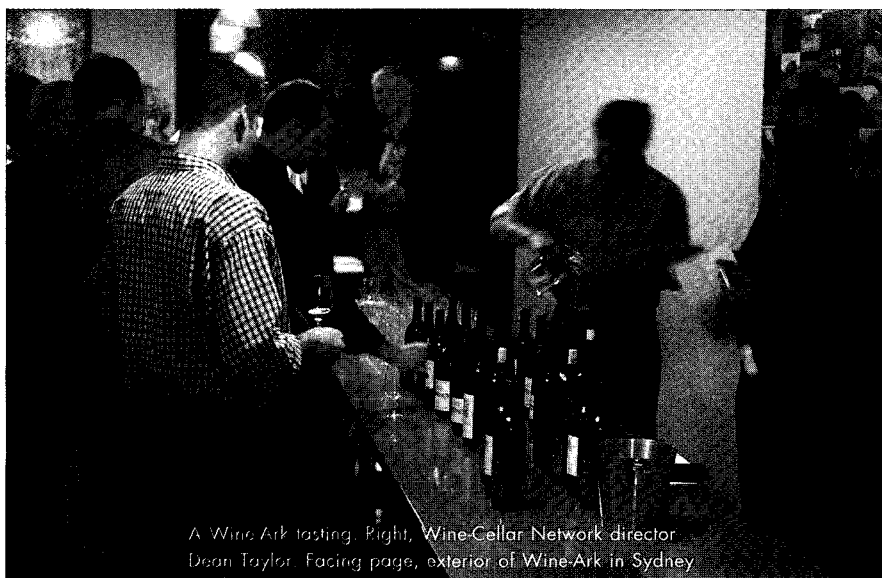


# STORAGE SOLUTIONS

Australia's rising number of wine investors has given cellaring services around



A Wine Ark tasting. Right, Wine-Cellar Network director Dean Taylor. Facing page, exterior of Wine-Ark in Sydney



SO, WHAT'S IT LIKE when clients hand over their superannuation savings and ask you to spend it on a portfolio of wine with investment-potential for them? Dean Taylor, director of Wine-Cellar Network, shivers. Neither fear nor excitement as it turns out. It's just that inside his expansive cellaring space in Sydney's Camperdown, it's only 14C.

In the beginning, there was the cupboard-under-the-stairs. And the cupboard-under-the-stairs begat the archeological-site-under-the-house. And the archeological-site-under-the-house begat the climate-controlled rental storage. And now there's Wine-Cellar Network, which aims to offer wine-cellar services unrivalled in the world. But what's the difference between other climate-controlled wine-storage operations and Wine-Cellar Network?

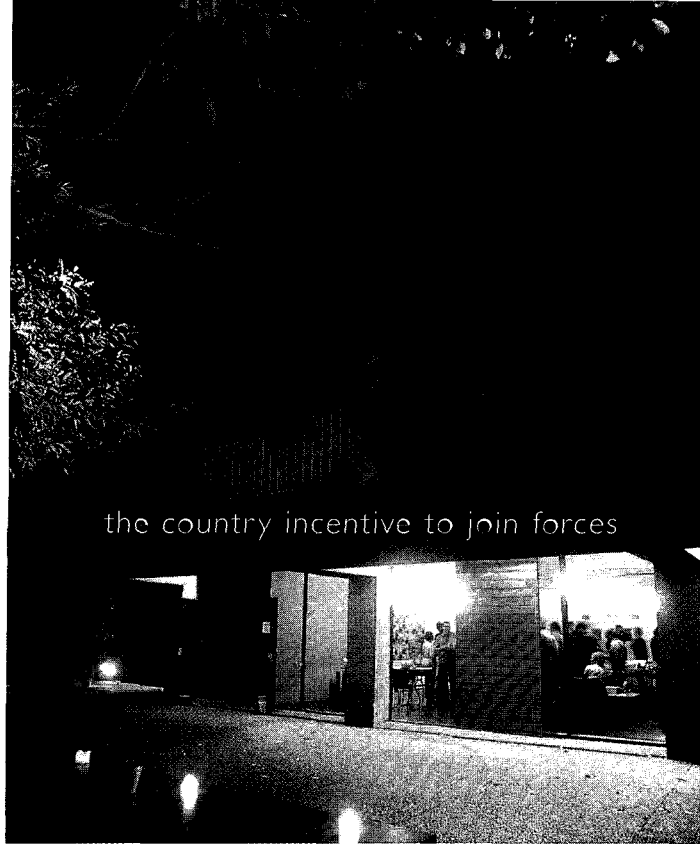
Taylor gives a distinct shudder this time. "We have positioned ourselves as part of the wine industry," he says, "... not part of the storage industry."

Wine-Cellar Network is an alliance between a number of the leading professional wine-storage facilities located throughout Australia. Taylor started his Wine-Ark operation in January 1999. It was his wife's idea ... or maybe it wasn't. She dropped a hint that his obsession with wine was becoming so expensive, he might either turn it into a business or give it up. He was an architect at the time, but she made the comment during a great

meal with beautiful wine looking out over the Margaret River vineyards at Vasse Felix. The decision seemed too easy.

