label and cork. Price: HK\$22,880.
- Most expensive is a jeroboam (5-litre) of *Chateau Haut Brion* 1989, priced at HK\$99,990 and rated 100 points by Robert Parker.
- The second-most expensive is a magnum (150cl) of *Chateau Mouton Rothschild* at HK\$79,800.



function for the completely lost and confused. No idea what you want, except that it should go with your Thai salad or English roast beef?

Simply select your cuisine type on the kiosk's touch-screen, click on a sub-section of dishes within it, and the computer delivers a list of suitable wines, complete with a "dollar-rating" from "\$" to "\$\$\$\$\$".

From the data bank, it emerges that German *Rieslings* and *Semillons* can complement a traditional Cantonese menu. For an Indian curry, try *Beaujolais*, *Burgundy* or *Cote du Rhone*, especially *Pinot Noirs*.

"The pairings are constantly being increased," says Liversedge.



QUEST FOR THE BEST

Quality, value-for-money wine is the benchmark for selecting around 2,000 vintages for sale at Watson's Wine Cellar outlets.

"We won't list a wine unless we feel it is excellent for the price," says General Manager Paul Liversedge.

Selecting from the vast amount on offer around the world is an art form by itself – and every single vintage is tasted before going on sale.

For *premier cru* Bordeaux classics, fine wine buyer Jeanette Paterson attends exclusive tastings at all major *chateaux* twice a year for a fore-taste of forthcoming wines from the barrel.

A watchful eye must be kept on vintages that are highly rated by top wine journalist Robert Parker.

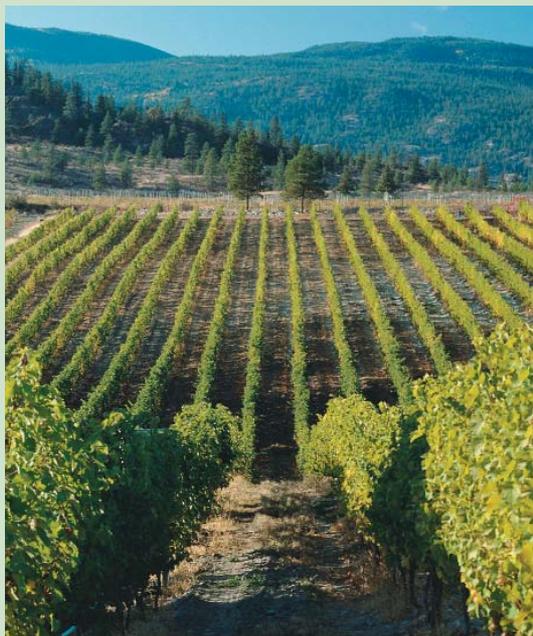
"Everyone in the world wants these including our Hong Kong customers," says Liversedge.

But Watson's Wine Cellar also tours the lesser-known *chateaux* from the sub-regions of Bordeaux, in search of outstanding value.

"The idea is to source Fine Wines at different price points that are more accessible to the market, if we can get in there before experts like Robert Parker, all the more satisfying for us and the customer, because it means that value is better."

Beyond the famous *Bordeaux* and *Burgundy* vintages, Watson's Wine Cellar sources from across the globe, including Australia, New Zealand, South America, South Africa, the US and across Europe.

Along with New World buyer Candice Chan, Liversedge also attends numerous international trade shows. "They are all in one place, so it's a convenient way to taste a lot of wine," he says.



A PASSION FOR WINE

It's very rare for a company to encourage its staff to "drink on the job", but that's exactly what Watson's Wine Cellar does.

Hong Kong's leading wine retailer has embarked on a programme to tutor all staff up to international standards in wine.

"It's part of our mission to create the best wine shopping experience in Asia, says Ross Edward Marks, Manager for New Business at Watson's Wine Cellars.

Marks is highly rated worldwide as a top sommelier and he regularly oversees tastings with staff to keep them abreast of new offerings in the stores.

What's more, around 50 staff are undergoing comprehensive training in conjunction with the London-based WSET (Wine & Spirit Education Trust).

"Our goal is to have sales staff deeply informed about our entire product range," says Marks.



Training will bring staff up to intermediate level wine knowledge, and those demonstrating an ability to handle university-style learning

and who are especially enthusiastic may subsequently be offered advanced-level training, although this HK\$70,000 qualification is "not being offered yet".

To facilitate the programme, Watson's Wine Cellar successfully applied to become an official Approved Programme Provider for the WSET, which is approved by the British government as a national awarding body of vocational qualifications.

Marks himself is an Approved Tutor for the programme.

Ultimately, Watson's Wine Cellar hopes to offer WSET tutoring to interested customers as well.

"The idea is to offer mini-courses on Bordeaux wine, for example," says Paul Liversedge, General Manager, Watson's Wine Cellar HK. "We want to make people aware that we're not just a big company selling wine, but contributing to local wine culture."

Better still is the advantage Wine Kiosks present to wine retailing in a multi-cultural and multi-lingual society like Hong Kong. The write-ups are also in Chinese and Korean, with more languages on the way, including Japanese.

On the Grapevine

Looking into the future, Christian Nothhaft doesn't see any reason why the kiosks can't stand as miniature wine outlets in their own right.

"Why not?" he asks.

"I could imagine the day when every office or housing block has a wine kiosk, like they have soft drink dispensers. Or you could choose a wine, pay for it and have it delivered to your home later. They have dispensers for everything in Japan already, so why not wine?"

Watson's Wine Cellar sees a local market saturation point at about 15 stores, a target it will reach within the next year.

Despite its relatively junior standing in wine retailing (the first store opened less than a decade ago) Watson's Wine Cellar sees expansion potential in both Asia and Europe.

A Hong Kong retailer making waves in the bastion of "Old World" wine may sound unimaginable, but Nothhaft believes this vision is realistic.

Taking wine retailing hi-tech with interactive kiosks

"Firstly, given the huge consumption of wine in Europe, with customers willing to pay relatively high prices for good quality, there is a fairly low penetration of specialist wine stores," he notes. "Most Europeans buy their wines in supermarkets."

The most significant passport to Europe, though, is the ASW group itself.

As part of the cash-rich global

Hutchison Whampoa conglomerate, the company can expand with relative ease.

Apart from controlling more than 1,100 retail outlets across Asia already, ASW operates some 2,600 health & beauty stores in 18 countries across the UK and Europe.

"We are probably one of the most competent retailers in the world, and in Asia we are one of the few companies with a balance of business in Europe as well," says Nothhaft. "So we should be able to find a formula to expand wine retailing. We have the expertise to do it."

Proposals for expansion are already on the drawing board.

"It's an unbelievable opportunity," Nothhaft adds. "Most other wine companies are relatively small, often with problems of cash-flow and being squeezed by supermarkets and wholesalers. We just don't have the same problems. We have all the backing and resources we need to expand." 