

**CONFIDENTIAL**

**SUBMISSION TO HOME OFFICE ON CONSULTATION**

**Alcohol Consultation  
Drugs and Alcohol Unit  
Home Office  
4<sup>th</sup> Floor Fry Building  
2 Marsham Street  
London SW1P 4DF**

06 February 2013

Dear Sirs

**A consultation on delivering the Government's policies to cut alcohol fuelled crime and anti-social behaviour**

[REDACTED] the opportunity to comment on the Government's policies to cut alcohol fuelled crime and anti-social behaviour. We fully support the Government's overall aim of trying to reduce alcohol misuse and alcohol related harm.

**EXECUTIVE SUMMARY**

1. We are a 44 year-old family owned wine merchant employing 1,000 staff, selling wines to middle class, higher income, well educated, responsible drinkers. We have serious concerns about current Government proposals which if implemented will jeopardise annual tax revenues in excess of £100 million currently paid by Direct Wines to the Government.
2. We believe that the proposed policies are not only unfair (in particular the Multi-Buy ban) as they will penalise disproportionately the middle class responsible drinker (our typical customer) but are not an effective way to address the challenges of alcohol abuse.
3. The introduction of Multi-Buy ban as articulated in the consultation document would be a fatal blow to our business and will effectively kill it. Our business is based on the sale of 12-bottle cases of premium wine with small levels of discount. This represents over 90% of our revenues.
4. The introduction of a minimum unit price negatively impacts our ability to recruit new customers to try wine and long term this will result in the decline of our revenues. In effect our prospects are either a quick or a slow death.

**BACKGROUND TO [REDACTED]**

5. [REDACTED] is the largest home delivery wine merchant in the UK operating for over 44 years. We distribute over £250 million of quality wines annually direct to UK consumers

through our brands: [REDACTED] We employ 1,000 staff and in our financial year to June 2012 paid over £108 million of tax (excise duty, corporation tax, national insurance and VAT) on our wine businesses. We operate wine clubs under our own brands and for a number of business partners including The Sunday Times, The Telegraph, the Daily Mail, The National Trust and British Airways and have, in addition, 13 retail outlets.

6. As part of our business model we aim to attract new wine customers to try our wines with attractive introductory offers and hope that a percentage of those customers come on a journey of wine discovery with us and become loyal customers over their lifetime through the strength of our offerings and products. Our acquisition investment per new customer is circa £30. Typically it takes 3 years for a new customer to start making a contribution towards the profits of the business. 50% of our sales come from customers who have been buying from us for more than five years.
7. Our customers are aged 45 plus (58%), professionals (77%) with an average household income in the region of £60,000 putting them within the top 10% of the UK population. They are responsible drinkers who largely drink at home entertaining family and friends.
8. The average single bottle price of a Laithwaite's wine (after discount) is £7.00. The average case price for a regular case is £85. The current price of an introductory case is £47.88 plus our standard delivery charge of £7.99 .
9. We continue to operate in a highly competitive market, competing with supermarkets and other specialist wine merchants. Economic conditions are challenging and look set to remain so in the short to medium term. Increased costs to the business include above inflation increases in duty. Over the last four years our UK wine businesses have paid over £320m in duty.

#### **IMPACT OF MINIMUM UNIT PRICING ON OUR BUSINESS**

10. Beyond the arguments submitted by the WSTA (which we endorse) the direct impact on our business effectively means fewer people coming into the marketplace to try our wines which will, albeit slowly, kill our business. A minimum unit price changes the economics of recruiting new customers. The retail price of our introductory case is £47.88 i.e. £3.99/bottle. If the ABV of the wines in the case is 13.5% the minimum unit price of an introductory case would be £55.
11. We have tested premium recruitment offers. Moving from a single bottle price of £3.99 to £4.99 (£59.88 for a case) saw a 30% decline in uptake, a move from £4.99 to £5.99 saw a further decrease of 50%. If a minimum unit price is mandated then we have no control over the levers to promote wines in order to attract new customers and no business can sustain such levels of decline in its customer base.

