

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

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Abstract

WinePeer is a mobile application that enables wine consumers to rate wines in 60 seconds for the purposes of developing an evolving taste profile with the potential to be leveraged in many different ways. This work determines the viability of WinePeer as a business venture through providing a comprehensive analysis of the external environment including the wine industry supply chain, regulatory influences and global wine industry trends. Drawing on the work of Kim and Mauborgne, this analysis draws on Blue Ocean Strategy to address wine consumers and competitors utilizing a values-based assessment involving the creation of value curves to highlight areas competitors are under or over delivering with respect to consumer expectations. The WinePeer business model attempts to carve out a market niche by eliminating, reducing, increasing and/or creating values and through developing a value curve that focuses resources from underappreciated values to those desired by consumers. In this manner, it provides a differentiated offering that distinguishes WinePeer from potential competitors. The viability of WinePeer's business modelled was confirmed through the identification of four revenue streams and through addressing all issues related to funding the venture's operations.

Keywords: WinePeer.com; taste profile; value curve; strategy canvas; wine appreciation; Blue Ocean; recommendations; Millennials; Genome Project; mobile application

Executive Summary

WinePeer is a mobile application and Internet website that enables wine consumers to rate wines in 60 seconds or less, and in so doing, build up a taste profile that reflects and updates their preferences in wine dynamically with each rating. In grouping similar taste profiles, highly rated wines can become recommendations to the many, the specificity of taste profiles lends itself to even more highly targeted marketing efforts.

This paper explores WinePeer's business concept through a strategic analysis from which a go/ no-go decision is made regarding concept viability. The stringent regulatory environment of British Columbia (BC) serves as the main geographic focus with the thought that should the business concept prove viable here, it is likely that it can be replicated elsewhere.

Review of the supply chain identified Retailers and Agents as the most likely to realize a benefit from WinePeer through more highly targeted marketing. A control-based regulatory environment means specific rules govern the advertising of alcohol; accordingly, WinePeer must take care in the portrayal of recommendations. Globally, the wine industry is consolidating in response to oversupply. Consumers are trading down to cheaper wines indicating that pricing is a significant issue. Wine eCommerce sales are still in an early stage of market penetration with consensus indicating continued growth as jurisdictions relax stringent controls.

Turning from the environment, the authors looked at the consumer in more detail. A survey assessed consumer expectations relative to the values typically associated with wine consumption. A consumer value curve was constructed from response averages—Match Taste and Remembering were the most highly desired values. The market of wine drinkers was then segmented in two ways: by age and by type of wine drinker. Analysis based on numbers of wine drinkers, trends in wine consumption and use of technology ranked the age segments by decreasing order of priority—Millennials, Baby Boomers, Gen X and lastly Seniors. The types of wine drinkers were also ranked in a similar order based on the same consumer values— Satisfied Sippers, Savvy Shoppers and Overwhelmed followed by Image Seekers, Traditionalists, and lastly Enthusiasts. A matrix comparison of the two rankings identified Millennial Satisfied

Sippers as early adopters followed by Millennial Savvy Shoppers and Baby Boomer Satisfied Sippers as primary markets.

A look at the competition followed. The analysis included 149 competitors divided into six groups: retailers, eCommerce, aggregators, blogs, online social networks (social media), and applications. The value curve of each group's leader was superimposed over that of consumers revealing areas of over and under delivery. Remembering and Match Taste were values that the industry was consistently under delivering with the only exception being Snooth.com whose strength warranted strategic consideration.

Knowing where the competitors were delivering allowed WinePeer's value proposition to be enhanced. Three values were created: Identity (personalized taste profiles), Discovery (recommendations as facilitated exploration), and Immediacy (rapid input, feedback and purchase). The resulting value curve of WinePeer's proposed offering was superimposed over that of consumers to reveal how WinePeer plans to differentiate itself from the competition while offering superior value with regard to key consumer needs.

Four revenue streams were identified: advertising primarily through wine recommendations, sales of a mobile device application, affiliate fees from the use of "Where to Buy" and "Buy Now" buttons, and data services. Competitive insulation would be derived from maintaining trade secrets in terms of proprietary technology, elevating user switching costs by leveraging Remembering, strategic use of trademarking and copyrighting, and enhancing lock-in for social media users through provision of a plug-in.

Financial viability was analyzed by first addressing key assumptions followed by a closer look at costs through the staffing plan (going from 0.5 FTE to 4.0 FTE in Year 5), the application development plan (just over \$100K), and the marketing plan (\$100K over five years). User adoption curves identified the peak adoption rate occurring around Month 45 and trending upward at Month 60 to approach 400,000 users (a key assumption). Year 1 has founders, friends and family funding of \$209K. Year 2 sees initial revenues growing with an Angel round of funding at Month 18 (\$100K). Year 3 sees breakeven at Month 30 and year-end cash reserves of \$100K. Years 4 and 5 are the lucrative years focussed on maintaining operations while planning for an acquisition exit by companies like Snooth.com, Amazon.com, Google, national wine eCommerce sites, and major consumer goods retailers such as Costco.

The authors of this paper have determined that the business is viable. WinePeer will be incorporated and funding pursued in the fall of 2010.

I would like to dedicate this work to my wife Mina - for being supportive and by my side no matter what I do. My second dedication is to my father Chih-Yuen - for passing on his wisdom and how to treat others.

– Larry Lee –

Dedicated to my wife Louise whose support, patience and understanding allows me to succeed.

– Kevin McLeod –

To my wife Davinda for helping me (and us) move forward in life, for sharing her positive outlook, and for her love that makes all that I do worthwhile. Also, to my daughter Alyssa and son Jeremy who have supported their Dad in so many small (and large) ways. This journey would have been impossible if it was not for their patience and belief.

– Martin Renke –

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Acronyms

A/P	Accounts Payable
A/R	Accounts Receivable
B2B	Business-to-Business
B2C	Business-to-Consumer
BC	British Columbia
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COGS	Cost of Goods Sold
COO	Chief Operating Officer
CTO	Chief Technical Officer
CRTC	Canadian Radio-television and Telecommunications Commission
CTR	Click-Through-Rate
FFF	Founder, Friends, and Family (funding)
FTE	Full-Time Equivalent
G&A	General and Administration
GATT	General Agreement on Tariffs and Trade
GLS	Government Liquor Store
LCLB	Liquor Control and Licensing Branch (of BC)
LDB	Liquor Distribution Branch (of BC)
LRS	Licensed Retail Store

MHSD Ministry of Housing and Social Development (BC)

MOT Management of Technology

NAFTA North American Free Trade Agreement

PPC Pay-Per-Click

PSSG Public Safety and Solicitor General (BC Ministry of)

QR Quick Response (code)

SKU Stock Keeping Unit

UPC Universal Product Code

USD US Dollar

VQA Vintner's Quality Alliance

Introduction: WinePeer, The Journey

“WinePeer” is a reference to the business idea being investigated in this document, the business entity that it may one day become, and the team of authors who could one day be the successful principles of a unique and thriving business.

WinePeer is a wine application that will be accessed via the Internet or a mobile device and will utilize a taste-based matching algorithm to make instantaneous wine recommendations for its users. Drawing on the work of Kim and Mauborgne (2005), the authors applied concepts developed in the Blue Ocean strategy to explore the business concept of WinePeer. This exploration was accomplished through the development of a comprehensive strategic analysis designed to generate insights into the wine industry, its market, and competitors for the purposes of determining the viability of the WinePeer business model, the best strategy for launching the business, and for determining optimal revenue generation activities. The section that follows outlines the journey that the WinePeer team went through to arrive at this product strategy provides a brief description of the WinePeer product, how it might generate revenue, as well as the approach to the business strategy¹.

1: WinePeer

1.1 The WinePeer Seed

The WinePeer concept started in Sept 2009 as a project for the Applied Finance course within the Management of Technology MBA program. Five business students brainstormed ideas that linked mobile applications to the wine industry, which led to the decision to create a mobile application for wine consumers that made personalized, taste-based recommendations. Within the short time of the Applied Finance course, the WinePeer concept evolved from a taste-

¹ Note: a description of overall methodology can be found in Appendix A.

based wine club delivery service towards a mobile wine recommendation application. This evolution was driven by:

- interviews with various participants of the wine industry value chain;
- attendance at wine tasting events;
- a consumer survey designed to confirm customer needs²; and,
- a pilot wine tasting event with the 2008 MOT MBA cohort to test out the viability of the rudimentary taste-matching algorithm.

While interviews with participants in the value chain confirmed general interest in the WinePeer application, it was evident that it would not be adopted in its current form by many and would be a very tough sell to most members of the value chain because of the tight margins created by regulatory forces. Further, individuals working in the industry felt that taste recommendations were best left to sommeliers, and “old-fashioned hand selling”—the tried and true method of selling wine in stores. While there was general interest, there was not enough to build a viable business. What did emerge from these interviews was an understanding that retailers were struggling to create a strong online presence and were dissatisfied with traditional marketing tactics that were failing to demonstrate significant returns.

The team attended two wine tasting events to gain firsthand experience by talking directly with engaged wine consumers and through interviewing wine experts. Through these activities, it became evident that the large number of wines presented at the events made it very difficult for most people to remember exactly what wines they had tasted and which they had liked (or did not like). This observation was insight to one of the first pains identified in the industry that affects not just consumers but everyone participating in the value chain who lost revenue because a consumer simply forgot what they liked. This understanding led to the realization that WinePeer could be designed to help consumers remember the wines they consumed.

During the Applied Finance semester, the team conducted a survey in which 177 people responded to questions designed to test the insight that there was confusion around remembering and understanding wines and wine tasting. Additional data were gathered that included developing insights into whether participants would use a mobile application for wine related purposes. The results demonstrated that most people did not know how to pick wines, that they

² A complete listing of survey questions from 2009 can be found in Appendix B.

did not understand wine rating systems available to them and that they were interested in an online wine application or mobile application that could help them in wine related decision-making.

Finally, a pilot wine-tasting event was designed for a cohort of MBA students to determine the dynamics of wine tasting and decision-making. The students were provided with a range of wines to taste and without the benefit of having a wine education, they were asked to rate the wines based on an intuitive rating system that took under 30 seconds to complete. Based on those reviews, an algorithm was developed to match classmates together based on the percentage similarity in their responses to the wine tasting event. This provided the WinePeer team with a preliminary indication that a taste-based matching mechanism could be leveraged within a business.

An initial strategy was presented to the class in December 2009 that drew on the diverse sources of data reported above that outlined the concept of a taste-based matching algorithm platform designed to attract wine consumers, develop eCommerce opportunities for wine retailers, and aggregate wine market data for sale back to participants in the wine value chain. It was still unclear at this stage if WinePeer had the potential to be successful or profitable due to the lack of more robust market research and a lack of understanding of the wine industry's operational and regulatory structure. The section that follows discusses how the WinePeer concept was reframed in response to these issues and challenges.

1.2 Redefining WinePeer

The WinePeer project was reinitiated in May 2010 by the three authors of this paper (Larry Lee, Kevin McLeod, and Martin Renke) and the business model reconsidered. The authors realized that the previous strategy developed in 2009 was incomplete and that the financial model suffered from untested market assumptions. A decision was made by the team that new data needed to be gathered and a fresh perspective on the business concept needed to be developed. To accomplish this, the team adopted a more comprehensive approach to conducting primary market research beginning with systematically interviewing a sample of participants from across the wine industry value chain. A total of 23 interviews were completed³ which included individuals working in liquor warehousing and freight forwarding in BC, wine agents,

³ Thirteen and ten interviews for the research conducted in 2009 and 2010, respectively.

and retailers. To support this research, a second consumer survey was conducted that attracted 206 respondents and focused on identifying particular values of importance to consumers⁴.

During this data collection period, the WinePeer team was interested in the idea of WinePeer licensing its taste-based matching technology directly to wine retailers. It was envisioned that WinePeer could also develop a customized online presence and mobile application for each retailer. This approach was proven not to be viable due to two factors: first, wine retailing is not a high margin business and, as such, retailers cannot devote much of their financial resources to marketing efforts, much less spend money on an expensive technology solution; and, second, it would have been difficult to develop a business model for WinePeer given the limitations of adopting a retail outlet centric approach that constrained the view of the consumer to a single retail location, thereby limiting the potential for network effects (i.e. benefits) in sharing wine data.

This brought the WinePeer team full circle back to developing WinePeer as an online and mobile application. The wine application market currently has many competitors; however, a dominant player has yet to establish itself. WinePeer developed insights into key areas of differentiation through its consumer research and a product concept and business model developed based on these points of differentiation. The next section describes the WinePeer concept on which the remainder of this paper is focused.

1.3 What is WinePeer?

The taste of wine differs between individuals. What tastes good to one person, may be something that is torturous for another to drink. Furthermore, there is so much selection of wine in the marketplace that it is confusing for many wine consumers to select one—much less one that they know they will enjoy. WinePeer will be the tool of choice to enable the consumer to be confident in selecting a wine they will like. It will simplify the wine selection and buying process. The customer will not need to be a wine expert in order to pick the right wine for themselves.

⁴ Refer to Appendix C for a listing of the questions included in the June 2010 survey.



Figure 1: High-level overview of the WinePeer solution

WinePeer is a personalized wine recommendation application that can be accessed via a website or mobile device. An overview of the application is shown in Figure 1 above. The application will make recommendations for users based on their ratings of previous wines. The WinePeer application will be akin to having a sommelier that understands a user's individual taste, and makes recommendations specifically matched to that user. Users will not need to understand or educate themselves about wine tasting; instead, WinePeer will make personalized recommendations for them based on a simple and intuitive rating system. The more the user enters wine ratings into WinePeer, the more accurate the application will be in providing a wine recommendation matched to that user. Consequently, consumers will be more confident in spending money on wines knowing they will be buying a vintage they will enjoy.

How will WinePeer make money? WinePeer has identified four different revenue streams:

1. paid application
2. advertising through the web site or mobile app
3. affiliate fees
4. data services

Initially the WinePeer application will be provided to the consumers free of charge in order to attract early adopters. A premium paid application will follow that will not include advertising and will provide consumers with enhanced features. It is intended to be a relatively cheap application (between \$0.99 to \$4.99).

Revenue from advertising will be earned through traditional advertising mechanisms established on the web such as Google AdSense and will take the form of banner advertising typically seen on websites or on mobile applications. As will be discussed later in the paper, this revenue stream is assumed to be minimal until the application attracts a large number of adopters. This approach, however, *will* provide WinePeer with an easy to deploy revenue stream as soon as the application is launched.

Affiliate fees will be generated once a customer chooses to buy a recommended wine. Two buttons will accompany every wine recommendation – a “Buy Now” button and a “Where to Buy” button. The “Buy Now” button will direct consumers to an eCommerce website where they can purchase the wine and have it shipped to their location. There are multiple eCommerce websites within the US and Canada governed by particular legislative considerations. Affiliate fees represent a proven revenue model offered through many of these eCommerce websites whereby WinePeer (as an affiliate) would receive a percentage of each sale as revenue. The “Where to Buy” button will provide a list of retail locations (e.g. wine stores, liquor stores Supermarkets, etc.) in proximity to the customer where they can purchase that wine. Wine retailers will pay WinePeer a small pay-per-click fee to be included in the list of locations within a given recommendation. This revenue stream relies on acquiring data about which wines are stocked at what stores. Fortunately, much of this information can be provided by retailers or is publicly available on retailers’ websites. This revenue stream is expected to take longer to develop but (using very modest assumptions) could prove to be quite lucrative.

Data services represent a future revenue stream for WinePeer once it has become firmly established with retailers and consumers. Consumer market data aggregated by WinePeer would be valuable for many participants of the wine industry value chain and could be sold on a subscription basis. The data, for example, could provide retailers or wineries with useful market information on how well their products are competing with others.

1.4 What Makes WinePeer Special?

WinePeer will differentiate itself through focusing on value innovation for wine consumers. The strategic intent of WinePeer is to create a leap in value that meets consumer

needs while outpacing the existing competition. This leap is accomplished, first, by understanding what wine consumers believe is important and second, based on those findings, determining which values within the industry can be eliminated, reduced, raised and created.

Values that consumers do not find important will be reduced or eliminated from WinePeer's feature set. Existing industry values that competitors are offering below consumer expectations will be improved to meet consumer needs. Lastly, and most importantly in terms of differentiation, new values that are non-existent in the marketplace will be created as the strategic focus of WinePeer. Through these four actions, WinePeer will differentiate and protect its offering from the strategic responses of competitor firms. What follows is a focus on WinePeer's strategic decision-making process in the context of the wine industry's external environment.

The External WinePeer Environment: Industry and Government

2: The Industry

This section will provide an analysis of the wine industry with a particular focus on the wine supply chain and regulations in British Columbia (BC). WinePeer intends to use BC as its launch market, and as such, understanding the supply chain and regulations in BC is central to success. In addition, BC liquor regulations are known to be some of the toughest in the world and it is assumed that if WinePeer can create a successful business model in BC, it should be able to translate this model to other markets in North America.

2.1 Supply Chain (BC)

The prevailing model for the wine industry in North America is the use of a three-tier system separating liquor production, distribution, and retail. The industry is structured in such a manner to provide regulation and control so that no producer of liquor can sell directly to the consumer. A distributor must be in place to provide that point of control and regulation. The complexity of the supply chain model as a result of BC-based liquor regulations is demonstrated by Figure 2 below which outlines the importation portion of the wine supply chain.

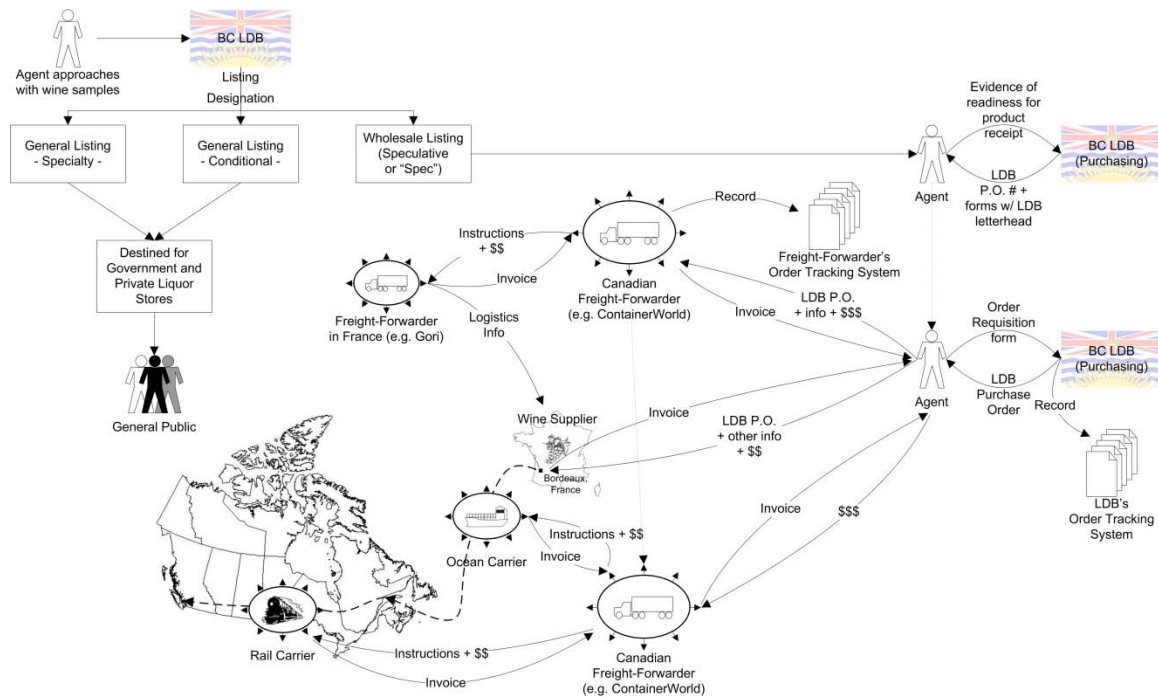


Figure 2: Authors' illustration of the interactions required to import wine into British Columbia

As Figure 2 demonstrates, there are a number of parties involved in the journey of a bottle of wine from the point of production to the hand of the consumer. The section that follows briefly addresses each participant involved which includes:

- Wineries
- Agents
- BC Liquor Distribution Branch (LDB)
- BC Liquor Control And Licensing Branch (LCLB)
- Freight-forwarders
- Warehouseers
- Distributors
- Retailers

2.2 Wineries

Wineries range from the single-family vineyard to the conglomerate firms that own multiple wineries and act as a single supplier providing a portfolio of products. These producers

bear a significant amount of risk as the wines they create are almost wholly dependent upon the quality of the fruit used. Fruit quality is highly dependent upon external factors outside the control of the fruit grower, the key element being the influence of weather. Wine manufacturers willing to deal in bulk fruit or juice tend to have greater flexibility as they may go to the open market to identify and purchase from other sources should a relied-upon supplier experience difficulties.

