



The Manifesto of a Rebel Wine Retailer

Why do we pay two and a half to three times as much money for the same bottle of wine as consumers do in Europe?

Have you ever wondered why fine wine is so expensive in the United States?

I have.

Every time that I go to Europe, I am stunned at the affordability of very high quality wines and the subsequent ability of a large number of European consumers to enjoy them. While certain wines are certainly luxury goods, wine as a category is not meant to be a luxury. The average American wine consumer should be able to afford a bottle of wine from an artisanal producer with their dinner.

So why is fine wine so expensive in the United States?

The answer has partially to do with history, partially to do with the law and partially to do with geographical distance.

The Victims of History

In America, the consumption of alcohol has always been viewed by many as a sin. This reached its height during Prohibition when the federal government banned the sale of alcohol for most purposes.

Have you ever wondered why you can purchase almost any product in any state no matter where in the US it was produced? Well, the Commerce Clause has generally limited the ability of states to regulate commerce between states. This is generally seen as a good thing as the United States is one market and we don't have interstate tariffs which would raise prices and be harmful to consumers.

Because wine is viewed as dangerous, states have been able to justify its regulation and have created a labyrinth of laws making it almost impossible for retailers to buy wines from wineries.

The Regulatory Quagmire

The system that developed to protect the fragile American consumer from the dangers of evil alcohol is called the three tier system.

Basically it works like this:

The importer buys the wine from the winery.

- He marks it up and sells it to a distributor

The distributor gets the wine from the importer.

- He marks it up and sells it to the retailer

The retailer then turns around and...

- ...marks the wine up a third time and sells the triply marked up wine to the consumer.

So the wine purchased by the consumer is 2.5 - 3 times as expensive as the wine our European brethren are happily knocking back on the other side of the pond.

The Disadvantage of Distance

In Europe, restaurants and many retailers get wine the old fashioned way. They get in their cars, drive to the winemaking regions, taste the wine and either order it for delivery or stick it in the backs of their vehicles and drive it home.

In America, things aren't quite that easy. Most retailers live quite a distance from top quality American wines and are an ocean away from Europe. Traveling to wineries is an arduous and expensive task.

Fortunately, the distributors have an army of salespeople who dutifully carry the wines from store to store, restaurant to restaurant and allow the retailers to taste the wines. They also have annual tastings and some have dinners at fancy restaurants to allow their customers to taste the wine.

If this convenient mechanism sounds very expensive, that's because it is.

Cry Havoc and Let Slip the Dogs of Disintermediation

Fortunately, recent events have opened a sizable crack in the Berlin Wall that is the regulation of wine in America.

Some retailers have been importing wines through "friendly importers" that let them rent their license and charge a nominal fee.

Recently, California allowed online retailers to import and retail wine so long as they don't have a physical store.

Retailers can now eliminate, or disintermediate, 2 middlemen in the process of getting the wine to consumers. As a result, there are some excellent wines for the price available at certain retailers.

But some may ask, “aren’t all the great winemakers already represented by importers?” “Can one tier retailers really find quality wines to import?”

The answer is a decided yes.

The Question: When are Great Winemakers Born?

The Answer: All the time.

100 years ago, all of the great winemakers of today were yet to be born.

Future great winemakers are being born all the time. They are going to school. They are training with other winemakers. They are releasing their first wines.

When a winemaker starts to make great wine, the heavens do not open and announce it to the importers in the United States. The importers have to find out about the winemaker somehow, taste the wine and then convince the winemaker to sell them the wine for import into the United States.

There are many great winemakers who have not been imported into the United States. And because they are less famous, their wines are excellent values, even in Europe.

You just have to look for them.

How I Plan to Save the American Wine Consumer, One Wine at a Time

I’ve opened an importer/online retailer in California. I will have no bricks and mortar, no cashiers, and no inventory. I will buy most of my wines directly from wineries and sell them directly to consumers.

That’s one tier instead of three.

I will pass these savings onto consumers. This will allow consumers to buy better wine at lower prices. They should also buy more wine which will help the winemakers. We often think of winemakers as wealthy aristocrats. That is generally not true. They are farmers struggling to make ends meet. Their crops suffer from poor weather, fungus and pests. They work long, hard hours. It seems romantic, and it is, but it is hardly easy or lucrative work.

How Will I Find Undiscovered Winemakers?

The short answer is hard work. I travel to Europe frequently and meet winemakers and taste their wines.

The longer answer is that I have a terrific network of friends in the winemaking community. I have introduced many of them to the New York market and they are willing to return the favor

by introducing me to up and coming winemakers in their regions.

Some of these winemakers may have productions that are too small for traditional importers. I have three winemakers who have full time day jobs and make wine as a passion. I have another who works for another winemaker during the day and tends his vines at night. They are all making incredible wines but no importer has picked them up.

Will I completely ignore wines that are sold through the traditional 3 tier distribution system? Of course not. Some of them are purchased by the importers at prices that make them appealing, even with the three tier markup. I will also buy some older wines from collectors' cellars if I think that they represent good value. I am a rebel but not a complete ideologue.

My job is to sell great wines at fair prices and I will do that in any way that makes sense.

Who I Am

My name is Lyle Fass. I've worked in the wine business for almost 20 years.

I wrote the business plan and was the founding wine buyer at Crush, the fastest growing wine store in New York City.

I was the first retailer to sell a very large number of now famous winemakers.

I've traveled to Europe frequently and tasted tens of thousands of wines in my career.

I've published Rocks and Fruit, a popular wine blog, for over 6 years.

I've always known that some day, I would open my own wine store to bring the wines I love to consumers at fair prices.

That day is today.

Lyle Fass

February 25, 2013