12. The impact of a price increase as a consequence of a minimum unit price will not only increase our acquisition costs but would shrink our customer base by 50,000 customers per year as a result of the decline in response. We estimate that this will cost the business £5 million in the first year and £10 million to £15 million over the lifetime of those lost customers.
13. The consultation document states at 5.3 “the purpose of minimum unit pricing is to reduce alcohol consumption, particularly by the most hazardous and harmful drinkers who tend to show a preference for the cheapest alcohol products”. Given our average retail prices, our products and customer profile, our customers can hardly be considered to be the “most hazardous and harmful drinkers”.
14. The consultation document at 5.4 states that “Minimum unit pricing is not intended to disproportionately affect responsible drinkers or particular social groups but reduce the availability of alcohol sold at very low or heavily discounted prices.” Our customers are responsible drinkers and will be disproportionately affected by such a policy.

#### **THE EFFECT OF A BAN ON MULTI-BUY PROMOTIONS ON DIRECT WINES**

15. Almost all our promotions are multi-buy promotions on our 12-and 6-bottle cases. The promotions offer customers a discount on the RRP of the individual bottle price which is typically a saving of between 5% and 15%, much smaller than the supermarkets and still at a 50% premium on the average off-trade retail price of £4.96<sup>1</sup> for a single bottle of wine. Appendix I includes two charts one illustrating the discounts of our competitors with the deeper discounts given by the supermarkets and the second illustrating the point on the relative price of a single bottle of Laithwaite’s wine as against other off-trade retailers.
16. Appendix 2 includes a selection of our typical promotions and those currently available in our February 2013 catalogue. You will see an offer for the Scarborough Sauvignon case for £167.88 rather than the full price of £191.88. Clearly such a purchase represents a substantial investment and one surely not consistent with the profile of the “most hazardous and harmful drinkers who tend to show a preference for the cheapest alcohol products”. Do “harmful drinkers” really buy their alcohol from home delivering wine companies?
17. If such multi-buy bans were introduced we would be forced to sell all wines at RRP, so no discounts on case prices. The impact on our business would be to kill it; we rely on promotions to stimulate customers to buy. Sales would be immediately and severely affected if we could not promote savings on cases. We would have to revise entirely the current business model and reduce our overhead which would mean reducing staffing levels. We believe that the most likely outcome would be that customers would stop buying from us and turn instead to supermarkets that sell wine at much lower margins than independent wine merchants such as ourselves. Our best estimate is that over 50% of our sales would disappear, calling into question the existence of the business.

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<sup>1</sup> European Commission, ECB, Nielsen and WSTA analysis January 2013



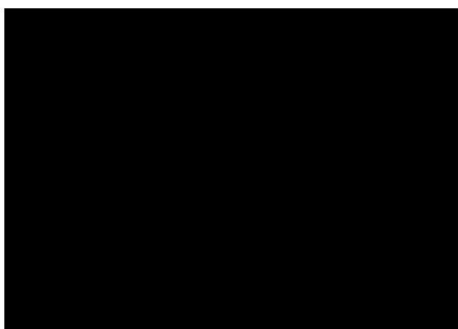
18. We believe the impact of a multi-buy ban will be to restrict competition and to disproportionately affect us requiring a complete re-design of our entire business model which would disadvantage us against the supermarkets as it will be even more difficult to compete with them.
19. More generally the proposed measure goes against the business principle that mass production of goods is cheaper than smaller batch production. The ban prevents the efficiency benefits of larger production being passed to the consumer. In the words of the Prime Minister "It is nonsense that people shopping online in some parts of Europe are unable to access the best deals because of where they live. I want completing the single market to be our driving mission."