The profitability of wineries varies considerably. A winery's skill in manufacturing (as represented by the reputation and track record of the master wine maker) has the potential to increase the final consumers' willingness to pay whereas efficient operations can significantly decrease the cost base.

The WinePeer concept at this stage appears to offer little direct benefit to wineries.

2.3 Agents

There are three kinds of agents able to gain licensing within BC (Ministry of Public Safety and Solicitor General (PSSG), 2008, p. 5):

- Manufacturers of liquor who wish to market and sell their product off-site,
- Agents hired by a manufacturer to market and sell that manufacturer's products off-site, and
- Independent agents who market and sell imported and domestic products from any number of manufacturers (with an annual fee of \$200).

Wine agents in BC have dual roles within the industry. They are typically marketing focused and thus looking to increase demand for the wines they represent. Those sourcing product from outside of BC are also identified as import agents. As part of the terms and conditions attached to their license, agents must (Silvester, 2009; Christmas, 2010):

- submit samples to apply for a listing;
- apply for a SKU⁵;
- commit to providing a minimum amount of product;
- provide all marketing materials up front for LDB review;

⁵ Stock Keeping Unit, a means of uniquely identifying a unit of product that can be encoded within a barcode.

- provide that product when ordered by the LDB; and otherwise,
- cover all costs to get that product to the doors of the LDB's main warehouses.

There are approximately 150 agents in BC and many tend to operate as private businesses so estimates of their margins must be inferred from information provided by them and coming from adjacent participants of the value chain (Silvester, 2009) and depending upon the price of the wine involved, margins range from 5% to 20% (Christmas, 2010). Other reports have importers earning commissions of 15% to 20% of the supplier's price, making approximately \$0.40 to \$0.60 for an import retailing at \$9.99 (Exell, 2004). On the other hand, in the case of BC wines, the agent's commission could be 10% to 15% of the full retail price thereby earning over \$1.00 for a domestic wine priced at \$9.99 (Exell, 2004). Note too that cash flow management is very significant to import agents as well and often they find themselves at a disadvantage relative to other supply chain participants.

Agents bear a significant, if not disproportionate, burden of the up-front costs and, consequentially, of the risks involved. With inventory carrying costs mounting, they are especially motivated to increase product turnaround (Silvester, 2009) and are more inclined to market a wine at a price-point poised for significant market appeal while still achieving the margins typically sought. Anything that can help them market wine that is itself of nominal cost would likely be seen as a benefit. Even if WinePeer were to go with a consumer application model for revenue generation, the wine Agent could be seen as a promotional force out in the field driving adoption. Further, agents may be the early adopters of the data services revenue stream. As such, WinePeer will look to develop close relationships with agents as consumer adoption progresses.

2.4 BC Liquor Distribution Branch (LDB)

This BC Crown Corporation is the federally mandated provincial body that has the sole legal right to import liquor into BC. They are also responsible for the sale of liquor within BC and maintain multiple warehouses within the province. Through provincial legislation, domestic wines may be warehoused and distributed through private channels. Import wines, on the other hand, must go through government (and other) bonded warehouse facilities and LDB-authorized distribution channels.

Wine sales for the LDB (split between 44% domestics and 56% imports⁶, a change of +5.8% and +15.7%, respectively, from the previous year) comprised 29% or \$815,369 of total revenue for fiscal 2009 (BC LDB, 2009, p. 8). Profitability comes in the form of product mark-up; wine is marked up by 123% (Hicken, 2008). As a Crown Corporation, LDB profits provide a significant source of revenue for the Provincial Government; last year the LDB's net income was \$891 million (BC LDB, 2009, p. 8).

The Province of BC is also the beneficiary of significant tax revenue from the sale of wine and other liquor. Last year, an additional \$900 million was added to the General Revenue of the Province from taxes on liquor alone (Hicken, 2010). Overall, the effect of mark-up and taxes on wine means the average wine drinker in BC can pay just over half of the purchase price to the BC Government for a \$10 or \$20 bottle of wine to just over one-third of the purchase price for a \$100 bottle of wine⁷.

The BC LDB has avoided any significant risk within the value chain, and primarily acts as the regulatory body for liquor distribution. It does not appear as though WinePeer could provide any value to them.

2.5 Freight Forwarders

When it comes to the import of wine, freight forwarders provide the logistical capabilities to arrange the full spectrum of transport from supplier-side product pick-up to receipt by BC's centralized warehouses. In between source and destination, freight forwarders arrange for the transition of product between modes of transportation and for the clearance of customs and duties when national boundaries are crossed.

Currency fluctuations represent a significant risk to freight forwarders as do delays in transport caused, for example, by border waits or adverse weather conditions (Christmas, 2010). Logistics-focused firms are always fighting the clock and significant setbacks can easily eliminate the margins that were to be earned for a given trip. Freight forwarders typically manage costs by establishing partnerships with carrier companies that have expertise in different countries and contracts with local transport companies. They also participate in freight consolidation programs wherein partial containers can be filled with products of other freight forwarding companies (Christmas, 2010). This approach affords agents flexibility and some risk mitigation in that they need not order in whole-container lots.

⁶ Domestic = \$354,793 / \$ 815,369 = 43.5% (BC LDB, 2009, p. 8)

⁷ Refer to Table 23 of Appendix D (page 134).

WinePeer has little to offer the logistics and supply-chain-side of the industry. Freight-forwarders, warehouseers and distributors are in the business of moving products, some of which happen to be wine. A taste-based profiling solution will have little fit in this arena.

2.6 Warehouseers

Centralization of Government control over liquor is physically manifested through the warehousing system within BC. Warehouseers are firms that provide a bonded⁸ location wherein alcoholic goods can be received and secured before being redistributed within BC. Relative risks are minimal, as all costs are typically attributed back to the warehouseer's customer (usually an agent). Warehouseers often not only mitigate risks of product breakage through insurance but, if the volume of services delivered is large enough, can create yet another revenue stream by offering insurance services to their customers.

As with freight-forwarders, determining margin information is very difficult due to these companies being private enterprises and being involved in multiple lines of revenue beyond simple warehousing (e.g. insurance, order assembly, distribution). A key point to consider is that firms directly involved in supply chain logistics are unlikely to derive value from WinePeer.

2.7 Distributors

With orders received, goods need to get from the warehouses to the retailers. Distributors provide inland transport services moving cases of wines from warehouses to individual retailers. Often transport is required between warehouses (often referred to as line hauls) so that a more geographically distant portion of the province can be served at the retail level. Risks relevant to distributors often focus on impacts to costs. A key aspect is the availability of haul-back wherein the return trip for a given tractor trailer includes the transport of other goods.

All licensees must order from a specific Government Liquor Store for order sizes fewer than 30 cases (BC LDB, 2008, p. 5); otherwise, orders may be placed with LDB Wholesale Customer Centres or other outlets as recorded by either of the LDB or LCLB General Managers (BC LDB, 2008, p. 3). How that order is received is up to the Licensee: they may choose to use LDB distribution services (either staff or contracted out) or pick it up themselves. In the latter

⁸ "Bonded" refers to the deferral of taxes, specifically customs duties (for imports) and excise taxes (for domestic products).

situations, forms need to be submitted to authorize release of the order. In the case of domestic wines, a private distributor may be used to provide regular deliveries. (BC LDB, 2008, p. 8)

Distribution at the retail level is a highly competitive business with low barriers to entry. Accordingly, margins are slim with a range of 3% - 5% considered to be “doing good” (Christmas, 2010). As a result, distribution is focused on achieving a sufficient volume of business to remain profitable. WinePeer will have no value to add for distributors.

2.8 Wine Retailers

Retailers can be divided into two general categories based on the nature of consumption: first, there are those that sell wine for delayed consumption (sold by the unopened bottle or case) and second, there are those that sell wine for immediate consumption (sold by the glass or opened bottle). The key determinant is the nature of the license granted by the LCLB⁹.

- *Retailers for Delayed Consumption*¹⁰ - Retailers in this category include Government Liquor Stores and Licensed Retail Stores (LRS). The latter category includes private liquor stores (e.g., “Cold Beer and Wine” stores), independent wine stores, specialty private wine stores (including British Columbia VQA¹¹ stores, tourist wine stores and winery operated stores), and duty-free shops. (BC MHSD, 2009, p. 7)
- *Retailers for Immediate Consumption* - Retailers that allow immediate consumption on their premises include liquor-primary (e.g. bars, pubs, nightclubs, lounges, and private clubs) and food-primary (e.g., restaurants) establishments.

As the last link before the consumers, there is risk associated with stocking the right wines and right volumes of wines. That challenge seems to be less for VQA stores selling BC premium wines who simply try to procure as much variety and stock as possible (McDowell, 2010) given their limited scope. However, as a consumable with a relatively long shelf life, there is some flexibility (Clinton, 2009).

⁹ Refer to Appendix E for a list of liquor licenses granted by the LCLB and the relative licensing fees involved.

¹⁰ Allocations are permitted to allow sampling of wines on the premises (BC MHSD, 2009, p. 14).

¹¹ VQA refers to Vintners Quality Alliance, a collection of specialty wine stores who only sell BC domestic wines bearing the VQA designation of quality. The licenses for these retailers are held by the BC Wine Institute and granted to individual stores based on their terms and conditions.

Commissions in VQA stores are 26% across all wines (McDowell, 2010). By the time rent, labour and other (predominantly fixed) costs are factored in, margins are relatively thin yet the authors suspect they are above that of LRSs and significantly above that of distributors given the lower cost base associated with domestic wines and greater appropriation of the significant mark-ups by the business owner. Other costs unique to VQA stores include the initial setup fees¹².

With the recent introduction of the BC HST on July 1, 2010, new discount factors relative to the LDB display prices in the Government liquor stores came into effect (BC LDB, 2010, p. 2). As shown in Table 24 of Appendix D (page 134), LRSs and independent wine stores have 16% and 30% discounts, respectively. Restaurants, on the other hand, lost their discount factor altogether, the premise being the new input tax credits will provide sufficient relief along with their standard 100% mark-up.

It was discovered, through the retailer interviews, that retailers are relying on traditional methods to advertise and sell their products. This is comprised of using paper print advertising, hand selling, and in-store wine tasting events to promote and sell wine. In fact, most of their marketing activities focused on generating foot traffic into the retail outlet. Retailers were confident that they could make a sale once a consumer entered their premises. Many of the retailers were small businesses and, as such, had a very simple online presence. The low profit margins of retailers meant they could not see creating a better online presence or providing applications for their customers as an essential business focus despite being generally interested. Consequently, many of the retailers have been experimenting with low cost solutions such as email distribution lists to communicate with their clients.

WinePeer can offer immediate value to retailers; both for delayed consumption and immediate consumption retailers. Once WinePeer is established, it will become a unique direct marketing channel. Customers will be directed to the retailer through the “Where to Buy” functionality of the application and, in return, retailers would be required to pay WinePeer on a pay-per-click basis for directing customers to their business. Initially, this functionality will be offered for free to increase retailer adoption (potentially using BC as the test ground). However, once WinePeer acquires a significant user base, it could choose to charge retailers the pay-per-click fees.

¹² \$1,000 application fee and about \$8,000 to \$9,000 for the proprietary computerized inventory and sales tracking application common to all

2.9 Supply Chain Summary

The supply chain for wine in BC is quite complex (Figure 2), as such, a summarized diagram for the flow of wine is provided in Figure 3 below. WinePeer is a wine recommendation application that sits directly between retailers and consumers.

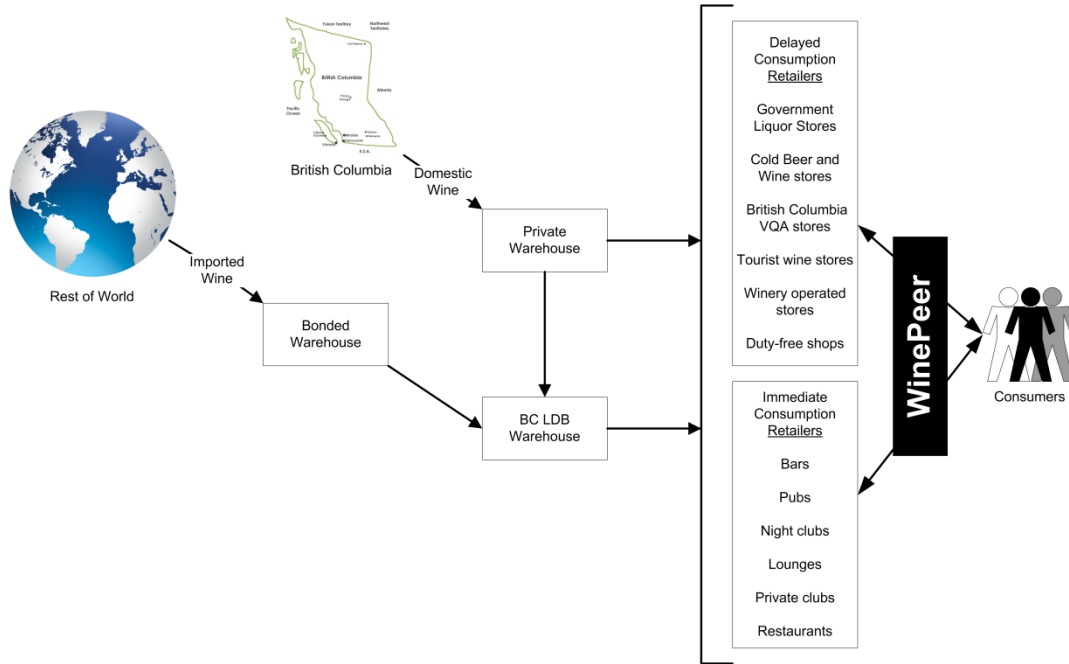


Figure 3: Authors' simplified view of BC's wine industry supply chain

WinePeer is an enabler that will assist wine consumers in confidently picking out the right wine for them. As such, WinePeer will focus on the interactions between the consumer and retailer. However, wine, like other alcoholic beverages, is a highly regulated industry and WinePeer must understand the regulations beyond the value chain described here. The following section examines the regulatory environment, and discusses the possible impact this may have on WinePeer's business models and strategy.

3: The Role of Government and Regulation within the BC Wine Industry

Government walks the middle ground between opposing forces when it comes to instituting, monitoring and enforcing liquor controls: they must balance the moral arguments and ills of over-indulgence with the fact that increased availability also helps bring much needed revenue to the public coffers. Sufficient control also balances a third force, the propensity of organized crime to begin encroaching should availability of liquor prove too strict—a reflection of the demand inherent within a population regardless of the laws.

3.1 The Structure of Federal and Provincial Regulatory Control

Alcoholic beverages are regulated according to the hierarchy illustrated in Figure 4 (BC MHSD, 2009, p. 3):

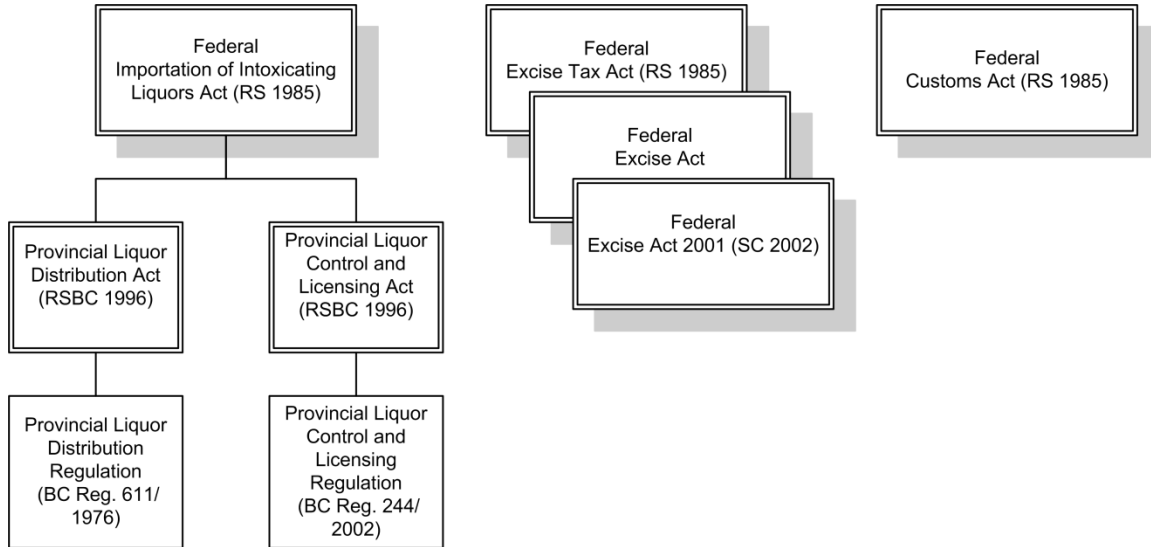


Figure 4: Relative relationship of Federal and BC Provincial regulations

The Federal Importation of Intoxicating Liquors Act restricts interprovincial trade in beer, wine and spirits and gives the provinces the power to establish and enforce their own regulatory oversight. The Provincial Liquor Distribution Act created the BC LDB and identifies it

as the only legal entity allowed to buy liquor both domestically and abroad. The Provincial Liquor Control and Licensing Act created the BC LCLB and grants it the power to grant, monitor and enforce licensing of establishments involved in the alcoholic beverage industry. The various Federal Excise Tax Acts address the taxation of wine and spirits among other goods while the Federal Customs Act identifies wine as a designated good, imports of which are subject to duties being paid.

From this perspective, it is clear that the movement of liquor anywhere in Canada is not only highly regulated but subject to customs duties and excise taxes. More specifically, both the Federal and Provincial Governments represent de facto “partners” in any WinePeer endeavour that involves the movement and sale of wine. As such, WinePeer has opted to avoid business models that involve directly handling alcoholic products.

3.2 Relative Taxation and Mark-up of BC Wine

When it comes to alcoholic beverages, BC citizens represent the most heavily taxed populace within Canada¹³ (Hicken, 2008). Under these circumstances, the BC wine consumers might be interested in an application or solution (such as WinePeer) that could aid in their wine buying decisions and enable them to spend their money more effectively.

3.3 Advertising, Use of the Internet with eCommerce and Delivery Services

The BC LCLB also has regulations that control and limit advertising, online sales and the shipping of product across jurisdictional boundaries. This section looks briefly at those regulations that may affect WinePeer.

3.3.1 Advertising

It is possible that public recommendations could be construed as advertising and thus subject to a number of restrictions. Insight obtained from the LCLB indicated that third-party recommendations of specific wines, coupled with an indication of where they may be purchased, could contravene the BC Liquor Control and Licensing Act (Bieller, 2010). In context of the

¹³ Refer to Appendix D for a breakdown of the effective taxation rate on wine in BC.

LCLB, WinePeer needs to position itself much like newspapers or radio stations who are running ads on behalf of LCLB licensees (i.e. the retailers themselves) for a set fee¹⁴.

3.3.2 Use of the Internet and eCommerce

The Internet is typically mentioned in the context of a medium for advertising¹⁵. eCommerce is now available for wine stores in BC although very few have implemented such systems. More typically, wine stores expect a customer to phone in their order after viewing the store's selection in wine online (Hicken, 2010).

3.3.3 Delivery Services

The Liquor Control and Licensing Act allows for delivery services to bring wine to customers but stipulates specific requirements must be met. A number of general scenarios are listed including the transportation of goods that may include liquor such as gift-baskets. An option considered for WinePeer is the concept of driving consumer traffic to an eCommerce site where wine purchases can then be delivered to the consumer. In the context of BC, delivery is limited to the boundaries of British Columbia. Certain US states do not hold the same restrictions and several eCommerce sites such as www.wine.com and www.800wine.com can freely ship to 34 of the US states.

3.4 Regulatory Trends

The Government has a significant incentive to keep the current system intact with minimal-to-no modification. For fiscal 2009, LDB mark-ups and provincial taxes earned the BC Government \$891 million and \$900 million¹⁶, respectively, a contribution of almost \$1.8 billion to General Revenue. With such a revenue stream, it would appear that change to the current system of control is very unlikely unless an equal or greater amount of revenue is generated in making a change. However, opposing forces exist that may be more persuasive in prompting government movement. Canada's most important trade agreements, NAFTA¹⁷ and GATT¹⁸, only allow preferential treatment in very limited circumstances, and the current disparity between BC's treatment of domestic and imported wines falls outside of those limited circumstances

¹⁴ Refer to Appendix F for a more in depth view of the possible regulations involved.

¹⁵ Refer to Appendix F and Section 3.3.1 address advertising in more detail.

¹⁶ Refer to Appendix D for more detail.