The Wine-Cellar Network alliance was created earlier this year when Wine-Ark, Liquid Assets, Wineaway and Australasian Wine Storage joined forces to provide collectors, producers and retailers with a premium wine-storage and distribution network covering Sydney, Melbourne, Brisbane, Perth and Adelaide.

One of the first initiatives of the network was the establishment of a cellar-accreditation criteria. Taylor explains that it was important to establish standards earlier rather than later. He says he is aware of facilities where the so-called climate control is not much better than you'd get under the stairs and where security has had some expensive lapses.



the country incentive to join forces

"One or two rotten apples with poor security systems and stock-management standards could ruin the industry's reputation very easily," says Taylor. "The WCN [Wine-Cellar Network] accreditation process has been specifically designed to ensure that all network clients have their wines stored in the best possible conditions by people who they can trust and who will be around for years to come. We believe our approval process will establish a benchmark for the professional wine-storage industry."

Wine storage is a niche industry that has evolved in Australia only over the last five years. Dean Taylor estimates that more than 200,000 cases of privately owned wine are kept in commercial storage facilities throughout Australia. And he believes the amount of wine placed in commercial storage will increase exponentially as a general awareness of wine provenance develops.

"We expect that in the near future all vintage wine bought in restaurants will be expected to have a storage pedigree," he says. "Within a year, we expect that even retailers will be subject to the same degree of scrutiny. Customers paying \$50 or \$60 for a bottle of wine will want to know that it hasn't spent the last month in the front window in direct sunlight."

"Already, wines with certified storage conditions are fetching higher prices on the secondary market. Wine investors who don't use commercial storage facilities are reducing their potential return. In five years' time, I expect that wines with a storage pedigree will command prices 50 per cent higher than those without."

Members of Wine-Cellar Network say they are convinced that wine storage is a growth industry and are committed to long-term play. Placing \$50,000 wine collections with WCN displays a high degree of client trust, so there is enormous potential for introducing clients to a range of additional services.

Taylor says the wine-cellar club operations of both Wine-Ark and Liquid Assets have been effective in identifying them with

the wine industry rather than the storage industry. Recognition of this positioning has provided a marked advantage over those competitors who have little understanding of the nature of their clients and the nature of the product.

"Essentially, until now, climate-controlled wine storage was just a good place to keep your wine," he says. "Through the wine-cellar club, each facility in our network is able to provide more. For an annual fee of \$80, our members receive invitations to regular tastings, private winemaker dinners, masterclasses and wine-appreciation courses, and a monthly newsletter that provides wine reviews and cellar recommendations. Members also have access to club facilities for private functions and a personal on-line cellar-management system with automatic 'drink now' email warnings, and discounted wine-storage and handling fees."

In recent months, Wine-Ark's tasting themes have been labelled Tasmanian Temptations; Australia v New Zealand (timed to coincide with Bledisloe Cup rugby-union fever); Orange, Mudgee and Cowra; and The 1998 Vintage – Parts I and II. The tastings provide an opportunity for enthusiasts to meet professionals, and some refreshingly frank forums have ensued.

While club members have smacked their lips on 1983 Penfolds Grange and 1991 Henschke Hill of Grace, most of the wines in storage would fall into the \$40-\$50 bracket. Taylor says he sees a lot of \$25 bottles but also a lot of \$300 bottles. While many people are reluctant to place anything less than \$25 into storage, others realise that wines such as Penfolds Kalimna Bin 28, Wynns Coonawarra Estate Shiraz and Pewsey Vale Riesling can cellar extremely well. Of course, it takes only a couple of \$5000 bottles to blow averages out, and the network is currently babysitting a 1795 Madeira, several ports from the early 1800s, and a Château d'Yquem and a Château Latour, both from 1847. The largest of the private collectors has 1200 cases stored with the network.

Increasingly, clients are calling on Wine-Cellar Network to recommend portfolios of investment wine and to use its buying power to access it. It has recently accumulated a collection valued at more than \$1 million for a Melbourne client. WCN offers this service through a consultancy fee or a commission structure. While this part of the business is growing, Dean Taylor expects it to plateau once client knowledge catches up with client interest.

So, getting back to the original question: what is it like to spend a client's superannuation savings on investment wines? In his refrigerated vault surrounded by boxes bearing the inscriptions of Cape Mentelle and Howard Park and Penfolds Grange and Château Certan-Guiraud, Dean Taylor stops shivering and starts smiling. "The responsibility of it can never diminish the enjoyment," he says. "Spending someone else's money is just about the best fun you can have."

*Wine-Cellar Network, phone 1800 111 275, comprises Wine-Ark in Sydney and Adelaide; Liquid Assets in Melbourne; Wineaway in Brisbane; and Australasian Wine Storage in Perth.*