**DO YOU THINK THE CURRENT APPROACH, WITH FIVE MANDATORY LICENSING CONDITIONS APPLYING TO THE ON-TRADE AND ONLY ONE OF THOSE TO THE OFF-TRADE, IS APPROPRIATE? (QUESTION 12)**

20. Yes, we do think the number of mandatory conditions applying to the off-trade is appropriate. A number of the conditions which apply only to the on-trade such as, not dispensing alcohol directly into the mouth of another, free tap water and smaller glass sizes simply do not transfer to the off-trade. We comply already with restrictions on irresponsible marketing as set down by the CAP Code (the UK Code of Non-broadcast Advertising, Sales Promotion and Direct Marketing). The Code is primarily concerned with the content of marketing communications. We comply with the restrictions on irresponsible marketing set down by the Portman Group. As a distance seller and a member of the WSTA we abide by the WSTA's Distance Selling Code of Practice. The only measure appropriate to both is the requirement to implement an age verification policy to prevent the sale of alcohol to persons under the age of 18. We adopted an age verification software solution to comply with this condition which adds yearly an additional £125,000 to the cost of recruiting new customers.

**IN CONCLUSION**

We believe that the Government should focus on measures that attempt to deal with irresponsible drinkers and irresponsible licensed premises, rather than measures that negatively impact on the majority of the population who drink responsibly. Policies should be targeted, evidence based and focused on constructive partnership with the trade, Government and other interested parties.

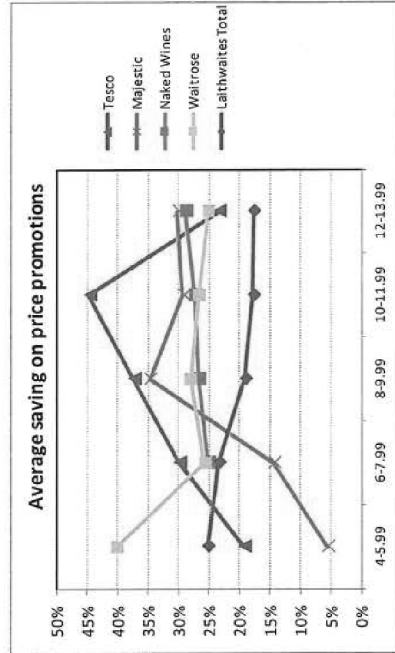
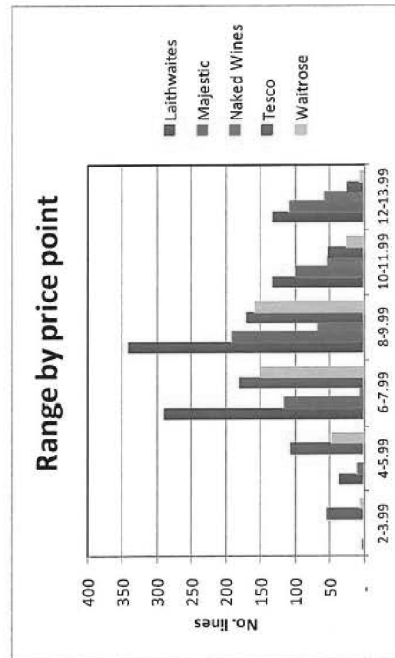




## Competitor ranges are broader and offer deeper discount levels

Laithwaites's  
..... WINE .....