¹⁷ North American Free Trade Agreement

¹⁸ General Agreement on Tariffs and Trade

(Hicken, 2010, p. 1). With customers of BC wines paying 12% in taxes and mark-ups for a direct delivery distribution channel compared to more than 135% for the BC LDB-mediated channel, the grounds for a trade challenge appear well founded (Hicken, 2010, p. 2). Moreover, since this disparity is founded on the monopoly power conferred by the Federal Importation of Intoxicating Liquors Act, some lawyers hold this Act to be unconstitutional (Hicken, 2010, p. 3). Should the regulation be repealed or otherwise modified, one can expect there to be a significant shift away from the centralized model of control.

Any change as described could benefit WinePeer. WinePeer will need to remain vigilant and position itself to take advantage of a freer market should this occur.

3.5 Government Regulations Summary

As WinePeer readies its business for launch in BC, it must keep the federal and provincial regulations for alcohol in mind. British Columbia has one of the tightest regulatory environments in the liquor industry and a business model that works here should work anywhere else. WinePeer must be poised and ready to take advantage of any regulatory changes should these occur. The only area of concern today is the regulation surrounding advertising and that the core concept for WinePeer could be based on testing the boundaries of the BC Liquor Control and Licensing Act. This issue needs to be navigated carefully and may influence how the WinePeer application will work or where the WinePeer infrastructure is actually housed in order to bypass these rules. As with many issues on the Internet, geographically based legislation is difficult to patrol and enforce and regulators have yet to catch up with the marketplace. There are many loopholes that could be exploited should WinePeer need to address regulatory issues. The regulatory matter is something that will come up again and again as WinePeer expands beyond BC and is consistent with choosing to base an operation on a controlled product such as alcohol.

4: Global Wine Industry Trends

4.1 Industry Definition

The Global Wine Industry, as defined within this report, includes the entire value chain from production to end consumer wine sales. The products specifically involved in our study are: red wines, white wines, and sparkling wines.

There are four overarching trends for the global wine industry which are:

1. Oversupply by wine producers;
2. Consolidation and bankruptcies at all levels of the wine industry;
3. Consumers buying cheaper but more wine; and,
4. Wine eCommerce challenging traditional business models.

4.2 Oversupply by Wine Producers

Wine has traditionally been produced in European countries but the emergence of “New World” producers in areas such as United States, Australia, Canada, New Zealand, South America, and South Africa in the late 1990s has led to exponential increases in wine production over that time (Table 1 and Figure 5).

Table 1: Global differences between production and consumption of wine over time

Year	Million Hectolitres Production	Million Hectolitres Consumption	Million Hectolitres Difference
2004	296.8	239.4	57.4
2005	282.2	239.2	43.0
2006	283.7	242.7	41.0
2007	268.4	244.9	23.5
2008	269.4	242.9	26.5
2009	268.0	248.3	21.7

Source: (IBISWorld, 2010, p. 46)

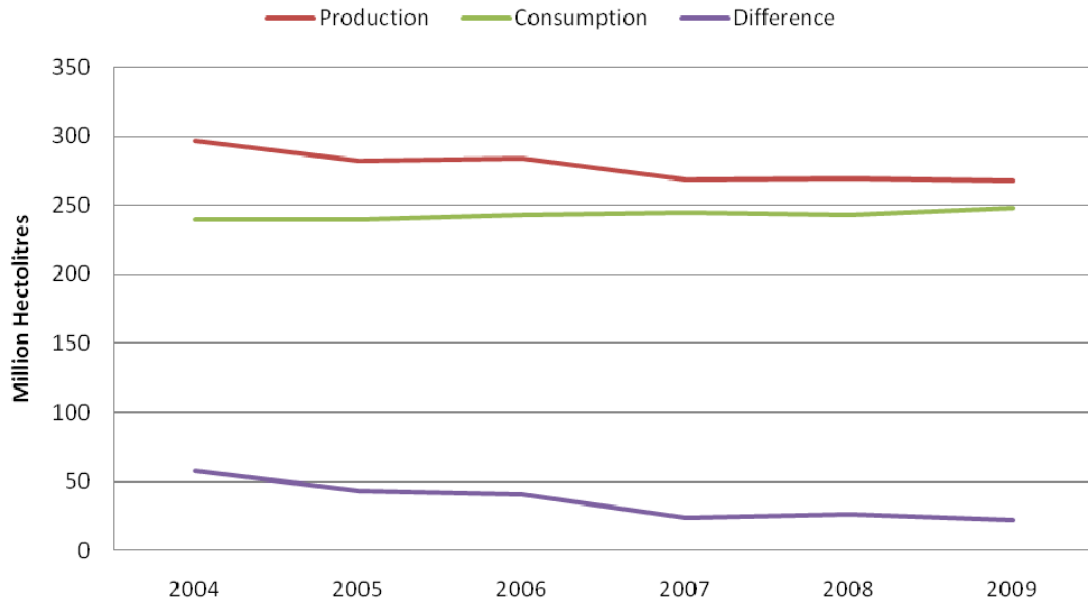


Figure 5: Global production and consumption trend by volume

Even though the global consumption by volume has grown modestly by 3.7% between 2004 and 2009, the supply of wine still outpaces that of demand. As illustrated in the chart above, producers have been reducing this supply down to 21.7 Million Hectolitres in 2009 from 57.4 Million Hectolitres in 2004. However, the supply is still just above that of demand and this will result in economic pressures to reduce wine prices. This provides an opportunity for WinePeer to provide instant alerts to consumers of price changes for wines that match their taste profile.

4.3 Consumers Switching to Lower Priced Wines

In response to the global recession, consumers have migrated to lower priced wine as they become increasingly more price sensitive. The significance can be better understood by understanding the following trends (Snyder, 2010, pp. 5-6):

- Sales of value brands rose, while ultra premium wine sales dropped;
- Business at restaurants and bars dropped;
- In 2009, wine brands in \$3USD to \$6USD range grew the fastest at 11.5% in revenue; and,

- In 2009, wine brands in the less than \$3USD range grew at 9% in revenue.

More recently, wine consumers have been trading down from more expensive wines to cheaper wines (refer to Table 2 and Figure 6). This speaks to an opportunity for WinePeer to be able to adjust recommendations to fit consumers’ changing budgets.

Table 2: Global wine revenue relative to consumption over time

Year	Revenue (Millions)	Hectolitres Consumption (Millions)
2004	52,762.4	239.4
2005	52,240.6	239.2
2006	54,461.7	242.7
2007	60,329.5	244.9
2008	63,615.9	242.9
2009	60,590.8	248.3
2010	58,271.4	239.4

Source: (IBISWorld, 2010, pp. 46-47)

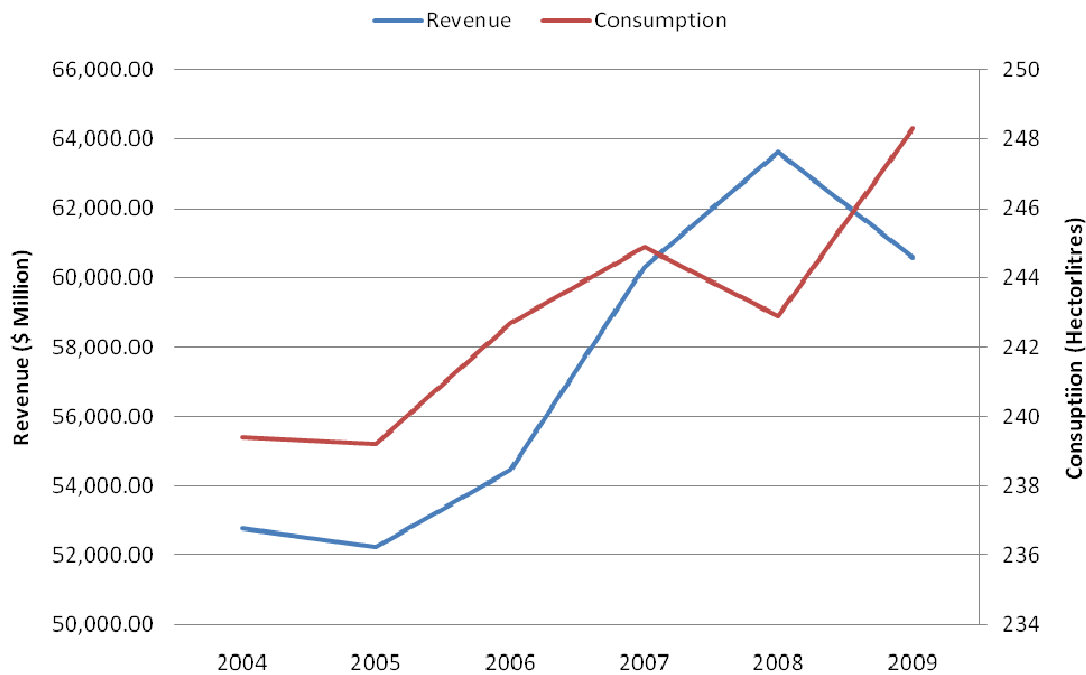


Figure 6: Global wine revenue and consumption trends (IBISWorld, 2010, pp. 46-47)

As shown in Figure 6 above, the volume of wine consumption has increased between 2008 and 2009 while revenues from wine decreased. This data further reinforces the fact that

consumers have been trading down to cheaper wines despite drinking more wine on a per volume basis. An additional consideration is that should this trend prove short-term in nature, an increase in industry revenue would still reflect positively on WinePeer.

4.4 Consolidation

Consolidation is happening at multiple levels within the wine industry—for producers, distributors *and* retailers. The key trend here is that large wine industry players are expanding at the expense of smaller independent ones. On the production side, consolidation is primarily due to oversupply and lower prices in wine. Many smaller wine producers have typically been family-operated businesses and are either disappearing through bankruptcies or have been acquired by larger wine conglomerates. These smaller operations just did not have enough resources to weather the latest global recession or did not have the ability to compete with the larger producers. Examples of this consolidation are (Pirani, 2010, p. 4):

- Fortune Brands and Pernod Ricard purchased Allied Domecq’s US wine assets in 2005;
- Constellation Brands purchased Fortune Brands’ wine business in 2007; and,
- The Wine Group purchased three of Constellation Brands’ wineries in 2008.

For wine wholesalers, consolidation has occurred due to pressures from both sides of the wine value chain. As producers consolidate and become large conglomerates of wine brands, they wish to deal with larger wholesalers who can operate in similar volumes and cover the vast geographic reach required to deliver wines into additional markets. Furthermore, with retail industry consolidation into “big box” operations such as Costco and Wal-Mart, many small wholesalers cannot keep up with “big box” demand. These large retailers have high bargaining power and strict service requirements that disintermediates small or independent distributors (Snyder, 2010, p. 18) . Related to this, US based big box retailers have large economies of scale and spread costs over a very diverse product range. With consumers shifting their wine buying behaviour to these large retailers who offer wine at lower prices, traditional boutique retailers are put at a disadvantage even though they might offer more selection and different wines that larger retailers do not carry. In addition, as consumers purchase cheaper wine, profitability is also reduced placing added financial pressures on small wine retailers that can potentially lead to insolvency (Snyder, 2010, p. 18).

Consolidation is happening throughout the North American wine industry. Over the coming years there will be a reduction in wine selection for consumers and dominance by larger brands. WinePeer plans to ensure it has sufficient price discrimination built into the application such that consumers can quickly find wines that match their budget. However, the potential loss of retailers through the previously discussed pressures means that WinePeer may have to consider forming relationships with the conglomerates. Strategically, WinePeer would aim to position itself to be a natural acquisition by a conglomerate as one of several possible exit strategies which will be discussed later.

4.5 eCommerce by Wineries and Retailers

As wine can be readily and legally purchased online in many states of the US, wineries and retailers have begun to market and sell their wines online. By doing so, the value of the distributor has begun to diminish. Many distributors have established business and distribution models based on state regulations and borders. This means that wine could only be physically sold and distributed through specific channels within the three-tier model of producer, distributor, and retailer. However, with the use of eCommerce, consumers are now able to buy wines directly from the wineries, bypassing the distributor and retailer completely. The wine eCommerce trend in the US is challenging business models established on physical wine sales by diminishing the role of wholesalers in the value chain.

The wine eCommerce trend will continue to grow with a big online retailer such as Amazon planning to enter the market (Snyder, 2010, p. 8). Amazon plans to have the most expansive collection of wine available to consumers with products that cannot be found anywhere else. The industry is still only in an early stage in terms of online wine purchases. Online purchases are still not widely adopted across the demographics of wine drinkers (refer to Figure 7) and as such, there is a high potential for growth in the online retailing of wine.

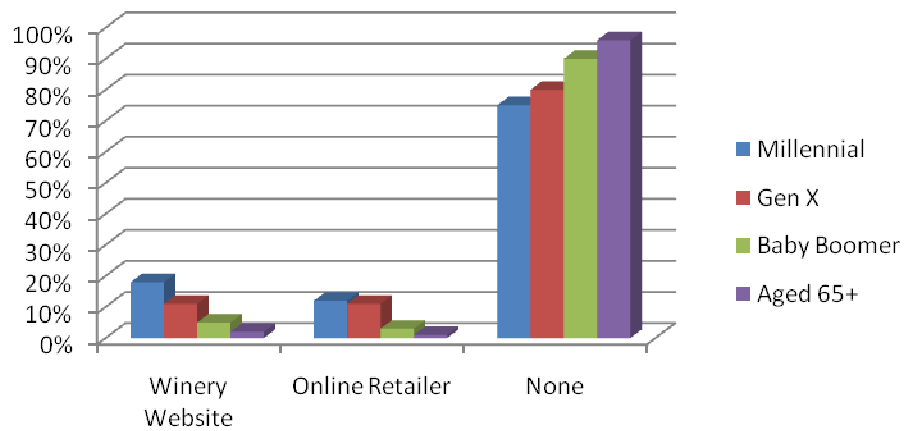


Figure 7: Distribution of online wine purchases across demographic groups (The Wine Market Council, 2009)

While WinePeer does not plan to be an online retailer directly, it does plan to be the recommendation engine that stands between online retailers and consumers. WinePeer will be positioned for growth in this area of the industry. The sections that follow develop deeper insights into the consumer-based market and examine existing applications, websites, and information sources related to wine. A scoring mechanism was created to measure how well potential WinePeer competitors are doing and to identify gaps or opportunities that WinePeer can capitalize on.

The External WinePeer Environment: Consumers

5: Consumer Analysis

This section examines and analyzes the values desired by consumers. It begins with a review of the consumer survey conducted in June of 2010 by highlighting some key findings. Next, a consumer value curve is constructed that establishes the benchmark upon which the entire wine industry is measured. The market analysis continues with a high-level examination of the age demographics of wine consumers in both the United States and Canada. These markets have been selected because they represent areas in which WinePeer is most likely to gain consumer adoption and where the revenue streams can most easily be capitalized upon. This section will be augmented with a discussion of the consumer market in terms of the types of wine drinkers and includes a look at relevant consumer trends and the current adoption of wine-related consumer technology. This section concludes with a final analysis that compiles all of the above data into a concise matrix that scores consumer segments in terms of their potential as WinePeer adopters. These sub-segments will also be given population estimates to illustrate the true number of early adopters and later adopters in the market. This final analysis provides a strategic foundation for a product development and marketing plan for WinePeer.

5.1 Definition of “Value”

Vital to understanding many of the analyses in this paper is the idea of “value”. Any industry has an inherent set of values that form the foundation of what consumers appreciate in a product or service (and that drive buying decisions). Conversely, these same values are what businesses attempt to provide in order to meet customer needs. A gap between the consumers’ desired values and the provision of the same by the industry provides an opportunity.

If consumers desire little of a particular value and the industry is overshooting on that mark, an opportunity exists to exclude or reduce values from a given product. Such an opportunity will save both time and money pursuing features or functionality that the industry has taken for granted and to which competitors have allocated resources unnecessarily for further development and maintenance. Avoiding these types of values will allow WinePeer to remain lean by keeping costs low and competitively differentiated from other products.

5.1.1 Value Identification

In order to analyze value within the wine industry, WinePeer set out to identify standard values present within the wine industry and drew on the following sources:

- Direct interviews with members of the wine industry value chain;
- The October 2009 consumer survey;
- The June 2010 consumer survey; and
- An existing value map conducted on Yellowtail Wine^{19,20}

The list of values that are prevalent throughout the wine industry will be referenced throughout this paper and can be reviewed in Table 3 below along with their definitions. *Advertising*, for example, refers to the use of contest, promotions, prizes, discounts, fancy labels and any other marketing tactic that attempts to make a sale *not* based on the merits of the actual product. This value is used by retailers, agents and wineries throughout the industry in their attempts to sell more wine. Likewise, some consumers, as will be seen in the next section, use this sort of information to help them decide a wine to buy.

¹⁹ <http://cb.hbsp.harvard.edu/cb/product/BOS018-PDF-ENG> for resource description.

²⁰ <http://www.slideshare.net/pchitchai/blue-ocean-strategy-bos-258800> for presentation

Table 3: Wine-related consumer values

Value	Definition of Value
Inventory Management	Products that allow consumers, businesses or estates with wine cellars to keep track of their wine inventory.
Data	Information on consumer and market behaviour that can be sold or used by one or more members of the wine industry value chain.
Education	Providing general information on the various grapes, regions, flavours and foods as well as the recognized methods for tasting and serving wine along with the entire vernacular that goes with these learning points.
Prestige	Attribute that connote some sort of elite status which are often used in an attempt to create barriers to entry or to limit competition.
Advertising	Contest, promotions, prizes, discounts, fancy labels and any other marketing tactic that attempts to make a sale not based on the merits of the actual product.
Remembering	Providing a history of what wines were consumed, when and whether or not they provided good value for their price.
Social	Wine is a social product and social media has arisen which supports this drive. This value encompasses anything that involves experiencing wine with others.
Search	Providing consumers with a way to explore and find new wines typically through search functionality.
Match Food	Providing a method for individuals to match wine with their meal/food.
Match Budget	Providing a method for individuals to match wine with their budget.
Match Location	Providing a method for individuals to find a wine that can be bought nearby.
Match Taste	Providing a method for individuals to find a wine that matches their personal taste.

5.1.2 Values Excluded

Not all of the values listed above were used in the analysis that follows. *Inventory Management* was disregarded because it was discovered, through the market research, that only a very small percentage of wine drinkers (much less than 1%) actually store or age wine. *Data* was also excluded from the final analysis because it is a B2B value and thus has no correlation with the consumer survey that forms the basis of the values analysis discussed in Sections 5 and 6.

5.2 Consumer Survey

A consumer survey was circulated in June of 2010 designed to uncover how much consumers actually desired the values that were currently being offered by the wine industry. The survey was circulated through a number of channels including personal contacts, online wine social networks, wine blogs, SFU alumni, current students, friends and family members. The survey was responded to by 266 people of which 206 completed the survey in full²¹ For the

²¹ Note: this is the sample used for this paper as the survey continues to garner responses and has currently recorded over 280 respondents

purpose of this analysis, only full respondents have been included and, as such, the sample size is referred to as 206 throughout the remainder of this paper.

5.2.1 Survey Questions Assigned to Values

Respondents were to respond to 29 multiple choice questions that were designed to address both non-wine drinkers and wine-drinkers. Consequently, not all survey respondents answered the same questions and not all of the questions were used in this analysis. Some of the questions around “time spent” proved unrevealing either because of poor wording or because the general population spends imperceptibly different amounts of time on wine-related tasks.

The questions central to this analysis asked consumers to rank certain aspects of the wine industry according to a 7-point scale from “Not at All Important” to “Extremely Important”. This rating scale was used to surface what consumers believed was “Extremely Important” and thus highly valued. Language is important on surveys and the word “important” was chosen as this represented a more intuitive scale for respondents. The survey questions were crafted so they could be easily assigned to one of the values. This single assignment is fundamental to the analysis as it allowed questions to be grouped. Averages were created for each group of questions and these averages represented the overall scores for each value and were used in the construction of the consumer value curve (to be discussed shortly). Table 4 below provides examples of survey questions and associated values used for this analysis. Table 5 below shows the distribution of questions relative to the values assessed.

Table 4: Representative June 2010 survey questions and values assigned

When trying to decide which wine to buy, how important are the following to you?	Value Assigned
The label on the bottle	Advertising
The variety of grape	Education
The year it was bottled	Prestige
How well the wine pairs with your food	Match Food
The location of the wine / liquor store	Match Location
Finding a wine you've enjoyed in the past	Remembering
I would consider drinking a more expensive bottle of wine if...	Value Assigned
It was cheaper	Match Budget
My friends drank it	Social
It tasted better than the wines I buy now	Match Taste
I understood the rating systems	Prestige
I understood the language used by wine experts	Education
I could buy it online and pick it up	Immediacy

Table 5: Distribution of survey questions relative to wine consumer values

Value	# Questions Attributed
Inventory Management	2
Education	9
Prestige	19
Advertising	6
Remembering	2
Social	12
Search	6
Immediacy	7
Match Food	4
Match Budget	8
Match Location	2
Match Taste	9
n/a	14

Very similar questions were asked of non-wine drinkers except the wording was “When trying to decide which alcohol to drink, how important are the following to you?” and “I would consider drinking wine if...”²².

