

Wine and food tourism or just socialising?

A personal view by Kate Lamont

"I am in a partnership with my mother and my sister. We work in the sectors of agriculture, processing, service and retail. We grow grapes, make wine, prepare food, serve food and wine together and retail our products. We value add. We are in the socialising industry."



Profile

The Lamont family owns and operates three businesses: a winery cellar door and restaurant in the Swan Valley; a cellar door and restaurant in Margaret River; and a restaurant in East Perth.

They make 10 different styles of wine, buy grapes from Harvey, Frankland River, Chittering and Margaret River. Production is a little over 10,000 cases in 2005 – 120 tonnes crush. (In context of size, Vasse Felix produce about 100,000 cases and Hardy's crushed 363,550 tonnes in 2005.)

Lamont's sell most of their wine themselves (around 3,000 cases in the Swan Valley, 3,500 in Margaret River and 750 at East Perth). The remainder goes to wholesale, which is becoming an increasingly strong part of the business.

Our Customers and Us

The pub industry (and to me that means the tourism industry) asks people to spend a whole lot of money on something that basically they could do much cheaper at home – eat and drink.

There is still a real disconnect between the passionate craftsman in small business (that's me) who dominates our industry, is the major employer and often by default its major investor; and the consumer, who wants to socialise and spend, rather than stay at home and spend their money on whitegoods, going to the footy, the cinema, and other leisure activities.

We are in the business of making people feel good. As such, we need to start thinking like salespeople rather than like proprietors, craftsmen or cooks, charter operators, accountants, publicans or park rangers.

Learning new skills that are paramount to our bottom line take lots of energy and commitment, but you must do it.

When I started my business I knew that every week I needed to take more money than I spent. It sounds a bit naïve, but it's a fact, and in 20 years that has not changed. So one of the critical things is to understand what mix of customers you need to make a profit. Being full doesn't mean you are making money.

Keeping You Keeping On

Many small business people have a really bad habit of putting themselves last. Your business, and even worse, you – will suffer. So you need to manage yourself.

If you own your own business or aspire to do so one day, then it is pointless waking up and not wanting to go to work. Consider it part of your job to ensure you create something that you like.

So, while I still serve the food and wine that I am very proud of and that I honestly enjoy to eat and drink, I have learned that the reason I am in business is because I have worked out an understanding of what my customers want, and I have learned how to sell it to them; and I do that every day consistently and constantly. To me, that is the crux of small business: you've got to do it every day, and you have to do it consistently and with confidence.

Working Together

There is no doubt the single biggest issue in the industry is lack of data and information about customers, so unless we share information and customers, we will fail. We are not competitors – we are commercial partners working at extracting maximum dollars from every suspecting and unsuspecting visitor. It's critical that we are all good at what we do and that quality and hospitality are at the forefront.

Running the Business

Wine production simply gobbles money. For a tiny business like ours the pressures to keep upgrading capital are a real challenge. Borrowing money is easy – making the repayments is the hard bit (nearly as hard as explaining to the bank the variances to your budget forecasts) and ironically most of your big ticket items sit idle for much of the year.

But, as I learned when I had a little food retail-cum-lunch bar store on the Terrace and found myself with no corporate customers in January and rent and wages still to pay– you need to turn adversity and problems into opportunities. We do contract bottling, which helped pay for the Stelvin upgrade, just as I created a picnic hamper market to fill my void of customers in summer.

Understanding the need to diversify from your core business to create cash flow is sensible and can be critical to your bottom line as long as you don't forget what your core business is!

Understanding which point of sale location gives the best yield (and at what cost) is mandatory in the wine and food business and has certainly changed the way we drive the business over time.

It's a continual learning curve, but some essentials I've gained are: shore up a customer base; learn to listen and understand your customers; deliver what they want every single time, because consistency is as important as quality; and with those things in place profit is not an idea - it is a reality.

Customer Service and Your Brand

I think one of the ironies of small business (and perhaps of big businesses as well) is that every time you exceed a customer's expectation you have just created a new benchmark. Very simply, the bar has been raised.

If slogging day in and day out to create a brand isn't hard enough, the only way to protect it, consolidate it and grow its value is by giving the very best you can every single time. And that is plain hard work.

Because we have such a diverse industry, the concept of brand and tourism is tough. The reason seems to be that many operators still consider themselves to be in other industries, though in reality they have businesses encompassing tourism,.

I believe that customers do not differentiate between tourism businesses and because of that, neither should we.

Visitors don't think that the accommodation industry is different to the restaurant industry or the National Parks industry or the wine industry, the boat charter industry and so on. They are on holidays and just want a clean room, a hot shower, somewhere to sleep, have dinner, a good flat white in the morning, a decent glass of wine and to watch the whales at sunset.