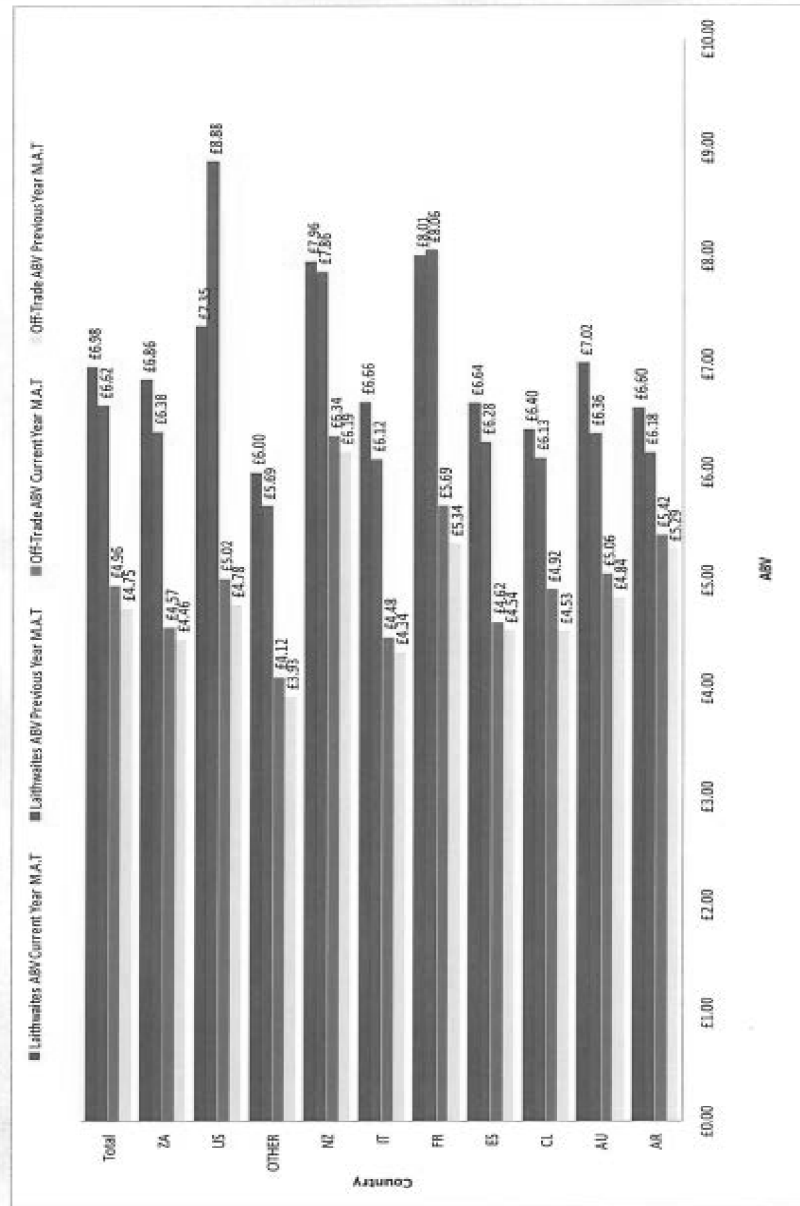
- Our range is authoritative at £6-10, but less-so above and below this price range
- Promotional discount is higher in competitors



## Appendix I


## Average Bottle Value (ABV) – Laithwaites vs. Off-Trade


Laithwaites's  
..... WINE .....



Source: Nielsen ScanTrack 10.11.12, Nielsen Syndicated Wine 10.11.12, Laithwaites Wineseller Database via Oracle Developer

## Appendix II






**HANDS OFF, HE'S OURS!**

*"Every wine merchant is after the wines of Cape Point's Duncan Savage, so it's a real coup to have him working for you. Do try Scarborough Cape Point Sauvignon – for my money, the greatest-value fine white on the planet."*

Becca Reeves, Buyer – South Africa



### AWE-INSPIRING SAUVIGNON FROM THE ENDS OF THE EARTH

'Breathtaking', 'spectacular', 'without equal' – the words that describe South Africa's wild, windswept Cape Point could just as easily sum up this rugged region's world-class Scarborough Vineyard Sauvignon.

It's made by Duncan Savage, a pioneering, genius winemaker living life to the full on this remote southern tip of Africa. When he's not taking on the sharks in the surf, he's battling the wild Atlantic winds that are trying to slice his grapes off the vines.