5.2.2 Noteworthy Survey Results

The consumer survey revealed a number of interesting trends. Figure 8 below illustrates that the majority of consumers drink between one and four bottles of wine a month. This value is important and will be used later as one of the key assumptions driving the financial model.

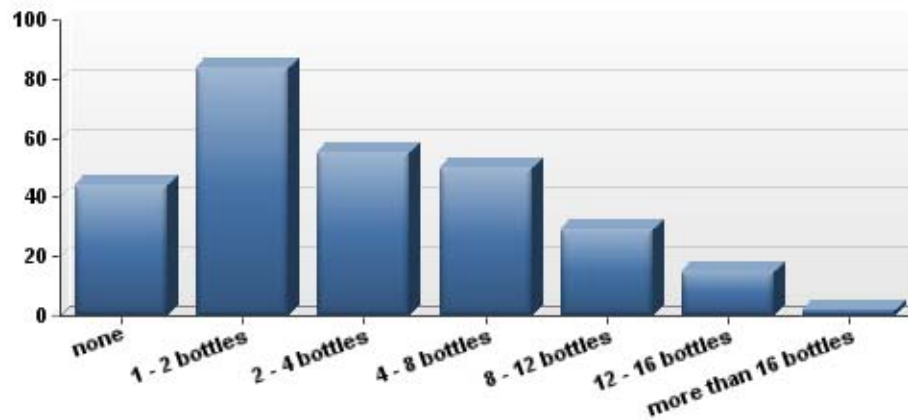


Figure 8: Number of respondents for each wine consumption level

Figure 9 below shows that most consumers are willing to pay between \$10 and \$20 for a bottle of wine. This confirms evidence from interviews conducted in the fall of 2009 and June 2010 which stated that \$18 is the threshold by which consumers decide wines to be considered “expensive”.

²² A full list of the June 2010 survey questions can be found in Appendix C.

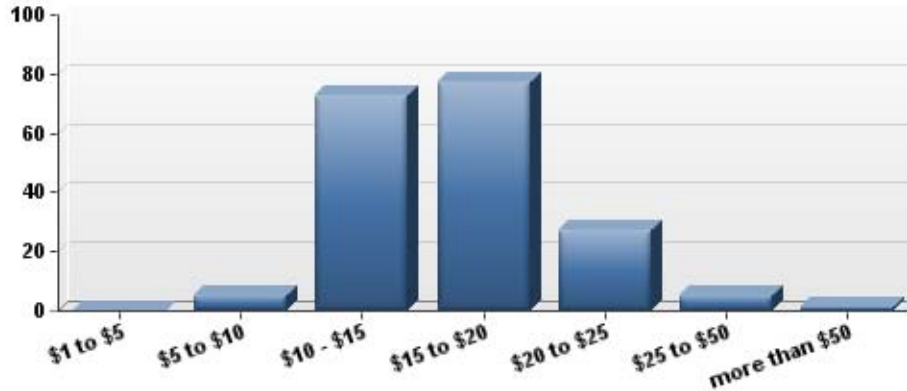


Figure 9: Number of respondents for each wine bottle price range

The multiple choice questions revealed that the importance of “Finding a wine that fits your personal taste” was the highest rated single question with an average score of 6.12 which was equivalent to being rated between “Very Important” and “Extremely Important”. Next was the importance of “Finding a wine you've enjoyed in the past” which scored a 5.59 overall which was equivalent to “Somewhat Important” and “Very Important”.

Figure 10 illustrates the amount of time that consumers reported spending on average shopping before they buy a bottle of wine.

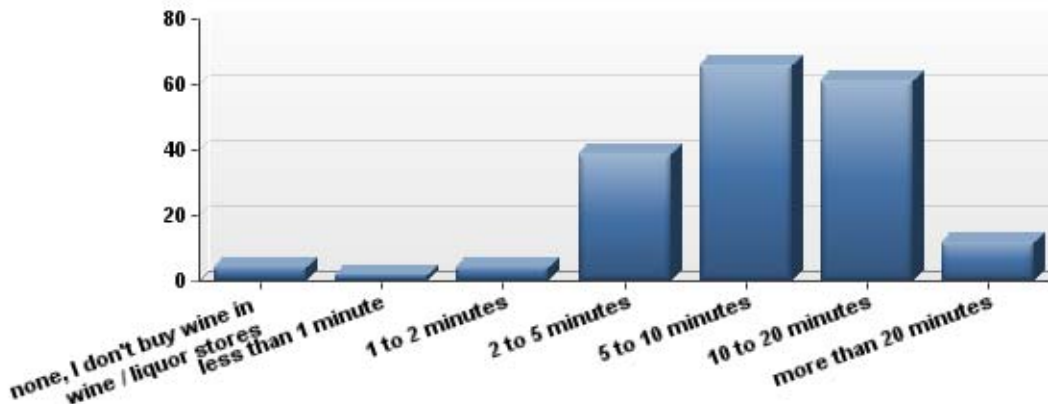


Figure 10: Number of respondents for “time spent shopping” for a bottle of wine

The majority of consumers spend between 5 and 20 minutes shopping which indicates that there is time spent that could be saved if a better wine shopping process were provided. Contrary to shopping time, Figure 11 indicates that consumers are only willing to spend between 15 and 120 seconds using a wine application. This is important as it relates to the potential design of the product as well as a value that WinePeer can create which meets this short attention span.



Figure 11: Number of respondents and expectation of speed required to use a wine application

The survey also asked how much time consumers spent shopping online for wine before making a purchase. This question was not as revealing in terms of time because 90% of the survey respondents indicated that they did not shop for wine online. However, this aspect is important because the percentage of online buyers is also used as a limit in the key assumptions for the financial model (discussed later in Section 10.2, page 96).

5.2.3 Noteworthy Survey Comments

The comments provided by respondents spoke to the values that WinePeer is attempting to understand. Table 6 below combines comments into groups based on the values being analyzed with representative comments displayed below²³.

Table 6: Representative survey comments exposing relevant values

Comments	Value
"...for the most part, I stay within the \$12-15 dollar range..."	Match Budget
"I keep a record of wine that I have tried and liked previously. I refer to this list when I go into a wine store..."	Remembering
"In Finland, we have a liquor monopoly and therefore wine is never on sale"	Advertising
"My experience is that many more expensive wines are too fine for my box-wine palate."	Match Taste
"flavour and satisfaction of the person(s) I am entertaining are the two most important factors for me."	Social
"I change my interest for wine regions periodically, depending on some article I have read."	Education
"I rarely listen the in-store experts and staff as they are under a commission structure and therefore are not giving me unbiased advice."	Search
"I buy wines by consulting blogs looking up reviews on line and dare I say it the 100 point scale."	Prestige
"If there was a phone app or similar that would quickly catalogue and allow me to rate a wine, it would be great."	General Comments on Applications
"I don't think I'd use the application at all."	

Worth noting is that there were no comments related to *Match Location* or *Match Food*. Further, many of the comments actually involve two values such as trying to find a wine that fits an \$80 palate but is priced at under \$30. This would correlate to *Matching Budget* and *Matching Taste*. The comments point to different trustworthy (or untrustworthy) sources of information that consumers use when making wine buying decisions. This aspect varies by demographic and type of consumer and will be examined after constructing the consumer value curve.

5.3 Consumer Value Curve Creation

As mentioned above, each question in the survey was mapped to one of the values being analyzed. The following is a brief systematic description of how the consumer value curve was derived from the consumer survey:

²³ A more comprehensive listing is available in Appendix H.

1. The raw data from the survey was imported into a spreadsheet.
2. Responses were converted into numeric values (i.e. “Not at all Important” was imported as a value of 1 and “Extremely Important” was imported as a value of 7).
3. Each survey question was assigned to a single value as per Table 6 above.
4. An average was calculated for each individual question.
5. The questions were then grouped based on the assigned values. If 6 questions were assigned to “Social” the 6 averages were put into a group.
6. Each group of averages was used to create an overall average for the value.
7. The resulting overall averages were then graphed on a chart to create a “value curve”.
8. The Y-axis for the value curve was relabelled “Low” to “High” to show which values were appreciated more than others by consumers.

The resulting value curve can be seen in Figure 12 below.

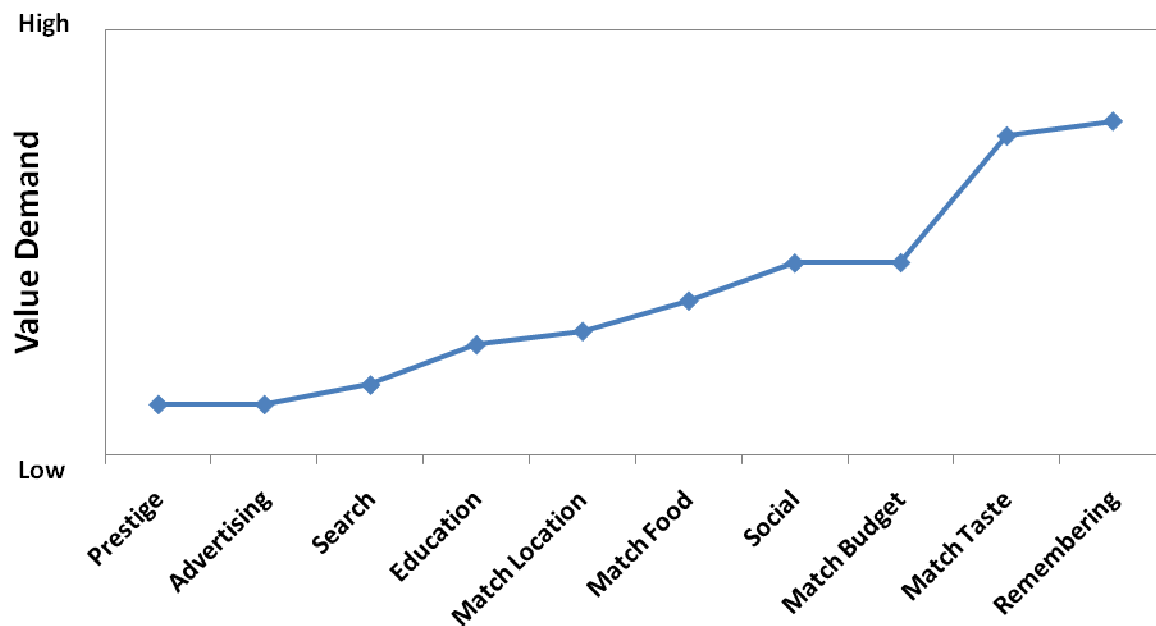


Figure 12: Overall consumer value curve.

The consumer value curve confirmed some previous assumptions (based on the fall 2009 work) but also surfaced new information of importance to the WinePeer business model. Consumers were not concerned with *Matching Location* and *Matching Food* as was originally thought. This is important in helping WinePeer to define the complexity of its offering and signifies that these two dimensions can be omitted or translated into more simplified product features. Conversely, the strength of the *Match Taste* and *Remembering* values was undeniable and represents an opportunity for WinePeer to focus its value offering in these areas if it is discovered that the competition are not meeting these consumers' needs. This consumer value curve will be returned to when analyzing gaps between consumer values and that which the industry is currently offering (per Section 7.5, page 69). The next section examines the different consumer segments.

5.4 Wine Consumer Segments

Understanding the different segments of wine consumers is important in terms of both adoption and design of the WinePeer product. Information on wine consumers is fragmented and very US-centric. As such, this analysis uses two lenses for its examination of the consumer segments—segmenting by age and segmenting by type of wine drinker. These two methods of looking at the market provide a way to sub-segment the market into unique pockets of consumer opportunity.

5.4.1 Segmenting the Market by Age

Information on the market size and segments is most readily supplied in terms of age groups. This was the initial focus of the market segment research because sources such as StatsCanada and the US Census bureau provide easy access to high-level statistics on population sizes, wine consumption levels and general technology adoption. These high-level statistics have been used to take a first-cut at the market segmentation according to the four major age groups referenced across the information sources: Millennials (19 to 29 years old), Gen X (30 to 45 years old), Baby Boomers (45 to 65 years old) and Seniors (over 65 years old). Note, that under age individuals (i.e. teens and children) were not considered in this analysis.

Population Sizes

This segmentation started by looking at the total population in the US and Canada segmented into total numbers of individuals within each of the four groups. These are not market

sizes because not everyone within each of these high-level segments is a potential target customer of WinePeer. The segments' population totals for the US and Canada are provided in Figure 13 and Figure 14 below, respectively.

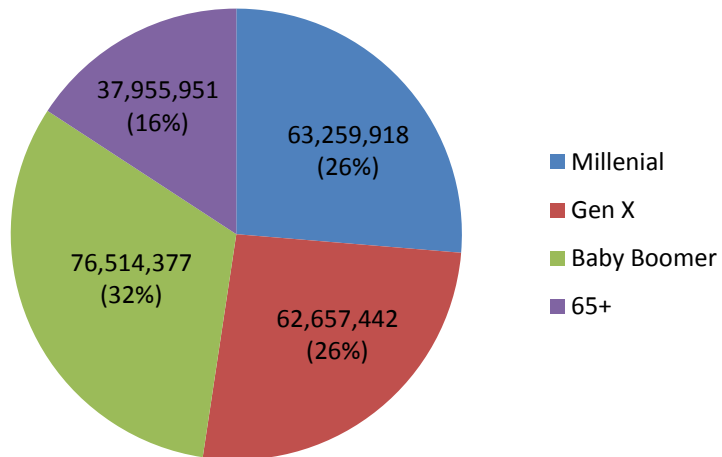


Figure 13: Estimated proportions of the US population for each demographic group (U.S. Census Bureau, 2006-2008 American Community Survey, 2008)

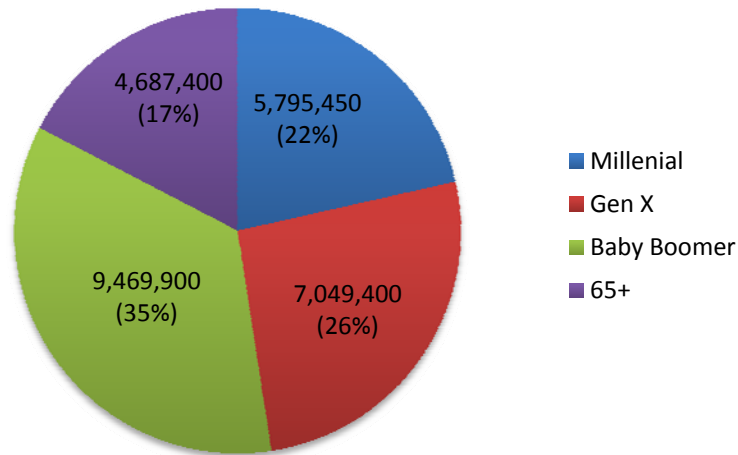


Figure 14: Estimated proportions of the Canadian population for each demographic group (Statistics Canada, 2009)

At first glance, Baby Boomers appear to be the largest market segment in both Canada and the US; however, this very basic view of demographics is insufficient as evidence of Baby Boomers being potential adopters of WinePeer. To rank the demographic segments based on their potential, all must be scaled down to more realistic numbers based on wine consumption.

Percentage of Wine Consumers by Segment

Each of the market segments presented above has a percentage of wine consumers within that segment. Note that, despite having the assistance of two librarians and a StatsCanada Information Officer, no information could be found that revealed the wine consumption by demographic within Canada. As such, the US data will be used for this section.

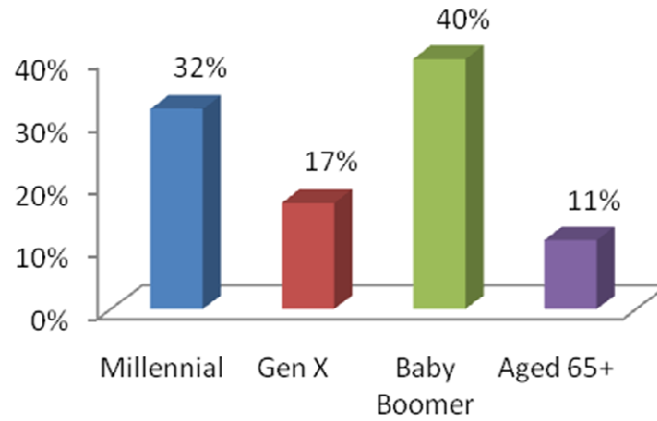


Figure 15: Proportion of wine consumers by demographic in the United States (The Wine Market Council, 2009)

Figure 15 demonstrates that Baby Boomers are still leading the dominant segment with more than 40% of their population indicating that they drink wine. Interestingly, the Millennials came second with 32% of their population drinking wine. Using the percentages of wine drinkers in each segment, the overall populations from Figure 13 and Figure 14 above were scaled down. The following figures show how many wine drinkers there are for each segment within Canada and the US (assuming that Canada has a similar demographic spread as the US). These numbers are better representations of the high-level market size for each segment relevant to WinePeer.

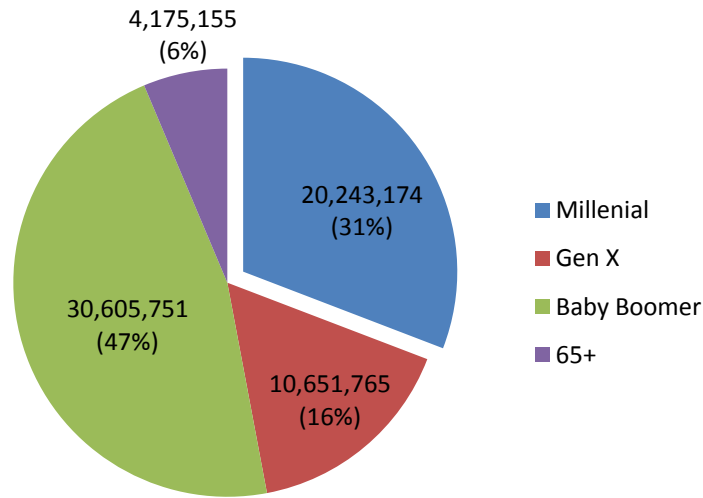


Figure 16: Number of wine consumers for each of the demographic groups within the US

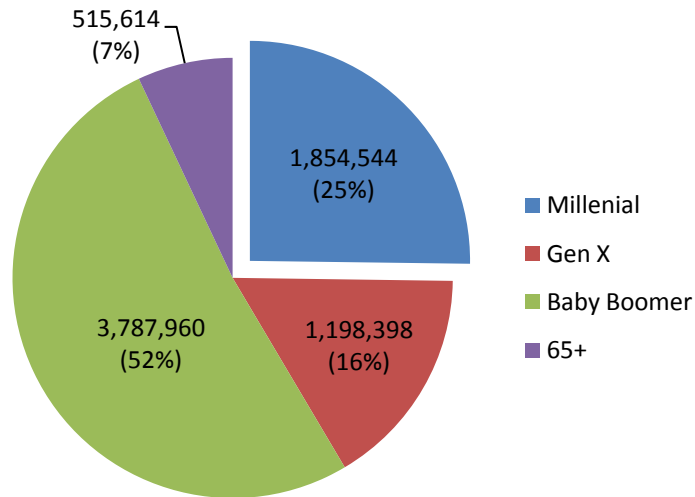


Figure 17: Number of wine consumers for each of the demographic groups within Canada

The relative size of the Baby Boomer market now becomes far more apparent taking up close to half of the wine drinking population in both Canada and the US. While this is not surprising, what was revealing was the Millennial group’s size relative to Gen X and Seniors. In both Canada and the US, Millennial wine drinkers make up at least a quarter of the population.

Consequently, these two charts were combined to give approximate number of wine drinkers in both the United States and Canada (per Table 7 below) and this provides an estimate of the total number of wine drinkers in Canada and United States at over 73 million. There are over 34 million wine drinking Baby Boomers and over 22 million wine drinking Millennials.

Table 7: Number of wine drinkers in Canada and the US across demographic groups

Generation	United States	Canada	Combined
Millennial	20,243,174	1,854,544	22,097,718
Gen X	10,651,765	1,198,398	11,850,163
Baby Boomer	30,605,751	3,787,960	34,393,711
Seniors	4,175,155	515,614	4,690,769
Total	65,675,845	7,356,516	73,032,361

These population percentages demonstrate that the concentration of wine drinkers lies with the Baby Boomer and Millennials. These two are by far the largest demographic markets for wine consumers, and make up almost half of the estimated total wine consumers. As such, WinePeer will need to prioritize one of these groups over the other in terms of its early product development and marketing. To aid in this prioritization, some wine consumption trends and technology adoption indicators are now reviewed.

