

The silver machines giving them a taste of profit

By Jonathan Moules

Published: August 15 2008

Can small independent companies also be successful? It is a conundrum that has challenged business owners for generations, but one that Jamie Hutchinson and Dawn Mannis believe they can crack.

The couple have chosen what is already a crowded and cut-throat market – selling wine from high street shops.



The trouble with selling wine, and the reason why most of the market has been snared by supermarkets and warehouse operators with vast economies of scale, is that drinkers tend to buy on price.

Offering tastings to get people to buy rarer vintages is expensive because once you open a bottle of wine you have to finish it quickly. As a result, most shops that organise wine tastings gravitate towards the cheapest offerings.

However, Mannis and Hutchinson's business, called **The Sampler**, is already **profitable just 18 months after opening its doors and boasts 50 per cent higher gross margins than market leaders like Majestic Wine.**

Their chief weapon is an **Italian-built wine vending machine [Enomatic Wine Serving Systems®]**, which enables The Sampler to sell small tastings of fine vintages for a couple of pounds before the customer shells out for a whole bottle.

You might think Hutchinson, who as a former venture capitalist at Apax Partners has seen more than his fair share of good and bad ideas, would have known better than to put his life savings on a creating new chain of wine shops. But he is bullish.

"Being a retailer in the high street is hard. This gives us something else," he says.

Ten of The Sampler's hermetically sealed silver boxes are dotted around their small Islington shop, each capable of keeping eight bottles of wine ready to **drink for up to three weeks.**

Customers buy a pre-paid smart card with enough credit to sample more than 30 bottles. The selection available when I visited ranged from a 61-year-old chenin blanc that costs £380 a bottle down to a £7.49 chardonnay.

Because customers spend just a few pounds for a sample of some of the most expensive wines on display, they tend to trade up, Hutchison notes.

On average, Sampler customers spend £23 on a bottle of wine, compared with an average of £4.10 elsewhere on the high street.

“The tasting concept allows us to select specific lines for sampling thus allowing us both to push better margin products and clear out end-of-lines,” Hutchinson says.

In addition, customers are unlikely to be disappointed with a purchase of a highly priced bottle when they have already sampled some of the contents.

“What is important in retail is your customer relationship,” Hutchinson notes. **“Now people trust us.”**

Not that starting such a venture has been cheap. Each of the Enomatic machines costs about £10,000. They also require regular maintenance and careful cleaning, Mannis admits.

The bill for the machinery, wines and decor for the first shop alone was £300,000, which the couple financed entirely from personal savings and loans secured on their homes.

However, the business managed to become cash flow positive on a monthly basis during its first year of trading.

Turnover is approaching £1m, according to Hutchinson, who cheerily predicts that he can double that figure in the current financial year despite the looming threat of recession.

“People might not go out to restaurants, which makes it hard if you are a distributor, but they don’t stop drinking,” he says, adding that people might even be tempted to buy more expensive wines to make drinking at home more of a treat.

Hutchinson notes that he has so far found it easy to get debt finance from the bank, despite the credit squeeze, because the business has always achieved what he promised in forecasts.

“We send our targets every month to our bank manager and we make sure we beat them.”

Mannis and Hutchinson are now pitching for a further £2m of outside funding to support the creation of another four to six shops around the capital, but are determined not to grow too large.

“We don’t want to be a very big chain and dominate the high street because we think that is where other wine shops have gone wrong,” Hutchinson says.

“The thing that is most important to us is to keep it independent.”

Keeping it small creates its own tensions, Hutchinson and Mannis admit. With just four people currently in the business and long hours spent at the shop, the couple have had to be disciplined not to spend all their time talking about wine.

Mannis notes that when she had the option to study for a wine diploma she chose to put it off and instead spent the time going out with her friends to get a break from work.

The couple are also aware that there is a tension between being the owners and one of the employees in a small business. To this end they are looking for a couple of non-executive directors, one of whom can act as chairman, to provide guidance and keep their feet on the ground.

“Many people have built retail chains and we happen to believe that some of that experience is really valuable,” Hutchinson says.

“The trouble if you have your own business is to think that this is your baby, but you have to stand back,” Mannis says.

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