But his patience and dedication have paid off. This wine is a marvel of pure zingy sherbet 'lemon-ness' and racy acidity, poised delicately over a cushion of softness provided by a very small amount of oak.

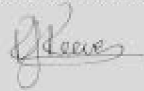
It's a unique and delicious expression of one of the wine world's last frontiers and up there with the finest Sauvignon – Cloudy Bay included. And it costs a lot less. Give me a cold bottle of Scarborough Sauvignon, a plate of fresh seafood linguine and a good book and I wouldn't leave the house. I'm sure you'll love this as much as I do. 14% Vol. To 2016.

**Scarborough Vineyard Selection Sauvignon Blanc 2012**  
Coastal Region WO


<del>£194.88</del>	<b>£167.88</b>	12 btls	<b>C2879401</b>
<del>£95.94</del>	<b>£83.94</b>	6 btls	<b>B2879401</b>
<del>£47.97</del>	<b>£41.97</b>	3 btls	<b>T2879401</b>

Equivalent to  
**£13.99** a bottle

**SAVE £24**



Becca Reeves



Choose a timed delivery – convenient and good value. See page 58 for details

32 Call 0845 194 7700 or go to [laithwaites.co.uk/scarborough](http://laithwaites.co.uk/scarborough)



# HALF-PRICE TROPHY-WINNING AMARONE

THE  
VENETO

FOCUS ON ITALY

We're thrilled to be able to offer you a final shipment of La Collina dei Ciliegi – the world's very best Amarone, judging by its Decanter Trophy win.

It sold out in days last time round. Buyer Anne returned to the cellar to beg for more, only to be told it had all gone. But a few calls and emails later and the Ciliegi team had clawed back 275 precious cases from Italian merchants. And, to cap it all, Anne was also able to pass on a special *grazie mille* price, as your support has raised the cellar's profile in the UK.

*"Amarone, one of the most unique and noble wines of the world"* (The Wine Advocate)

This is a Trophy-winning UK exclusive that *Decanter* magazine regards as the BEST Amarone there is. And today YOU SAVE £25 a bottle. Remarkable, given the care that goes into making it.

Firstly, every bunch of grapes is meticulously selected and hand picked. Then they're air dried for more than a month to concentrate flavour and richness before fermentation and 18 months ageing in oak for smoothness and complexity.

Plum, spiced cherry and cigar-box aromas, ripe berry flavours and sumptuous, creamy texture. 14.5% Vol. To 2021.

The best Amarone there is, but 275 cases only – don't miss out on this now-or-never opportunity.

## La Collina dei Ciliegi 2007

Amarone della Valpolicella Classico DOC

£300	£150	6 btl	B6367303
£50	£25	1 btl	Q6367303

£25 a bottle

SAVE £150

The Trophy-winning Collina dei Ciliegi team



Call 0845 194 7700 or go to [laithwaites.co.uk/collina](http://laithwaites.co.uk/collina)

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# 6-FOR-5 PROSECCO

Prosecco is perfect for parties. And carnivals, promenading and pancakes! Whatever the occasion, our Italian friends turn to Prosecco. Because no other style sums up Italy's lust for life better than great wines like these.

## Prosecco Six

2 btls each Ca' Bolani Prosecco, Il Papavero Prosecco and Alessandro Gallici Prosecco (all under 12% abv)

Equivalent to  
**£8.33**  
a bottle

~~£59.94~~    **£49.95**    6 btls    **X3827401**

6-FOR-5  
deals



### Ca' Bolani Prosecco

Single-vineyard, gently sparkling Frizzante Prosecco with crisp apple and pear flavours, best enjoyed with friends, family and festivities. Let the good times roll! 10.5% Vol. To 2016.

~~£53.04~~    **£44.95**    6 btls    **B2887601**  
                 **£8.99**    1 btl    **Q2887601**

from **£7.50** a bottle    **6 FOR 5**

### Il Papavero Prosecco

Trust Scipione Giuliani – born and bred in the heart of Prosecco country – to come up with the most charming, super-fresh example possible. 11% Vol. To 2016.