Demographic Trends for the Near Future

An examination of the trends for the future enhances the demographic analysis presented above and provides insight into future growth and opportunity. Only data for US consumers in 2009 was available, and it was assumed that this would provide a strong indicator of demographic growth for the coming years. Figure 18 below shows the changes in 2009 for each group relative to the previous year. Data for beer and spirits were included as a reference point.

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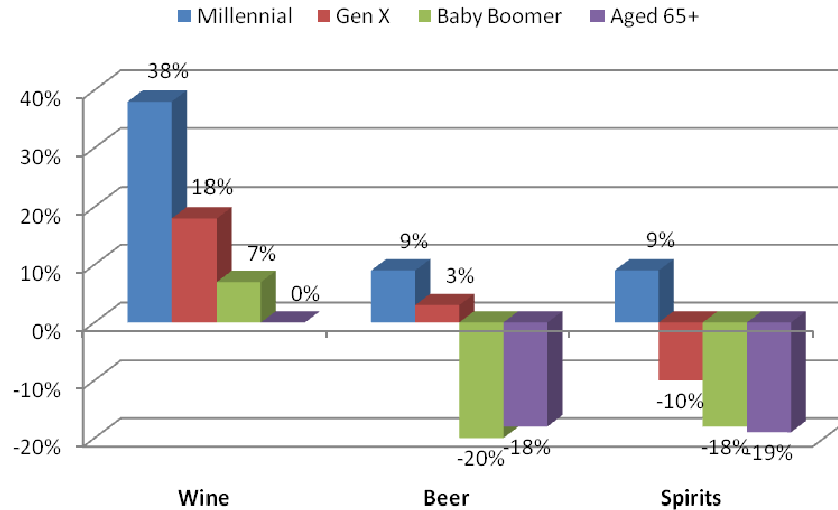


Figure 18: Proportional growth in alcohol consumption from 2008 to 2009 across demographic groups (The Wine Market Council, 2009)

Figure 18 shows that the growth in adoption of wine over other types of alcohol is highest with the Millennial generation. With a 38% increase in wine consumption, this group eclipses Baby Boomers at only 7% growth. Interestingly, Gen X shows some potential here as a growth market. There is some evidence that the relative change in wine consumption decreases with age which indicates that younger demographics are experimenting and moving to wine more than older demographics that have already made the move (or are ceasing their consumption). Of most importance is that if Millennials continue to grow in terms of their wine consumption by 38% per year and Baby Boomers continue to grow at 7% per year, it can be expected that the Millennials wine drinking population will potentially pass the Baby Boomers next year (refer to Table 8 below). This changeover coincides almost perfectly with the WinePeer market adoption curve discussed later in the financial section (Section 10: page 93).

Table 8: Change in wine drinkers over time assuming a static growth rate

	Static Growth Rate	2009	2010	2011	2012	2013
Millennials	38%	20,243,174	27,935,580	38,551,101	53,200,519	73,416,716
Baby Boomers	7%	30,605,751	32,748,154	35,040,524	37,493,361	40,117,896

It should also be noted that wine is the only product that has shown zero or positive growth across all consumer generation segments, while beer and spirits have shown large

negative growth rates. This is an indicator that consumers are trading other alcohols for wine or are ceasing consumption of alcoholic products altogether.

In summary, Millennials are showing promise as a large and growing market for WinePeer and the analysis now examines how this aligns with technology adoption across each of the four groups. Technology will be analyzed in terms of internet use, mobile device use and social media use across each of the four consumer segments.

Internet and Social Media use in the Demographics

Just because there are wine consumers does not mean that the product will be adopted. The best data for technology adoption that could be obtained was related to internet use, mobile device use and social media use. These three broad technologies will support WinePeer. Again, only data for the US could be obtained for each of the market segments. In Figure 19 below, the percentage of wine consumers within each demographic has been plotted with the use of Internet, Mobile Technology, and Social Media.

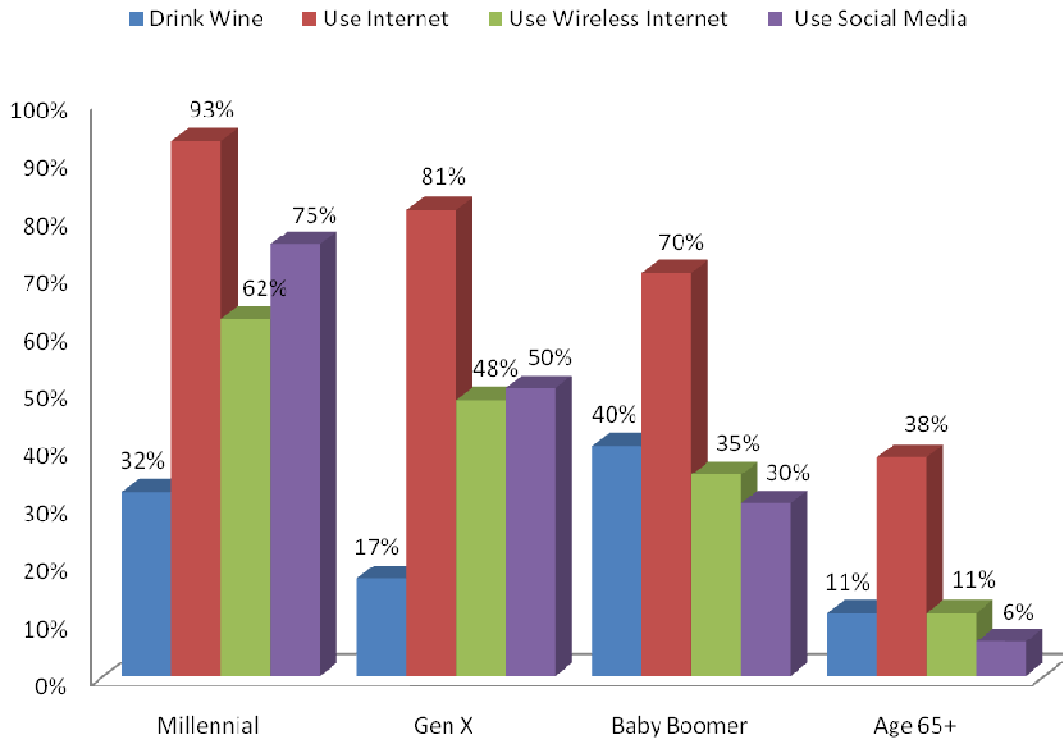


Figure 19: Distribution of wine enjoyment, Internet use, use of wireless connectivity and social media across demographic groups

Wine data (The Wine Market Council, 2009); Internet use data (Rainie, 2010, p. 2); wireless Internet data (Pew Research Center, 2010, p. 25); social media data (Pew Research Center, 2010, p. 1)

The data demonstrate a high rate of Internet use in correlation to the four age demographics. Not surprisingly, the highest level of Internet adoption is within the Millennial group at 93%. Also not surprising is that Internet adoption decreases with age. Social media show a similar trend except that adoption is slightly more pronounced within the Millennial group at 75% dropping down to 50% in the Gen X Group. This data illustrates that the adoption of technology within the Millennial group has a much deeper penetration. More specifically, the acceptance of new technology will be welcomed if it complements or leverages technology that has already been adopted. The potential for adoption may be reinforced if the wine drinking Millennials have not formed habitual wine buying behaviours as compared to say Baby Boomers who have already established preferred methods of finding information and buying wine.

Ranking the Age Segments

Before moving on to examine the types of wine drinkers, it is important that age segments are ranked based on the data provided above. It is apparent that, when one considers pure population numbers (even in terms of total wine drinkers), the Baby Boomer market is dominant. However, when changes in consumption levels and the technology adoption potential of each of the groups are factored in, Millennials demonstrate more potential. As such, Millennials have been selected as the leading market age segment that WinePeer will target followed by Baby Boomers, Gen X and lastly Seniors. These rankings will be used later as one axis of a matrix that will further segment the market into targeted sub-segments.

5.5 Segmenting the Market by Type of Wine Drinker

Understanding the different segments of wine consumers is important in terms of both adoption and design of the WinePeer product. For this analysis, the major segments of wine consumers have been defined based on a report from Constellation Wines Genome Project in 2007 (Caputo, 2008). The “Genome Project” was one of the largest wine consumer studies involving more than 10,000 participants. It sought to develop profiles and create strong insights into wine consumers mainly in the United States. According to the Genome Project, wine consumers can be categorized into six broad segments:

1. Enthusiasts
2. Image Seekers
3. Savvy Shoppers
4. Traditionalist
5. Satisfied Sippers
6. Overwhelmed

Table 9 below gives a brief description of each consumer type as defined by the Genome Project report. Interestingly, it was found that The Genome Project’s findings aligned well with the values mapped by WinePeer. As such, a column has been included that assigns each bullet point from the Genome Project Summary to one or more of the values used throughout this paper. Note that values with asterisks are values that WinePeer plans to create and will be discussed in detail in the strategy section of this paper and are noted here for ranking purposes and for future reference.

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Table 9: Matching the Genome Project's consumer segments with corresponding consumer values

Consumer Type	Description	Values
Enthusiasts	<ul style="list-style-type: none"> Entertain at home with friends and consider themselves knowledgeable about wine Live in cosmopolitan centers, affluent suburban spreads or comfortable country settings Like to browse the wine section, publications and are influenced by wine ratings & reviews 47% of Enthusiasts buy wine in 1.5L size—"everyday wine" to supplement their "weekend wine" 98% of Enthusiasts buy wine over \$6 and it accounts for 56% of what they buy on a volume basis 	<ul style="list-style-type: none"> Social Match location Search & Prestige Match budget Match budget
Image Seekers	<ul style="list-style-type: none"> View wine as a status symbol Basic wine knowledge and enjoy discovering new wines Likes to be the first to try a new wine and are open to innovative packaging Use the Internet as key information source including checking restaurant wine lists before they dine out 	<ul style="list-style-type: none"> Social & Identity* Education & Discovery* Advertising & Discovery* Education & Immediacy*
Savvy Shoppers	<ul style="list-style-type: none"> Enjoy shopping and discovering new varietals on their own Have a few favourite wines to supplement new discoveries Shop in a variety of stores each week to find best deals and like specials and discounts Heavy coupon users and know what's on sale before they walk into a store When dining out they typically buy a glass of the house wine because of the value 	<ul style="list-style-type: none"> Discovery* Remembering Match budget Match budget Match budget
Traditionalist	<ul style="list-style-type: none"> Enjoy wines from established wineries Think wine makes an occasion more formal and prefer entertaining friends and family at home to going out Like to be offered a variety of well-known national brands Won't often try new wine brands Shop at retail locations that make it easy to find favourite brands 	<ul style="list-style-type: none"> Prestige Social Prestige NOT Discovery Match location & Remembering
Satisfied Sippers	<ul style="list-style-type: none"> Don't know much about wine, just know what they like Usually buy the same brand, usually domestic and consider wine an everyday beverage Don't enjoy the wine-buying experience so buy 1.5L bottles to have more wine on hand Second-biggest category of warehouse shoppers, buying 16 percent of wine in club stores Don't dine out often but likely to order the house wine 	<ul style="list-style-type: none"> Remembering & NOT Education Remembering NOT Search & Immediacy* n/a Match budget
Overwhelmed	<ul style="list-style-type: none"> Overwhelmed by sheer volume of choices on store shelves Like to drink wine but don't know what kind to buy and may select by label Looking for wine information in retail settings that's easy to understand Very open to advice but frustrated when there is no one in the wine section to help If information is confusing they won't buy anything at all 	<ul style="list-style-type: none"> Immediacy* & Discovery* Match Taste & Advertising Immediacy* & Identity* Search & Immediacy* NOT Education & Discovery*

Source: (Caputo, 2008)

Table 9 illustrates some distinct differences between the types of wine drinkers in terms of the values being analyzed. To help illustrate these differences, a rudimentary scorecard has been created. Note that, a discussion of WinePeer's strategy with respect to the above values will take place later in this paper. At this time, all that needs to be understood is that the foundation of a values-based strategy involves deciding what values should be eliminated, reduced, raised and

created. These decisions were made based on the value curves and the gaps analysis discussed later with respect to competitors. The goal here is to use these same values as a non-population-based method to rank the types of wine consumers.

The scoring was done as follows:

- Eliminated values were not considered by WinePeer and were assigned a score of 0;
- Reduced values were determined to have a minimal presence on WinePeer and were assigned a score of 1;
- Raised values were determined to exert a presence on WinePeer but also on competitors products and assigned a score of 2;
- Created values were recognized as true sources of WinePeer's differentiation strategy and as such, were assigned a score of 3.
- Each of the values in Table 9 above was dropped into a summary table to help score the segments (see Table 10 below); and,
- An overall value score for each segment was created. Again, this was only used for ranking the segments in terms of importance and does not attempt to try to understand the demand for the value within each segment (i.e. these numbers cannot be used to create value curves for each of the consumer types).

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Table 10: *Genome Project's consumer segments scored relative to consumer values*

	Score	Enthusiasts	Image Seekers	Savvy Shoppers	Traditionalists	Satisfied Sippers	Over-whelmed
Prestige	0	0			0		
Advertising	0		0				0
Search	0	0					0
Education	0		0				
Match Location	1	1			1		
Match Food	1						
Social	1	1	1		1		
Match Budget	2	2		2		2	
Match Taste	2						2
Remembering	2			2	2	2	
Immediacy	3		3			3	3
Identity	3		3				3
Discovery	3		3	3			3
AVERAGE		0.8	1.7	2.3	1	2.3	1.8

The scores presented above ranks consumer types according to the likelihood that they will align with the values that WinePeer plans to offer. Again, it is important to note that the ratings are not influenced by the value curves constructed throughout this paper but rather take the same values and apply them to an existing study to create a ranking:

1. Satisfied Sippers
2. Savvy Shoppers
3. Overwhelmed
4. Image Seekers
5. Traditionalists
6. Enthusiasts

Satisfied Sippers and Savvy Shoppers come out tied as the most important groups for WinePeer to target because they desire only those values that will be addressed. Satisfied Sippers were determined to be more important than Savvy Shoppers only because the value of *Immediacy* was deemed more important than *Discovery* given the amount of time all consumer types are

currently spending shopping for wine (as revealed by the consumer survey). Following these two types are the Overwhelmed group and then the Image Seekers who also represent promising targets because they desire all three of the values that WinePeer plans to create. Traditionalists and Enthusiasts desire much of what is already established in the industry and as such are not good segments for WinePeer to target given that those values will be reduced or eliminated from the WinePeer product.

To complete this section, more data from the Constellation Brands Genome Project highlights the market size of each consumer type—refer to Figure below:

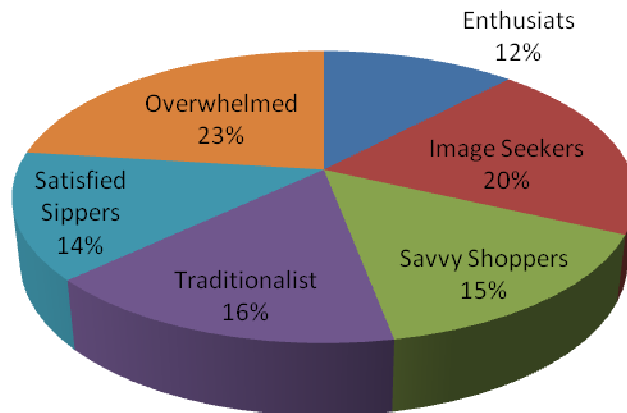


Figure 20: Proportions of the Genome Project’s consumer categories relative to the total United States wine market (Caputo, 2008)

This information will be used in a final consumer market analysis designed to sub-segment the market into niches of consumer opportunity.

5.6 Creating Consumer Sub-Segments

There are now two rankings of consumer segments. The first rankings sort the consumers by age demographics as follows:

1. Millennials
2. Baby Boomers
3. Gen X
4. Seniors

The second analysis ranked the consumer types according to their alignment with the WinePeer value strategy as follows:

1. Satisfied Sippers
2. Savvy Shoppers
3. Overwhelmed
4. Image Seekers
5. Traditionalists
6. Enthusiasts

Segments to avoid include Seniors, Traditionalists and Enthusiasts, while Millennials, Satisfied Sippers and Savvy Shoppers are the most promising groups. Using these two rankings as axes, a matrix was created that establishes sub-segments possessing both an age group and a type characteristic. Table 11 below shows the crossing of these two segmentations and uses shading to denote importance. Solid blue is very important. Solid red is very unimportant. Lighter shades are used in between.

Table 11: Matrix of consumer sub-segments with importance denoted by colour (red = avoid, blue = target)

	Seniors	Gen X	Baby Boomers	Millennials
Satisfied Sippers	Late Target	Secondary Target	Primary Target	Early Adopters
Savvy Shoppers		Late Target	Secondary Target	Primary Target
Overwhelmed			Late Target	Secondary Target
Image Seekers	Avoid			Late Target
Traditionalists	Avoid	Avoid		
Enthusiasts	Avoid	Avoid	Avoid	

WinePeer will begin its marketing by targeting Millennials who are also “Satisfied Sippers”. WinePeer’s early adopter strategy will use language that plays to the values they appreciate most which are Matching Budget, Remembering and Immediacy. Millennials also make a good group for early adoption because of their appreciation for and adoption of other technologies. Following the early adopters will be a joint targeting of Baby Boomer Satisfied Sippers and Millennial Savvy Shoppers. It is anticipated that Millennial early adopters will act

through word of mouth to introduce the WinePeer product to both Baby Boomers as well as to other Millennials. The marketing and adoption will continue through to touch some Overwhelmed and Image Seekers as well as Gen X and perhaps even Seniors.

One last extrapolation allows for estimates of population size (Table 12 below) by multiplying the numbers from Table 7 (page 42) by the percentages in Figure 20 (page 50). The following chart represents best estimates of the population sizes of each of these sub-segments.

Table 12: Matrix of consumer sub-segment populations with importance denoted by colour (red = avoid, blue = target)

	Seniors	Gen X	Baby Boomers	Millennials
Satisfied Sippers	656,708	1,659,023	4,815,120	3,093,681
Savvy Shoppers	703,615	1,777,524	5,159,057	3,314,658
Overwhelmed	1,078,877	2,725,537	7,910,554	5,082,475
Image Seekers	938,154	2,370,033	6,878,742	4,419,544
Traditionalists	750,523	1,896,026	5,502,994	3,535,635
Enthusiasts	562,892	1,422,020	4,127,245	2,651,726

The population sizes are important because assumptions about total potential adopters of the WinePeer product have been made in order to construct the financial model. Also worth noting is that this matrix implies that WinePeer will be intentionally ignoring the needs of almost 10 million wine drinkers in the US and Canada. Defining these groups now, will avoid conflicts of interest in terms of product and market development in the future and help manage costs overall. Fundamentally, this matrix will act as the foundation for the development and marketing plans which will be produced in the fall of 2010 prior to seeking investment.

5.7 Consumer Research Conclusion

This section began by examining the consumer survey delivered in June of 2010. The multiple choice answers and comments provided in the survey provided insight into consumer buying behaviour with respect to the values being used throughout this paper. The survey was then used to create a consumer value curve that showed consumers most want to Remember what they drank in the past and find a wine that fits their Personal Taste. Next, an analysis of the market segments was performed. Two sets of market segments were ranked according to their potential fit with WinePeer. The first segmentation was presented by age group and

demonstrated that Millennials were the leading opportunity and the second segmentation was divided by type of wine drinker which demonstrated that Satisfied Sippers were the leading opportunity. By combining these two segments, a sub-segment was created that allowed WinePeer to formulate a market adoption model that will serve as its strategic foundation moving forward.

The External WinePeer Environment: Competitors & Gap Analysis

Now that the consumer analysis is complete, it is appropriate to identify those firms currently delivering value to wine consumers. Like the consumer analysis, this section will create value curves for competitors based on the same set of values. However, unlike the consumer analysis, the competitor value scores were derived by scoring the features that competitors currently offer as opposed to tabulating survey questions. This section is critical as WinePeer is looking to create value where none exists or where current competitors are limited in their delivery. Further, to focus the WinePeer offering and tightly manage development costs, WinePeer also needs to limit or avoid certain values that consumers appreciate far less or not at all and that are currently being offered by incumbent companies. This section will first look at the current values offered by incumbents and then at the gaps that WinePeer can exploit.

6: Competitive Analysis

To complete the competitive analysis, a comprehensive review of potential competitors of WinePeer was initiated in which a quantitative analysis of 149 competitors was performed and included competitors whose products related to the wine industry and included an Internet or mobile application component. Competitors were divided into six different groups and a direct rating on how each competitor delivered on a predefined feature set was assigned. These features were then aligned with consumer values as defined in the consumer analysis, Section 5.