Visitors want an experience: deliver an experience and you have brand!

Our Common Problems

There are plenty of vineyard operators who now find themselves making wine and running cellar doors, who then add a small food operation and suddenly realise they are in the tourism business. Then they find there aren't enough customers, wine is very hard to sell at a reasonable margin, the wholesale market is crowded, unforgiving and slow at paying, the chef just walked out, the local council has just done another signage policy and all the (new and expensive) signs don't comply, the bank keeps asking questions about the variances of actuals to estimates and the idea of a small vineyard and maybe a small winery is now a small monster!!

My little experience of other small businesses tells me the scenarios may be different but the problems are the same.

Kate's Rules for Survival...

1. **Quality, Quality, Quality**

There is no getting away from it: if quality, quality, quality is not in your business plan then it needs to be.

2. **Always aim to over-deliver**

Customers love good value. Over-delivery is now standard and the bar has been raised for all of us. Customers know stuff and they know when they are being had! It has never been more true that you are only as good as your last meal, the friendliness of your phone manner, the accuracy and integrity of your brochure your previous year's chardonnay or the last time you did some staff training.

3. **Protect your brand**

Consolidate it and grow it by giving the very best you can every single time – quality, consistency and truthfulness are the hallmarks of hospitality.

4. **Never assume (Or, 'Treat all customers with reverence!')**

We've all served the guy with the second hand car, old t-shirt and unkempt hair who bought 5 cases of chardonnay in 1995 after just five minutes of tasting two wines and has bought the same every year since.

5. **Train your staff to understand that they are salespeople in hospitality**

It means listening to customers, asking questions that can lead to a sale and giving information that will determine a repeat visit. People on holidays always want to have an enjoyable day so train your staff to understand that. And despite my occasional frustration with staff, I need to remind myself, "Don't blame them, train them".

6. **Work cooperatively**

We are commercial partners not competitors – let's grow the pie, (not divide it up into ever smaller pieces). It is in all our best interests to have a quality industry – statewide and nationwide – in all facets of product and customer service. Learn to advance each other's growth without damaging your own.

A great example is what the Pink Lady apple people did. A Pink Lady apple is in fact a Cripps Pink but the owners of the brand, Apple and Pear Australia, decided the name Pink Lady had more sex appeal than Cripps Pink. To really drive their market, they placed one Pink Lady in every bag of Granny Smiths sold in the UK. Of course, Granny Smiths are cooking apples and Pink Ladys are for eating, so by putting a Pink Lady in a bag of Grannys, they created a new market without losing their existing market. It's smart business and I think has relevance for all businesses.

7. **Customers love to discover and take "ownership"**

Just as everyone loves a bargain, everyone loves to be the first to find a new wine brand. To consolidate your brand or frankly just stay in business you must be able to grow and change. Your loyal customers need to be reassured you have something special for them and you always need new customers (because you will always lose existing ones – and sometimes through no fault of your own).

8. **Profitless volume is for mugs!**

The customer may or may not always be right and that is a discussion for another day – but there is no doubt that all customers are not equal (in their spending power, that is).

So you need to work on the correct mix in your business. In mine, we look at the mix between cellar door, mail order and wholesale at all locations to give the best profit in the most realistic way.

Whether you are into percentages or, like me, into the amount of money that goes to net profit per sale, the bottom line only looks good if your revenue exceeds your expenditure. Don't get caught up in making sales for tiny or unsustainable margins. There is every chance it will send you broke.

9. **The best solution is to find new product within existing infrastructure**

I won't give a personal view on the virtues of McDonalds, except to say that they have a great business. They recognised they needed to change their business as they were losing market share and customers. The introduction of their Salads Plus menu in Australia created the same revenue as the opening of 150 new stores. To come up with an idea that could positively influence your bottom line in such a way is phenomenal... I'm just trying to think of one like that for mine!

10. Passionate craftspeople sometimes go broke

We all know that a passionate craftsperson needs a strong manager and an even stronger entrepreneur who understands which opportunity is the right one to help them along the way. I honestly believe that it is our strength and our weakness that passionate heads sometimes rule, but be aware that this can sometimes lead to a tired and broken passionate craftsperson.

11. Always have an eye on the future

Thinking about those two, five or ten-year plans usually keeps getting put to the bottom of the 'In' tray. What I try to do is give myself options for the future – little actions which can turn an opportunity into reality further down the track.

12. Always, always understand that all opportunities are not necessarily good opportunities

And sometimes the right opportunity comes along with very bad timing, so you need to be prepared to seize the moment.