~~£59.04~~    **£49.95**    6 btls    **B5071011**  
                 **£9.99**    1 btl    **Q5071013**

from **£8.33** a bottle    **6 FOR 5**

### Alessandro Gallici Prosecco

Alessandro Gallici is one of the best-connected winemakers in northern Italy and brings you a fully sparkling Prosecco of supreme style and depth. 11.5% Vol. To 2016.

~~£66.04~~    **£54.95**    6 btls    **B5072809**  
                 **£10.99**    1 btl    **Q5072810**

from **£9.16** a bottle    **6 FOR 5**

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# THE RUSTLER'S 12-FOR-10 DEAL!

CLASSICS  
FROM THE  
CAPE



FOCUS ON SOUTH AFRICA

Bruce Jack is a larger than life character and a legend of South African wine. We decided to 'let Bruce loose' and gave him the chance to express his true genius. He rewarded our trust with these two triumphs – The Rustler Pinotage and Chenin. Order them today, together or separately, and you can enjoy 12 bottles for the price of 10.

## The Rustler Pinotage 2012

Western Cape WO

A star turn from Bruce with the Cape's signature red grape, Pinotage. Think rich, gamey Pinot Noir with a deliciously smoky twist. Gifted Bruce makes the world's most expensive Pinotage (if you've a spare £65 give us a call and we'll send you a bottle). But we challenge you to find another Pinotage of the high quality offered here at today's superb low price. 14% Vol. To 2015.

~~£95.88~~ £79.90 12 btl's M0992301

Equivalent to  
£6.66 a bottle

12 FOR 10

## The Rustler Chenin Blanc 2012

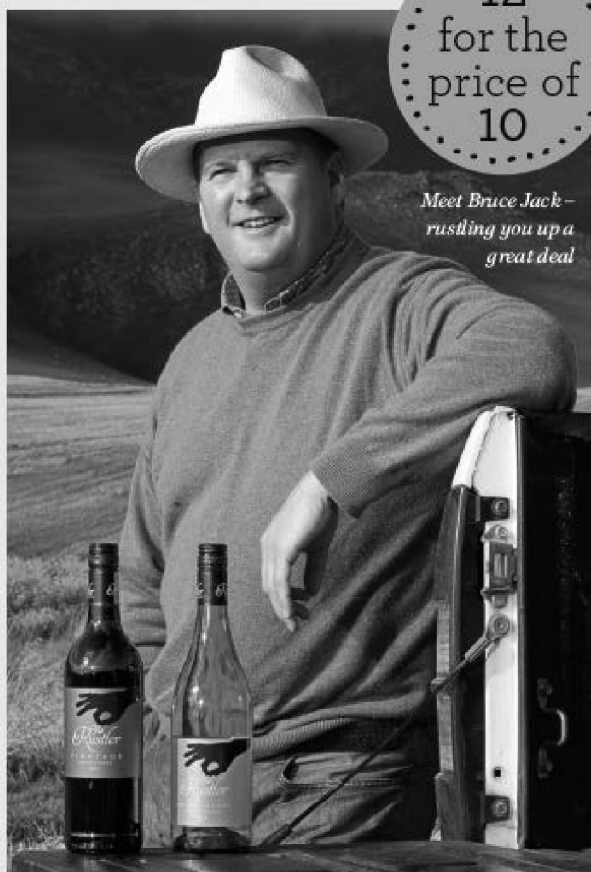
Western Cape WO

Chenin Blanc is to South Africa what Sauvignon is to New Zealand. And in Bruce's capable hands you get all the bright, green-apple citrus intensity that has made the grape a hit on the world wine stage. An instant winner – it perks you up like a ray of sunshine. 13% Vol. To 2015.