6.1 Definition of a Competitor

Like most web-based technology start-ups, WinePeer will require a significant number of consumers to adopt the product early on in order to exploit various revenue opportunities. As such, the lens being used to guide this discussion is that of the general wine consumer. WinePeer

must be able to position itself competitively against all of the available information sources that consumers use to find and buy wine. Only then will WinePeer be able to confidently obtain mass adoption of the product and turn its attention to generating revenue.

6.2 Types of Competitors Sampled

From this point of view, a competitor is any technology-driven or traditional market-driven source of information that consumers will consult prior to making a buying decision. To gather the information necessary to perform this analysis, 149 competitors of varying types were scored including the following:

- private retail websites
- government retail websites
- wineries
- wine eCommerce websites
- wine blogs
- wine iPhone applications
- wine magazines
- online wine social networks
- wine listing websites
- wine software developers
- wine events
- wine clubs
- wine critiques
- wine video websites
- wine agents
- wine marketers
- and more

6.3 Competitors: Data Gathered

The competitor data gathered was scored in two parts. The first part of scoring highlighted the revenue streams that a given competitor developed followed by indicators of adoption. The second part of scoring graded each feature a competitor possessed on a scale of 0 to 10. These approaches are discussed and analyzed in the sections that follow.

6.3.1 Revenue Models and Adoption Indicators

The revenue streams identified, while very high level (such as “advertising” or “subscriptions”), indicate the prevalence of different business models amongst the competitors. The adoption indicators are drawn from available metrics that indicate how many people are using or interacting with a given competitor. These numbers include the following:

- number of registered users;
- number of RSS feed or newsletter subscribers;

- number of Facebook fans/friends;
- number of Twitter followers;
- number of YouTube (or other video website) subscribers;
- number of subscribers to other social media sites like MySpace and Google Friend Connect; and,
- number of unique visits in the past month as reported on www.compete.com.

Not all adoption indicators could be discerned for all competitors as much of this information is private. Also, note that these adoption indicators are not absolute values but simply indicators of popularity and thus only act as a proxy for the success of a competitor. The revenue models and adoption data will be used in more detail in the Business Model section of this paper. They are relevant here only in terms of determining who the leading competitors are.

6.3.2 Features Scored

Following the gathering of business models and adoption indicators, each competitor was scored on a number of “features” on a basic 0 – 10 rating scale. A robust feature list (Table 13 below) was developed that captured all of the major features offered by all the different types of competitors and includes the following:

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Table 13: Suite of features against which competitors were scored

Feature	Description
Personal taste profile	Is there a code or visual that showed users their taste in wine?
Food pairings	Can you select a food and pair it with a wine (or vice versa)?
Set budget	Can you set your price range for how much you want to spend on a bottle?
Where to buy	Does the competitor provide you with a location to purchase the wine?
Images of labels	Can you see a picture of the wine bottle labels?
Description on bottle	Was the producer's description available to read?
Personal tasting notes	Can you add personal tasting notes on the wine you've had?
Personal rating system	Is there a rating system that allowed you to rate wines?
Existing rating systems	Are any of the existing point scales provided?
Expert reviews / ratings	Are recognized expert reviews and ratings available?
Peers tasting notes	Can you view the tasting notes of other (non-expert) users?
Wine knowledge	Is there general info to teach consumers more about wine?
Vintage / variety info	Is there general information on vintages and varieties?
Aging window/index	Is there an indication provided of when the wine is ready to drink?
Discussion forums	Is there a chat room or forum where users could interact?
Social media	Is there any social media ability (not links to Twitter and Facebook)?
Integration with social	Does the competitor integrate with Facebook, Twitter, etc?
Wine search	Can you search for wines using various fields?
Winery search	Can you search for wineries using various fields?
Newsletters or RSS	Does the competitor provide newsletters and/or RSS feeds?
Polls	Are polls available with Q&A about wine or the wine industry?
Mobile integration	Does the competitor have a mobile application or mobile specific website?
eCommerce	Did the competitor have eCommerce?
Data and reporting	Is there any reports showing consumer behaviour or activity?
Wine videos	Does the site have video content?
Wine events	Does the competitor mention or have a list of wine-related events?
Wine promotions	Are there any wine-related promotions or contests?
Cellar management	Are you able to keep track of your wine cellar inventory?
Barcode technology	Is barcode technology available to scan and manage wine inventory?
Comments	Some general information of potential interest to WinePeer.

6.3.3 Feature Scoring Method

The features were scored on a scale of 0 to 10 based on how well developed and designed the features were. A score of one means the competitor has the bare minimum for that feature (i.e. it exists) and a score of 10 means the feature was amongst the industry leaders in terms of design and usability. For example, an eCommerce site with a single basic search bar would get a score of two whereas a site with a recommendation engine or an advanced search that let users set

all their parameters for the wine they wanted to buy would get a score of six or above. The final few points were reserved for usability. Only the most user-friendly products would get an eight or nine. Very few features were given a perfect ten, which was reserved for those best-in-class features.

6.4 Competitors: Data Analysis

Based on the features discussed, effort was put into gathering data from as many sources as possible. It was found that competitors could be organized into six main groups. Once the competitors were grouped, it made it much easier to analyse each group based on the features that were offered.

6.4.1 Competitive Groupings

The competitors have been placed into the following six main groups. Members of each group have similar business models and offer similar features and thus benefits to consumers. The following is a summary of how the competitors were grouped and how many competitors within each group were scored and thus used in the analysis.

Table 14: Competitor groupings and numbers sampled

Competitor Group	Definition	Number Sampled
Retailers	Composed of private and government retail stores, agents, marketers, industry associations and wineries.	16
eCommerce	Retailers selling wine online or exclusive eCommerce sites (i.e. no retail store)	26
Aggregators	Portals, website for various publications and other generic wine websites	20
Blogs	Amateur or professional blogs and video blogs.	49
Online Social Networks	Any online social network that is exclusive to wine (i.e. not Facebook, Twitter, YouTube, etc.)	20
Applications	iPhone and web-based applications	18

7: Competitor Features Translated to Consumer Values

The competitive analysis data was meshed with the consumer values analysis in Section 5:. Not only did the authors need to understand how the competitors were doing against each other, but also how well the competitors were meeting customer needs. As such, the features identified were then grouped according to the consumer values.

7.1 Feature Groupings

In this section, the competitive features have been aligned with consumer values with each feature having been assigned to a single value. The full list of features scored can be seen in Table 15 below along with those values they were assigned to.

Table 15: Feature groupings for corresponding consumer values

Value	Features Attributed to the Given Value
Inventory Management	<ul style="list-style-type: none"> aging window or index cellar inventory management barcode and UPC scanning integration
Data	<ul style="list-style-type: none"> wine polls and surveys provide data and reporting
Education	<ul style="list-style-type: none"> wine knowledge and training general info on vintages and varieties
Prestige	<ul style="list-style-type: none"> existing rating systems expert reviews and ratings
Advertising	<ul style="list-style-type: none"> images of labels description on back of bottles wine contests and promotions newsletters or RSS feeds wine videos
Remembering	<ul style="list-style-type: none"> personal tasting notes personal rating system
Social	<ul style="list-style-type: none"> view peers' tasting notes discussion forum social media integration with other online social networks wine events
Search	<ul style="list-style-type: none"> wine search winery search
Match Food	<ul style="list-style-type: none"> match meal
Match Budget	<ul style="list-style-type: none"> match budget
Match Location	<ul style="list-style-type: none"> match location
Match Taste	<ul style="list-style-type: none"> match personal taste

As mentioned earlier, because such a small percentage of the consumer market actually keeps a large inventory of wine, the *Inventory Management* value was not included in the

analysis. Likewise, the *Data* value was removed from this analysis because it is B2B-centric and not focused on consumer values.

7.2 Value Scoring Results of Competitor Groups

After all the features were scored, a weighted average calculation was performed to determine the average overall score for each feature within a competitive group. Weighted averages were necessary because many of the features were not present consistently throughout the groups. Using weighted averages allowed the creation of a single overall score for each value for each competitor group (refer to Table 16 below). All of the weighted averages were calculated to provide the following data that was then analyzed.

Table 16: Overall value scores (weighted averages) by competitive group

Values	Retailers	eCommerce	Aggregators	Blogs	Online Social Networks	Applications
Prestige	0.22	3.27	2.40	1.70	1.78	1.17
Advertising	1.89	1.71	0.86	1.13	1.07	0.40
Search	0.69	1.85	1.45	0.50	2.43	1.61
Education	0.53	0.29	2.13	0.24	1.88	0.92
Match Location	2.06	5.08	0.35	0.51	0.70	1.61
Match Food	0.69	0.38	0.65	0.20	0.35	2.44
Social	0.59	0.58	0.68	0.45	3.34	0.70
Match Budget	0.94	4.46	0.15	0.06	1.70	0.78
Match Taste	0.00	0.00	0.00	0.00	0.40	0.00
Remembering	0.00	0.00	0.43	0.00	3.40	3.17

7.3 Value Curves

The value scores presented above were mapped on a set of curves to determine how well each group of competitors provided value to consumers. The Y-axes of the curves use the same ten-point scale but have been labelled simply “Low” and “High”. If needed, the numerical values can be referenced in Table 16 above. The value curves for each group are shown in the graphs below. Italics will be used when referencing specific values during the discussion.

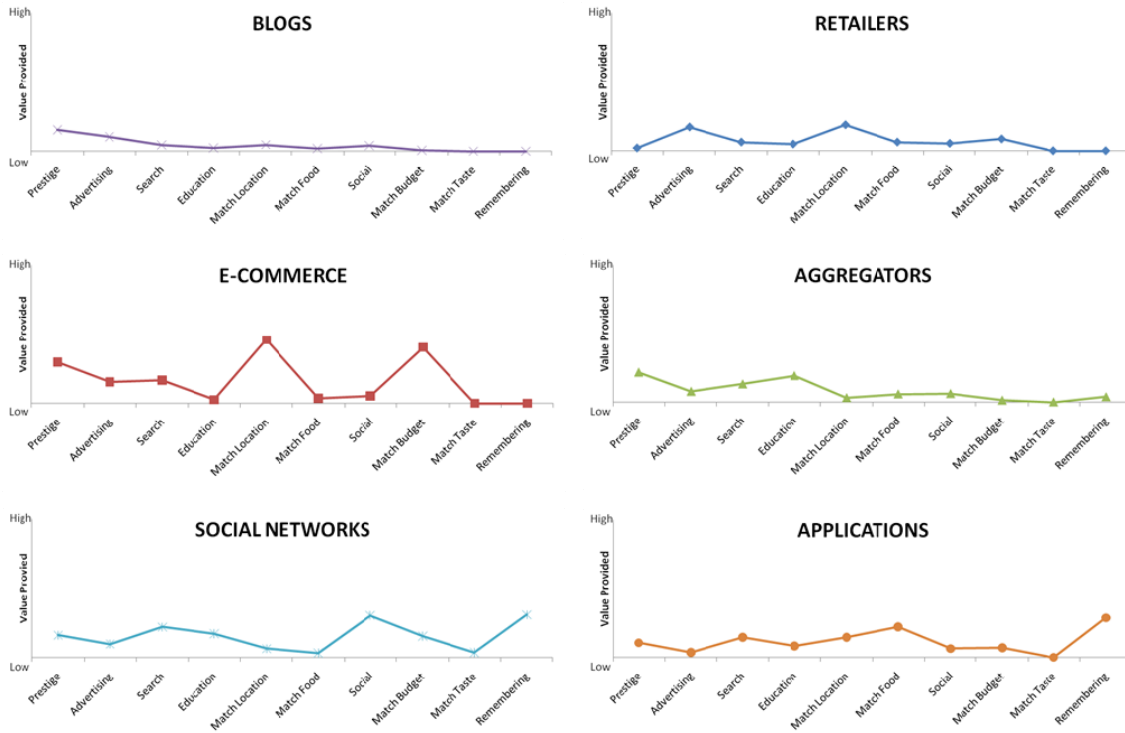


Figure 21: Value curves of six general competitor groups

The value curves for each of the competitive groups seen in Figure 21 revealed some understanding of value provision within the industry. eCommerce websites were seen to be strong in the areas of *Match Location* and *Match Budget*. Online Social Networks, not surprisingly, provided the best overall value for *Social*, and Applications showed strength in terms of *Remembering*. However, these aggregated value curves proved to be highly misleading. For example, there are a vast number of wine blogs many of which have a very low viewership and a very limited set of features. These poor performers dragged down the weighted averages within the group and created an almost flat value curve for Blogs. The same could be said of all the other competitive groups. As such, it was decided that the best way to look at the industry was to analyze the leading competitors within each of the six groups.

7.4 Leading Competitors

As previously discussed, the total results from all the competitors within the category were artificially weighing the average down. As such, the value scores for the leading company (best-of-breed) within each group were examined to generate a better sense of the value being

offered by competitor firms (refer to Table 17 below). This approach will provide a meaningful analysis and sets benchmarks against which WinePeer will need to be measured.

Table 17: Identification of competitor best-of-breed

Competitor Category	Category Best-of-Breed
Retail	BC Government Liquor Stores
eCommerce	wine.com
Online presence for an industry magazine	winespectator.com
Blogs	tv.winelibrary.com
Wine-oriented online social network	Snooth.com
Applications	Hello Vino

Note that the leading Application under the scoring was actually VinCellar which is a wine cellar management application. While quite adequate for its purpose, VinCellar only serves a very small portion of the consumer market and as previously mentioned, *Inventory Management* was excluded as one of the values being analyzed so it makes more sense to look at the next application in the list which is Hello Vino.

7.4.1 Value Scoring Results of Leading Competitors

The leading competitors' features were scored and weighted average calculated to determine the average overall score for each feature per competitor as shown in Table 18 below. All of the weighted averages were calculated as the basis for the data analysis that follows.

Table 18: Leading competitors' value scores

Values	bliquor stores .com	wine.com	wine spectator .com	tv.wine library .com	snooth .com	Hello Vino
Prestige	3.50	9.50	10.00	5.00	5.50	5.50
Advertising	3.00	3.80	3.20	6.80	2.80	3.00
Search	5.00	4.00	2.50	0.00	9.00	7.50
Education	0.00	0.00	6.50	0.00	8.00	2.00
Match Location	10.00	10.00	1.00	3.00	3.00	2.00
Match Food	0.00	0.00	3.00	0.00	3.00	8.00
Social	1.40	0.00	1.80	1.80	7.00	1.20
Match Budget	10.00	7.00	3.00	0.00	9.00	0.00
Match Taste	0.00	0.00	0.00	0.00	4.00	0.00
Remembering	0.00	0.00	0.00	0.00	7.00	0.50

7.4.2 Value Curves

The above value scores were then mapped as a set of curves to determine how well each leading competitor is providing value to consumers. The Y-axes of the curves use the same ten-point scale but have been labelled simply “Low” and “High”; the numerical values can be referenced in Table 18 above. The value curves for each individual group are shown in the charts below.

BCLiquorStores.com

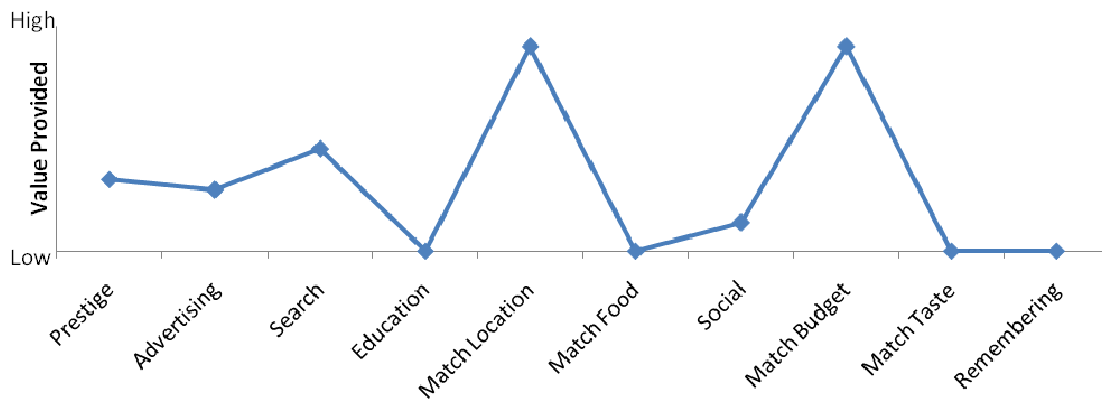


Figure 22: Competitor value curves - BCLiquorStores.com

BCLiquorStores.com does not offering significant value beyond having *Search* functionality that lets you select a wine by *Budget*, variety and *Location*. One strength of BCLiquorStores.com is that consumers can see how many bottles of a given wine are in inventory at each store. This feature is a step ahead of what other websites offer and is one of the reasons why BCLiquorStores.com received high marks for *Match Location*. BCLiquorStores.com, like many competitors, fails to help users *Match Food* and *Match Taste*. In addition, without any user registration or profiles, there is no opportunity to help users *Remember* what they drank in the past.

Wine.com

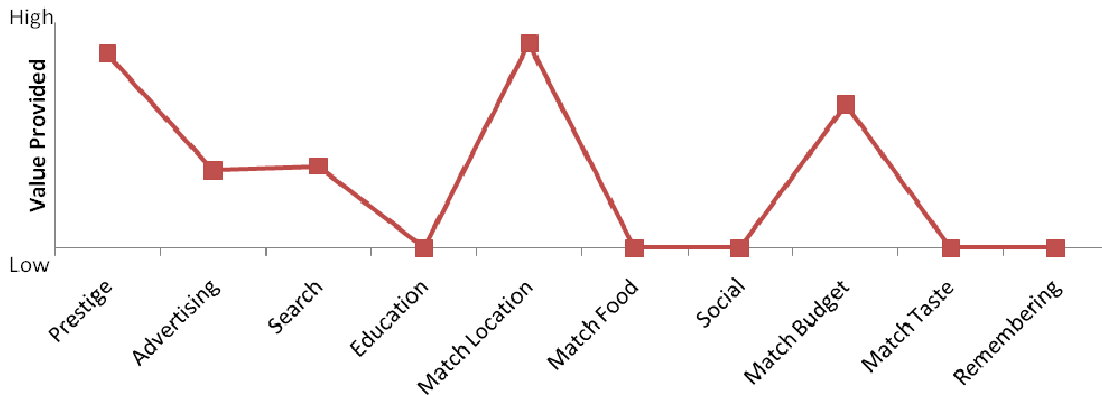


Figure 23: Competitor value curves - Wine.com

Wine.com has one of the highest traffic scores of any competitor sampled which is not surprising with such a concise domain name. Wine.com is the leading wine eCommerce website and, as such, gets high marks in *Match Budget* (see Figure 23 above). However, because it is primarily an eCommerce website, it fails to have any deeper *Social* or *Remembering* features. Moreover, like so many competitors, wine.com fails to match wines to consumers’ *Food* or *Taste*.

WineSpectator.com

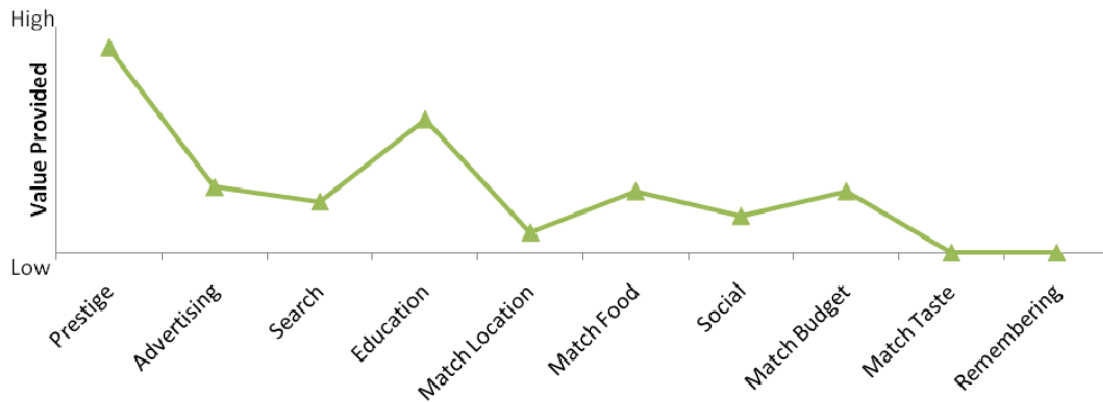


Figure 24: Competitor value curves.com - Winespectator.com

Wine Spectator is one of the world’s leading wine publications with a reported annual readership of 2.5 million. It relies heavily on expert reviews and ratings to provide its audience with the most trustworthy and credible information on wine; it is this content that gives it such high marks for *Prestige* (per Figure 24 above). Its *Search* functionality is only available to paid subscribers which limits consumers’ ability to seek out information. Its *Education* area does contain deep general knowledge despite perpetually linking to a “Wine Spectator School” which charges for courses and books. The reviews are within price ranges and contain some food pairings that are useful to consumers. Nonetheless, WineSpectator.com remains very much a traditional one-way information channel.

TV.WineLibrary.com

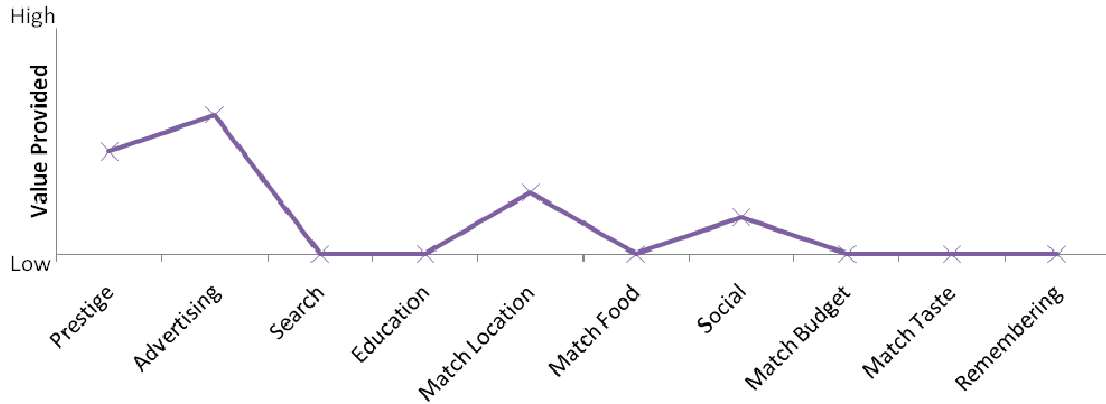


Figure 25: Competitor value curves - TV.winelibrary.com

In contrast to Wine Spectator, TV.WineLibrary.com (see Figure 25) is a daily video blog delivered by Gary Vaynerchuk who tastes wine in a non-pretentious format speaking from what looks like his basement while spitting into a NY Jets helmet. His reviews are both entertaining and approachable. Gary has adopted some of the systems used by the industry leaders and references “Parker” (E. Robert Parker) when providing his 100-point ratings which gives the site some marks for *Prestige*. Moreover, being a blog, he has *Advertising* that links to their eCommerce and retail store. However, like any review from a third party, to be truly relevant, one must live in the same *Location* and have the same *Taste* and *Budget* as the individual giving the review. Few viewers live in New Jersey, have tasted hundreds (if not thousands of wines) and can regularly afford to spend over \$30 on a bottle of wine.

Snooth.com

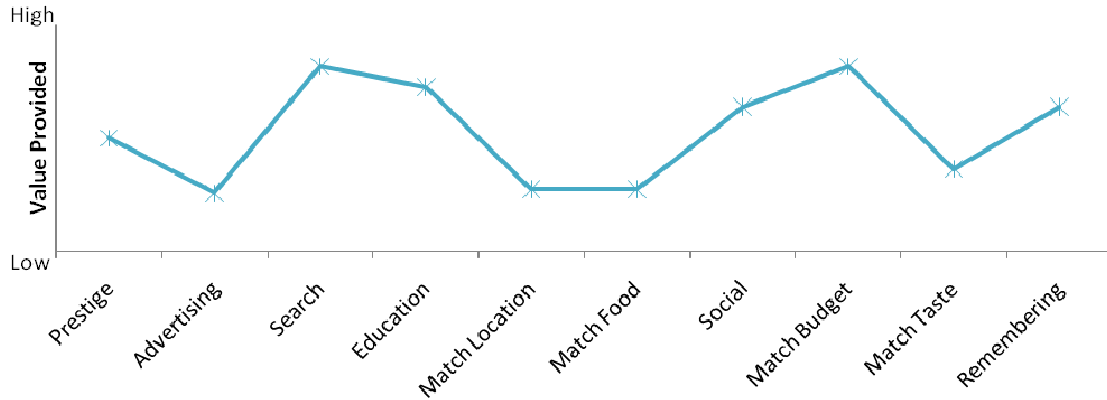


Figure 26: Competitor value curves - Snooth.com

Snooth.com (or simply ‘Snooth’) is not only one of the leading competitors in this review but also arguably the biggest wine website in the world. Snooth has over 10,000 merchants and 400,000 registered users and has an API that is used by dozens of other websites and applications. It has a deep feature set that attempts to unite wine consumers and retailers in one site. For wine consumers (and referring to Figure 26), it provides ways to *Remember* what you have had in the past. In addition, it provides a personal rating system that integrates with SnoothRank (a rating system based on their proprietary algorithm). Being the leading online wine social network, Snooth also has some of the best interactivity around by providing users with multiple ways to connect and interact.

Snooth integrates retailers by allowing them to upload and manage their wine inventory through a dynamic data file. This adds value to both consumers and retailers as consumers can search for a wine that fits their *Budget* and *Location* (although the location function failed in our tests and provided us with New York retailers). Most notably, Snooth is one of only two competitors that is attempting to recommend wines based on personal taste (Bottlenotes.com is the other). This unique feature plays nicely to meet this consumer need but is rudimentary as it is based on a single 5-star rating system. Snooth has some definite strengths when compared to the other leading competitors and it scores on *all* of the values. There are no zero scores for Snooth. These strengths will ensure that Snooth remains a leader in this space for the near future.

Hello Vino

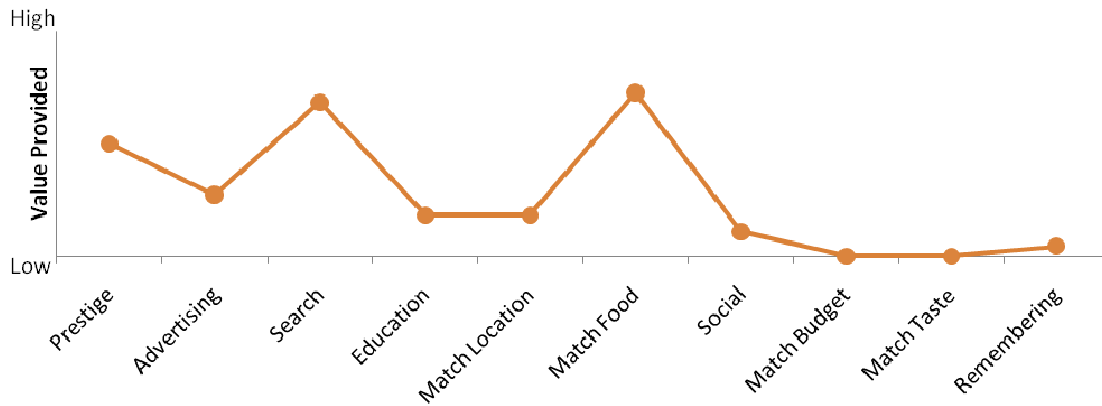


Figure 27: Competitor value curves - Hello Vino

The top rated iPhone application on Mashable.com²⁴ is Hello Vino (refer to Figure 27 above). This application is very specific in terms of features and functionality. It allows users to find a wine that matches their needs with regards to food, occasion, style and/or the country/region the wine was produced in. Moreover, it can pair food with a wine that a consumer has on-hand. General information is provided along with some recommended wines depending upon which of the matches the user desires. Within each recommendation is information about the wine, ratings, reviews, a link to the winery, and to an eCommerce site where it can be bought.

Unfortunately, users can only get recommendations for one of the *Match* values at a time. Moreover, the recommendations are not specific to *Location* or *Personal Taste* (just generic taste). Further, there is no ability to set the price range within each value. Users can only search by price through the basic search page which is little better than most retail sites. This application and others like it, however, represent the major competitors to the WinePeer product and will need to be watched carefully moving forward. The specific features (and thus values) to watch for each competitor will be revealed in the section that compares the competitor curves to the value curves.

²⁴ <http://mashable.com/2009/11/06/iphone-apps-wine/>

7.5 Value Gaps Analysis – How Well Do Competitors Deliver?

The consumer value curve constructed earlier can now be compared to each of the leading competitor curves to see how well competitors are meeting consumer needs. The method that was used to overlay the two curves and complete this analysis is described as follows:

- The overall value scores for both the competitor and the consumer values were imported into a spreadsheet.
- Only the “Leading” competitors were used in this analysis to determine how well the best competitors are aligning with consumer values.
- Because the consumer survey used a 7-point rating system (7 multiple choice buttons ranging from “Not at all Important” to “Extremely Important”), the consumer and competition value curves were not at the same scale. To resolve this discrepancy, the competition curve (on a 10-point scale) was scaled down by multiplying all scores by 7/10.
- The scaled-down competition value scores were then mapped on the same value curve as the consumer value scores.
- The areas between value curves were shaded to illustrate the gaps.

What is most important in this analysis is the size of the shaded area and which line has a higher value score. Where the red line is above the blue is where competitors are offering more value than consumers are demanding. Where the blue line is above the red is where consumers are demanding more value than the competition is currently offering. The following graphs are the value curves for each of the leading competitors mapped against the overall consumer value curve.

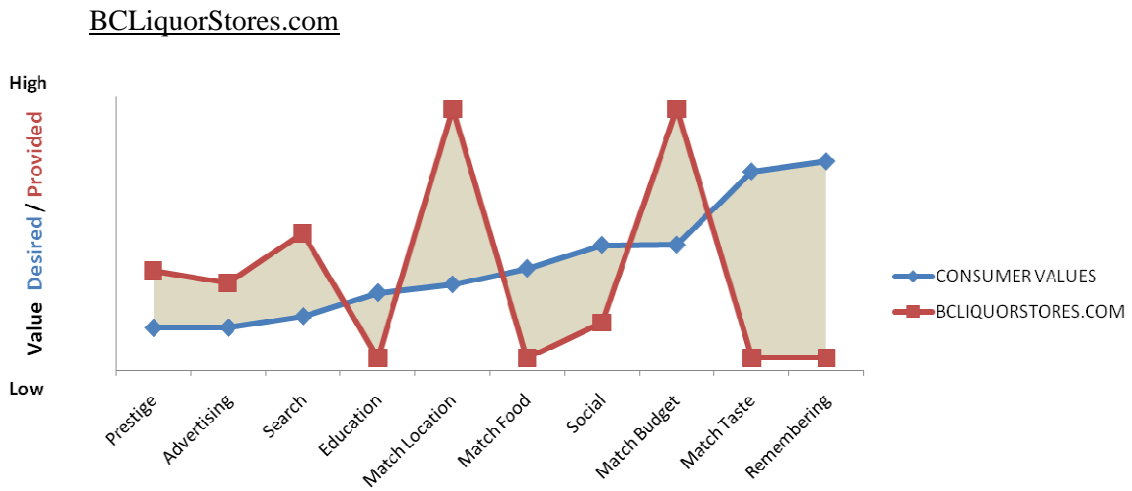


Figure 28: Values gap analysis—BCLiquorStores.com (n=206 for Consumer Values)

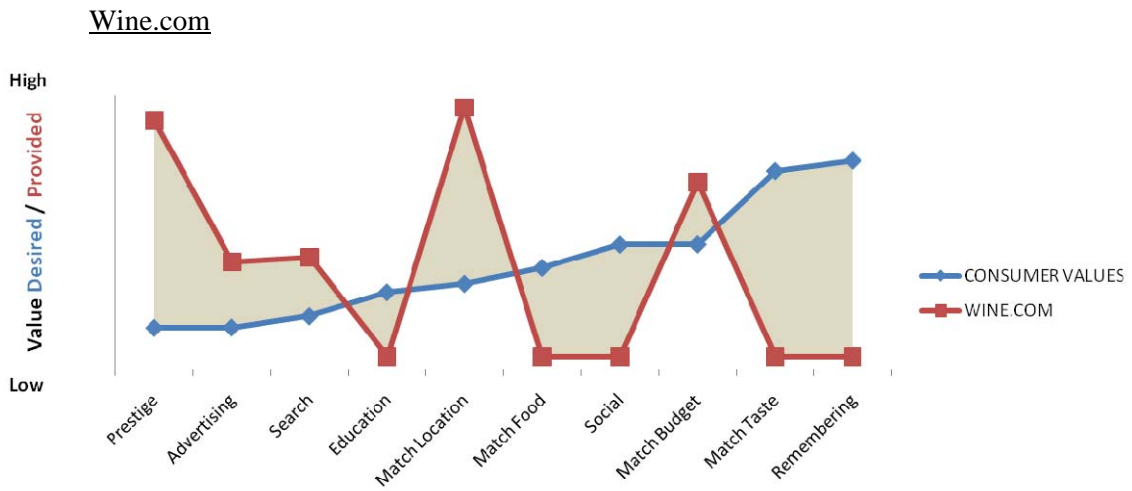


Figure 29: Values gap analysis—Wine.com (n=206 for Consumer Values)

WineSpectator.com

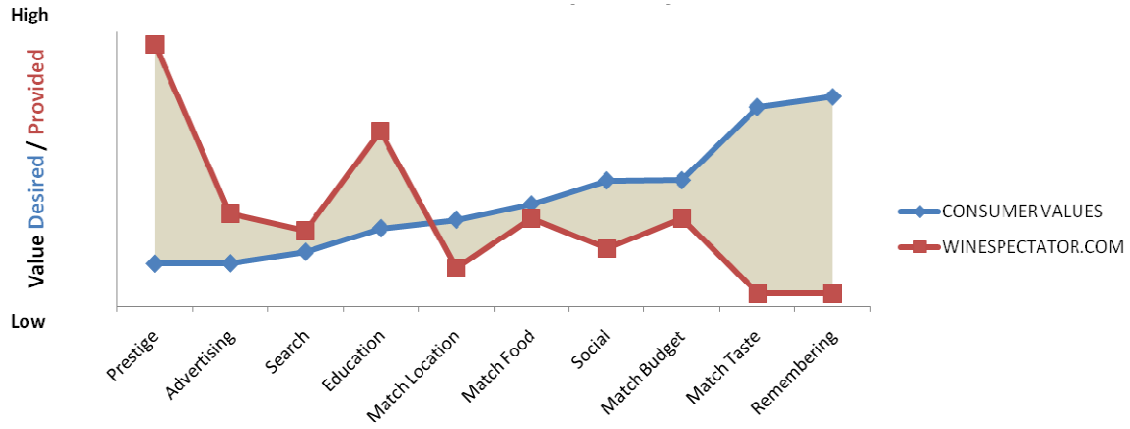


Figure 30: Values gap analysis—WineSpectator.com (n=206 for Consumer Values)

TV.WineLibrary.com

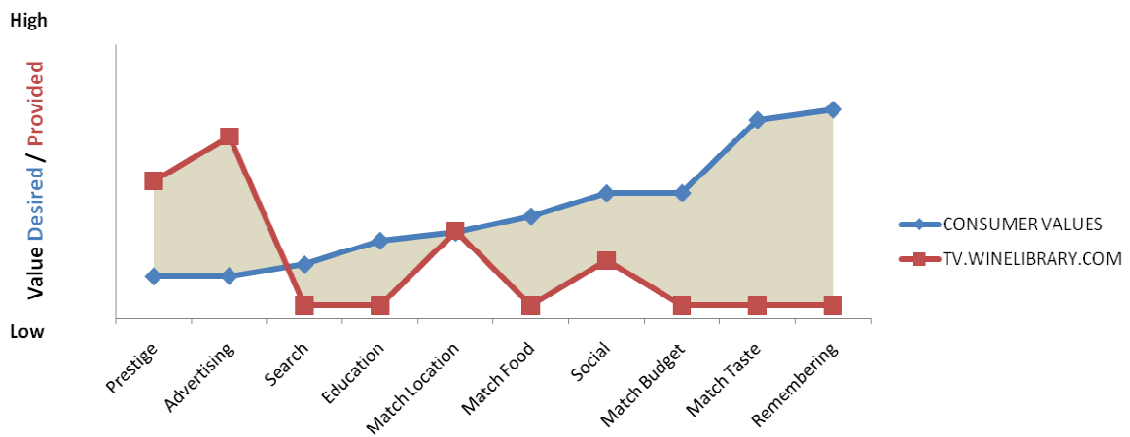


Figure 31: Values gap analysis—TV.WineLibrary.com (n=206 for Consumer Values)

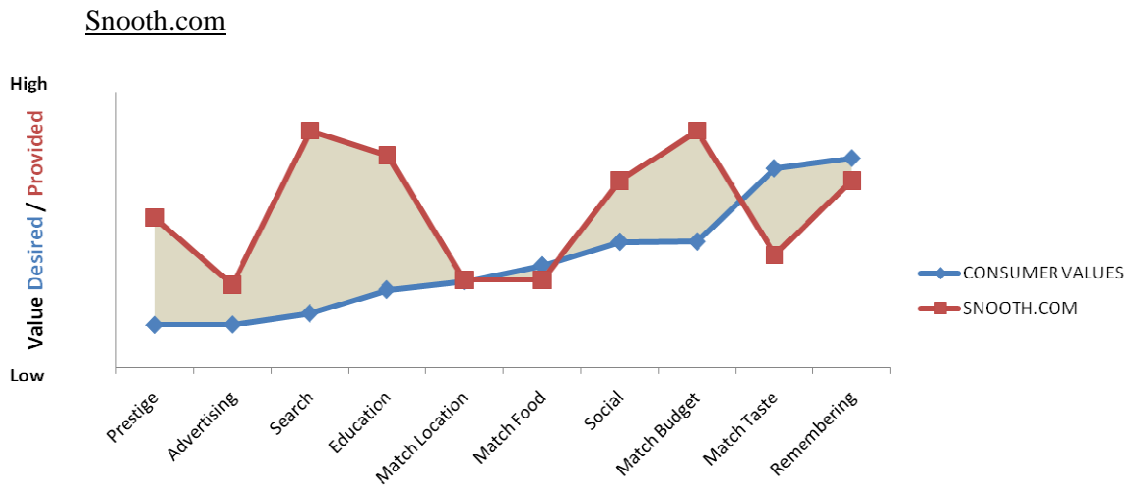


Figure 32: Values gap analysis—Snooth.com (n=206 for Consumer Values)

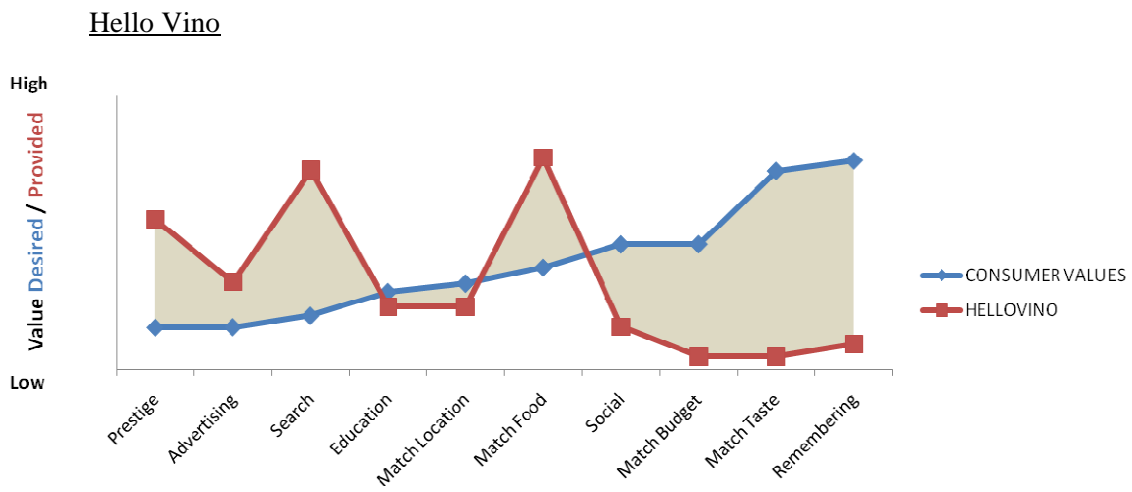


Figure 33: Values gap analysis—Hello Vino (n=206 for Consumer Values)

As was consistently seen, *Advertising* was over-delivered above what consumers were looking for across all representative firms. It may be surmised that this traditional approach to engaging consumer attention is still tried and true but the lower value attributed to it by consumers speaks to other avenues needing to be explored. With the exception of TV.WineLibrary.com, *Search* was also regularly over-delivered. Here again, consumers' lower expectations may reflect the general uncertainty around exploring wine and the overwhelmed feeling many consumers have when faced with a myriad of brands—i.e. on what terms does one search and what should I be searching for? Typically, conventional approaches to *Search* presuppose the consumer having some baseline knowledge which requires an appreciation for *Education* as well.

Match Taste and *Remembering* were also consistently under-delivered with the exception of Snooth.com. These two values represented the greatest divergence from consumer demand amongst almost all competitor categories. This large gap creates a definitive opportunity for WinePeer to raise these values and thus begin to differentiate itself from competitors.