~~£95.88~~ £79.90 12 btl's M0992401

Equivalent to  
£6.66 a bottle

12 FOR 10



Meet Bruce Jack –  
rustling you up a  
great deal



## The Rustler 6+6 Deal

6 bottles each of The Rustler Pinotage and  
Chenin Blanc

~~£95.88~~ £79.90 12 btl's M0992201

Equivalent to  
£6.66 a bottle

12 FOR 10



Not home for your delivery?  
Don't worry. We'll leave your wine  
with a neighbour or at another  
safe place – just let us know

Call 0845 194 7700 or go to [laithwaites.co.uk](http://laithwaites.co.uk)

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NEW LAUNCH

## NEW MALBEC FROM SPIER – THE CAPE'S *FAVOURITE* ESTATE

Historic Spier (est 1692) is the estate that can do no wrong. It's a top 10 tourist destination, is commended for its sustainability and community projects – and above all makes damn good wines, as this NEW, gorgeously soft Malbec shows.

It's got all the opulent black fruit flavours that have made this grape famous in Argentina, in a softer, juicier, easier-to-enjoy style. And (whisper it), South African Malbec like this offers even greater value for money.

It comes from Spier estate's prestigious North Bank vineyards and benefits from the gentle touch of brilliant young winemaker Lizanne Jordaan. Enjoy its plump bramble fruit flavours and toasty oak notes alongside biltong or roast beef. 13.5% Vol. To 2016.

### Spier North Bank Malbec 2012

Western Cape W/O

<del>£119.88</del>	£107.88	12 btls	C6427101
<del>£59.94</del>	£53.94	6 btls	B6427101

Equivalent to  
**£8.99** a bottle

**SAVE £12**

PRODUCER OF THE YEAR: 2011 *Mundus Vini*

MOST SUCCESSFUL PRODUCER: 2011 *Old Mutual Trophy Wine Show*

TOP PERFORMING WINERY: 2009/2010 *Veritas*



*"Lizanne Jordaan and Spier estate's botanical garden are but 12 hours from the UK – and her superb Malbec is just a phone call away" (Tony)*



## TOP USA CABERNET COUP

To find a wine by Charles Smith for under £10 a bottle is a unique opportunity no serious red fan should miss

'Best New Winery of the Last Ten Years' (*Wine & Spirits*), three times 'Winemaker of the Year' (*Food and Wine*, *Wine & Spirits* and *Seattle* magazines)

When it comes to his wines, the irrepressible Charles Smith is as "*serious as a heart attack*" ([erobertparker.com](http://erobertparker.com)) – one of an elite band of winemakers who can boast a near-perfect 99 points from fine wine guru Robert Parker.

As a result his wines sell for megabucks. Charles's Royal City, for example, is \$140 a bottle. And has to be reserved in advance. Yet his special-edition Cabernet is yours for JUST £9.99. You do the math, as they say over there!

Our man in the States met Charles by chance on a trip to Washington State in 2009. He tasted wines directly from barrel in Charles's garage – and rated them "*some of the best I have tasted anywhere in the world*". At that time Charles didn't do exclusive labels. He does now – but only for us.

Big, rich and ripe. Intense black fruit flavours balanced by a lovely freshness. Opulent but with real elegance and finesse. This is without doubt a taste of greatness, at a fraction of the price this winemaker normally commands.

Do not miss. 13.5% Vol. To 2017.



K is for King. Charles Smith's K Vintners "make some of Washington's finest wines" ([erobertparker.com](http://erobertparker.com))

Charles Smith 'The Black Crown' Cabernet Sauvignon 2011, Columbia Valley  
~~£149.99~~ **£119.99** 12 btl C6412701  
~~£74.94~~ **£59.94** 6 btl B6412701  
~~£35.97~~ **£29.97** 3 btl T6412701

Equivalent to  
**£9.99** a bottle **SAVE £24**

"A brilliant, winemaking genius"

Robert Parker on Charles Smith