Because of the strong value representation, Snooth.com represents a strategic decision that needs to be made: are they a competitor or potential partner? Snooth has an API that allows any wine website or application in the world to query the Snooth database and pull up information about wine(s). This is a resource that WinePeer is very likely to leverage. Moreover, in leveraging this resource, WinePeer may attract Snooth's attention as a possible exit strategy if they are interested in buying an application that enhances their current B2C application. Conversely, WinePeer will be amassing its own set of industry data based on the ratings of its users. Snooth currently sells data to members of the wine industry value chain. WinePeer has the potential to offer data services as well, which could position it as a competitor to Snooth from that B2B perspective. As such, WinePeer will need to keep a close watch on Snooth throughout its product development and marketing life cycles. The next section talks about WinePeer's strategy in light of the findings from all of the previous sections.

7.6 Threat of Substitutes

One of the main obstacles and a potential threat for WinePeer is the adoption of technology within the wine consumer segments. Many consumers still rely on traditional methods of research and recommendation to help them pick their wines. These methods include:

- Sommeliers
- Printed media such as magazines, newspapers, and books
- Hand selling in stores
- Wine tasting events or parties
- Recommendations from a friend or family member
- The prevalent 100-point scale

Although these are not direct competitors to WinePeer, they are potential substitutes that consumers are using today. Most likely, they are using them more than the applications discussed here. For example, one of the most successful online wine websites such as Snooth.com has approximately 400,000 users. However, for the largest number of users of a single product, 400,000 is still only a small fraction of the over 73 million estimated wine drinkers in Canada and US (refer to Table 7, page 42).

Not only will WinePeer have to convince wine consumers to pick it over other competitor applications, but WinePeer will also need to compete in some way with these substitutes. This is where the identification and implementation of the consumer values will be important. In order for WinePeer to succeed beyond these traditional substitutes, WinePeer must offer value significantly beyond the options available to users today. In WinePeer's strategic analysis, it will be important to keep these substitutes in mind.

7.7 Competitive Analysis Conclusion

This section looked at competitors in terms of the value they are providing relative to the value demanded by consumers. The leaders within each group were looked at as best-of-breed representatives and analyzed accordingly. Across all of the competitors, there was over-delivery on *Advertising* and *Search*. These two values are not appreciated by consumers and should be avoided in the WinePeer product. The most notable finding was that *Match Taste* and *Remembering* were consistently under-delivered. These two values are important to consumers and will need to be included in the WinePeer product. The only exceptional competitor was Snooth who scored on *all* values and represents an incumbent in terms of user adoption with over 400,000 registered users. However, with respect to the over 73 million wine drinkers in the US and Canada, adoption is still in the early stages. Accordingly, there is an opportunity for WinePeer to redefine the approach to consumers and become the new leader.

The Path Forward—A Strategic View

This section defines and presents the WinePeer offering in the context of four predominant revenue streams (in order of significance):

- Paid application (consumer-oriented),
- Advertising,
- Affiliate fees, and
- Data services

WinePeer proposes to define its niche by using a combination of value elimination, reduction, growth and creation. Value creation is most important because it creates a space currently devoid of direct competition. Each revenue stream will be explored within this context along with other sources of revenue that have been missed by competitors. Competitive insulation will also be discussed to explain how WinePeer will help retain its competitive advantage within its defined space against new entrants as well as existing competitors. Following this discussion, some launch considerations are addressed through an examination of the pros and cons associated with a phased approach. Deployment across geographic regions is weighed against the global perspective of online applications. Regardless, it is important that a focused approach be maintained on a market-by-market basis with the success of a previous phase funding the launch into a subsequent phase.

Financial considerations are presented next. Key assumptions that underlie the revenue projections provided are discussed in detail including factors affecting the rate of consumer adoption and potential revenue streams. Costs associated with the necessary development and marketing plans are brought into the picture and round out the view in terms of financial statements spanning five years of the business.

Lastly, exit opportunities are explored with the goal of subsequent acquisition by one of a number of potential firms. Potential acquiring firms are investigated more closely including attempting to probe the motivations that may trigger their purchasing moves.

8: Establishing WinePeer's Value Proposition

It has been established that the vast majority of competitors are not meeting consumer needs in terms of delivering value to consumers. Typically, they are either over delivering on values having lesser significance to the general wine consumer or under delivering on those values deemed most important. The notable exception is Snooth.com—this company consistently over delivers on multiple fronts (refer to Figure 32, page 72).

8.1 Carving Out WinePeer's Niche

WinePeer proposes to concentrate its limited resources in a very directed and focused manner. Attempting to over deliver on all fronts may result in an inefficient and dilutive allocation of resources. Alternatively, it is not in WinePeer's best interests to focus its strategy on only two values in high demand by wine consumers (*Remembering* and *Match Taste*) in the hopes of generating cash and trying to outpace the existing competitors. WinePeer's approach needs to not only focus on some key attributes valued by wine consumers but also create new values that speak to latent consumer needs not being met but uncovered in the consumer survey and corresponding analysis.

8.1.1 Eliminated Values

The values of *Prestige*, *Advertising*, *Search*, and *Education* will be removed from WinePeer's offering. These four values fall within the bottom half of the ten values addressed by the WinePeer consumer survey (refer to Figure 12 on page 36). The elimination of *Prestige* means the consumer using WinePeer's application will not be faced with complicated wine terminology when trying to decide the right wine to buy. Further, WinePeer will not use the existing rating systems, expert reviews or rewards to signal to consumers what wines are the best to buy.

Advertising, in the context of WinePeer's consumer survey, refers primarily to the use of labelling and packaging to influence consumers making a wine buying decision. WinePeer will not use pictures of animals or flashy colours to capture a consumer's attention for a particular recommended wine. Note that WinePeer will have advertising as a revenue stream but in a completely different context; this topic will be revisited in detail later (refer to Section 9.2.1, page 86).

When it comes to sourcing new wines that have not previously been tasted, consumers revert to *Search* based on multiple factors, be it by grape varietal, appellation (geographic region), or accolades. Yet WinePeer’s survey results indicated that searching was not that significant a consideration. While this finding may reflect consumers’ behaviour of only purchasing known brands or varietals due to the uncertainty involved, it does not matter when it comes to WinePeer’s offered functionality. Extensive wine search capabilities will not be provided by WinePeer, just recommendations.

WinePeer will also not be the place to come to develop a general *Education* around wine appreciation. The competitive analysis performed highlighted numerous sites that offered rich resources whereby a consumer could learn more about wine. As such, WinePeer will not be adding pages of information devoted to teaching consumers how to taste a wine or providing definitions for wine vernacular. Consequently, WinePeer will avoid competing on *Education* and *Prestige* with firms like WineSpecator.com, as it focuses on delivering on more highly regarded consumer values.

8.1.2 Reduced Values

Consumer values to be de-emphasized in WinePeer’s offering include *Match Location*, *Match Food*, and *Social*. These three values fall in the middle of value appreciation by consumers participating in WinePeer’s survey; when combined with the eliminated values, the bottom seven of ten values surveyed are represented. Consumers will use WinePeer’s application to get wine recommendations that have been tasted by other consumers in their region. In this manner, *Match Location* will initially be realized and accordingly, development costs will be kept to a manageable level. This feature may be enhanced later to include the inventory of local retailers and whether or not that inventory is dynamically updated or just a static snapshot of store inventory will be determined in Year 2 of WinePeer’s product development lifecycle, after launch of the initial application.

Survey results highlighted that consumers either already know how to *Match Food* with their choice of wine, are comfortable with crude “rules of thumb” (e.g. Malbec goes well with steak), or simply that they feel that pairing a wine with food is not their biggest concern. Accordingly, WinePeer will only offer basic food pairing functionality in utilizing existing generic pairing recommendations such as the aforementioned “rules of thumb”.

WinePeer does not intend to develop any *Social* media functionality. However, survey respondents did admit to getting input from friends and family (re: trusted sources); e.g. “I just

buy what my friends tell me to buy...” (WinePeer, 2010). Consumers also indicated that they wanted to be able to choose wines for others. As such, WinePeer will provide users with the ability to see each other’s wine profiles and thus compare and share in personalized wine recommendations.

8.1.3 Raised Values

The three values held in the highest regard by survey participants were, in increasing order of significance: *Match Budget*, *Match Taste* and *Remembering*.

Match Budget

WinePeer’s survey results indicated that the price consumers typically paid for a bottle of wine ranged from \$15 to \$20 per bottle. This limit reflects consumers’ willingness to pay and can serve as a user-configured budget constraint. Only wine recommendations at this price point or below will be communicated to consumers through WinePeer’s application. WinePeer may experiment in the future with alerts that inform consumers of wines that are better aligned with their tastes but that fall within a slightly higher price range. WinePeer will only pursue this soft push to increase consumer willingness to pay if the resulting purchases can translate into greater revenues from an increase in affiliate fees, for example, from retailers who experience slightly higher average value of sales through the WinePeer application. These and other features will raise *Match Budget* to a level that exceeds the capabilities of blogs, aggregators, most retailers’ websites and many online social networks and applications.

Match Taste

Match Taste is the second-best scored value by consumers in WinePeer’s survey and represents the initial consideration that launched the concept of WinePeer. Wine consumers will be able to use their mobile WinePeer application to simply and quickly rate wines as they consume them or shortly thereafter. WinePeer’s algorithm will analyze a consumer’s rating and match them with other consumers having similar taste profiles (as proven during the class experiment in the fall of 2009). WinePeer will use these matches to create a broader range of recommendations that match an individual’s taste profile. More specifically, if one consumer likes (re: rates highly) the 2007 McManis Chardonnay and is discovered to have the same taste in wine as a consumer who has not tried McManis, the new consumer will receive McManis as a possible recommendation. The recommendations will be further enhanced leveraging geographic

information between users. Recommendations from users in the same geographic area will increase the likelihood of the wine being available by keeping the recommendations within the same regional regulatory boundaries (and thus inventory boundaries). This approach enables WinePeer to avoid another common industry pain of identifying a great wine but not being able to find a BC retailer because the LDB does not import it.

Remembering

Remembering proved a surprise to the WinePeer team as the top-scored value among the ten surveyed. In essence, consumers want to remember what they had in the past and WinePeer’s survey responses indicate people either create their own solution or simply bear with difficulty in this area, refer to Table 19 for example comments.

Table 19: Survey quotes supporting Remembering as a value highly regarded by wine consumers

“I keep a record of wine that I have tried and liked previously.”
“There are so many selections and I never remember what kind I like.”
“...problem is when I like a bottle I don't track/remember the name!”
“Not very good at remembering the specific vintages.”
“...I forget the names but remember the labels.”
“...they have a nice sherry I cannot remember the name...”
“...have a great one and cannot remember the name”

Source: (WinePeer, 2010)

The presence of obvious demand makes it surprising that most wine consumers have not already found an online solution. An explanation for this may come from answers to a specific question posed by the 2010 WinePeer survey—“Assume you are using an application to rate and save the wines you drink. How long would you be willing to spend rating a single wine?”—in which 68% of wine drinkers answered that they would spend 60 seconds or less. Responses from non-wine drinkers were even more skewed with 80% of respondents saying they would be willing to spend 30 seconds or less. One minute (or 30 seconds in the case of non-wine drinkers) is not a lot of time to enter enough information to *Remember* a wine. Anecdotal evidence from the review of 149 competing websites and applications indicates that it currently takes users from two to four minutes to complete a review using existing solutions. Further, wine jargon is present throughout many of the existing solutions thereby creating yet another barrier for users in trying to *Remember*.

The use of ratings to *Match Taste* can easily be extended to include a means of recalling past ratings thus catering to this need to *Remember*.

The bigger challenge is providing a quick way for a user to identify the wine to be rated and thus quickly populate the rating with all of the wine’s metadata (e.g. year, brand, varietal, etc.). Technological solutions exist and include applications that transform phones into a barcode scanner linked to a UPC²⁵ lookup database²⁶ or the use of “quick response” QR codes²⁷ (refer to Figure 34) or the use of mobile-oriented, new-generation, type-ahead technology²⁸.

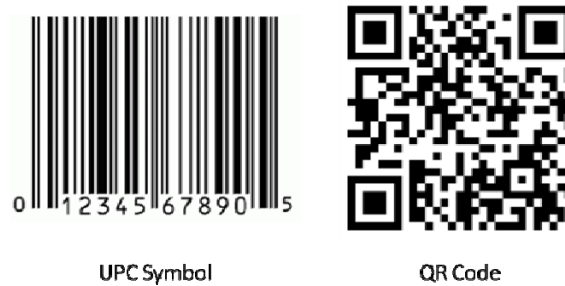


Figure 34: Examples of a UPC symbol and QR code

8.1.4 Created Values

WinePeer proposes to ‘create’ three values that are currently not well served by the industry but are intrinsically linked with WinePeer’s value proposition: *Identity*, *Discovery*, and *Immediacy*. Note that ‘creating’ in this context is really about revealing latent needs and using that knowledge constructively.

Identity

The previous section that addressed elevating the value of *Match Taste* talked about users of WinePeer getting wine recommendations that were unique to them. In order for users to trust the recommendations, the application must also provide a visual representation of the users’ taste profile. In essence, the application must prove to the consumer that it understands their personal taste in wine and is not just communicating random and generic recommendations (which some applications, such as Hello Vino, currently provide). The concept of an infographic or archetype has been conceived to illustrate this understanding of a consumer’s personal taste. An early concept for the infographic can be seen in Figure 35. Such infographics are considered a key tool

²⁵ Universal Product Code

²⁶ E.g. <http://itunes.apple.com/app/quickmark-qr-code-reader/id308650613?mt=8>

²⁷ A type of barcode optimized for being read by a mobile phone (http://www.qrstuff.com/qr_codes.html)

²⁸ E.g. <http://drync.com/blog/the-killer-wine-app-interface-typeahead-vs-barcodes/>

of social media that can be leveraged as a means of creating online buzz that has the potential to leap across to more conventional media channels (Capulet Communications, 2010). Archetypes such as “Shiraz Sipping Sally” or “Cal the Cabernet Cowboy” (or even symbols) have also been conceived that provide consumers with a fun way of determining where they sit in the world of taste profiles relative to those around them.

Regardless of the visual representation (which is still to be refined), the taste profile will provide consumers with something that is instantly understood and that can be compared between friends and associates. A generally abstract concept like personal taste will become a colourful and fun visual. The more wines a consumer drinks, the more refined their taste profile becomes. In addition, as consumers’ taste in wine matures, so will their taste profile; it will be a simple but dynamic visual. This value also speaks to WinePeer’s target market of adopters: non-sophisticated wine drinkers or those people who are new to wine and do not understand themselves or their personal taste but do appreciate technology (i.e. Millennials as discussed earlier). A strong sense of *Identity* will enable consumers to search for and discover new wines.

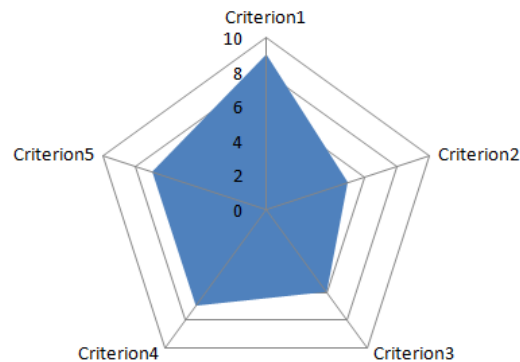


Figure 35: Potential infographic representation of a consumer's taste profile

Discovery

Recommendations are at the heart of *Discovery* which is another value that WinePeer will ‘create’. Suggestions for wines that are aligned with a person’s taste profile address the uncertainty of extending beyond a particular taste profile or comfort zone. Underlying the success of this capability is the ability to earn the trust of the wine drinker. Conceivably, as a person’s taste profile matures and evolves through numerous recorded encounters with wine, WinePeer’s proprietary algorithm will be able to suggest wines that are even better aligned with that person’s tastes. This facilitated exploration will address the risk encountered when one buys a new wine and mistakenly purchases a wine that does not match their personal taste. WinePeer’s application could be all that is needed to not only move those who already appreciate wine to finer (and higher margin) wines but also permit those who typically drink other liquor to begin buying more wine.

Immediacy

This value speaks to the value of time. WinePeer plans to ‘create’ this value on multiple fronts. As previously discussed, ratings that help define *Identity* will need to be completed in less than 60 seconds which means the interface must be highly intuitive, allow for fast identification of the wine being rated and provide an efficient interface for inputting personal wine tasting related data. This sense of urgency is also reflected in how quickly feedback is provided. Submission of the rating information immediately leads to an updated taste profile and yet another wine recommendation provided as a means of *Discovery*. Additionally, the wine consumer will be given the option of investigating where to buy the recommended wine or to choose to buy that recommended wine immediately through partners or affiliates. These purchasing options will be provided through “Where to Buy” and “Buy Now” buttons available with every recommendation. Lastly, WinePeer will ensure that a consumer can accomplish this using only one hand on a mobile device.

8.2 The WinePeer Value Curve and All That It Entails

Figure 36 below summarizes the previously discussed actions that WinePeer intends to perform.

<p><u>Eliminate</u> Prestige Advertising Search Education</p>	<p><u>Raise</u> Match Budget Match Taste Remembering</p>
<p><u>Reduce</u> Match Location Match Food Social</p>	<p><u>Create</u> Identity Discovery Immediacy</p>

Figure 36: WinePeer's strategic foundation

The WinePeer value curve will look something like that shown in Figure 37 below. Note that the values scored for WinePeer are based on strategic goals and not actual scores unlike the

consumer and competitor values. This value curve will serve as a strategic anchor for the company moving forward.

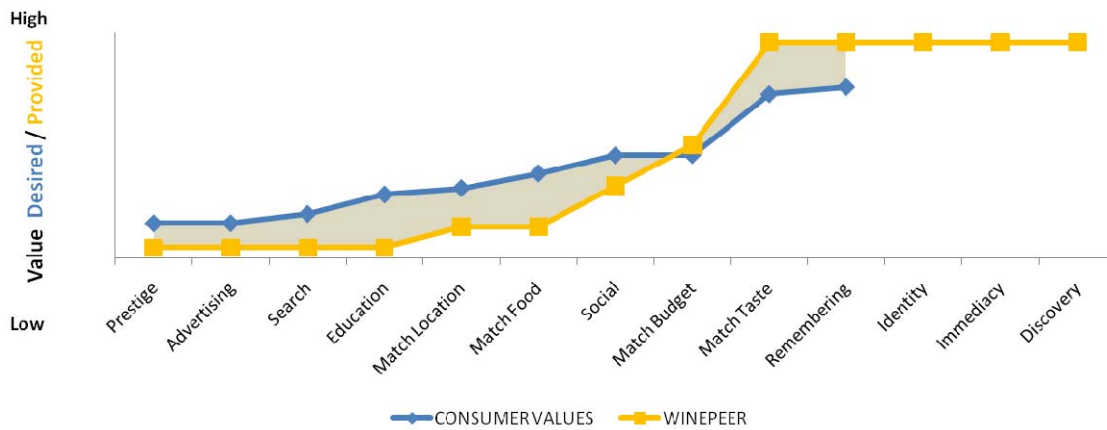


Figure 37: WinePeer's prospective value curve. (n=206 for Consumer Values)

It is important to note that WinePeer’s strategy is aligned with key considerations of a Blue Ocean strategy as defined by Kim and Mauborgne (2005, pp. 37-41). First, that the value curve has *focus* in that efforts are not diffused across too many values, second, that the value curve *diverges* from that of benchmarked competitors, and third, the value curve makes a *compelling tagline* clear.

Eliminating and reducing values enables WinePeer to focus its limited resources on those values to be raised and created. All of Section 7.3 highlighted the near complete absence within the industry for *Matching Taste* and *Remembering*²⁹. When superimposed over the general consumers’ value curve, WinePeer’s value proposition becomes very compelling: for these values, WinePeer addresses high consumer demand and very low competition. Creating *Identity*, *Discovery*, and *Immediacy* further differentiates WinePeer and creates competitive insulation (to be discussed shortly). The tagline itself becomes a marketing tool but more to the point, it succinctly targets what it is WinePeer does and thus effectively conveys the value proposition to consumers. The tagline needs to focus on those values being raised or created. While WinePeer’s final tagline has yet to be determined, it could resemble:

“Your wine now!”

²⁹ With the exception of Snooth.com (refer to 7.4.2, specifically page 66).

9: WinePeer’s Relevant Business Model(s)

This section provides the rationale for why WinePeer will pursue a consumer-oriented paid application featuring online advertising, affiliate fees, and data services for revenue generation.

9.1 What Is WinePeer? What Can It Be?

9.1.1 Playing in the Web 3.0 Space

As a result of rigorous research and analysis, it became evident that WinePeer is ideally suited for this type of online environment. Web 3.0 is characterized by natural language queries, organized output and application learning over time (Strickland, 2008). WinePeer’s use of the taste profile as an input to the recommendation engine will carry complexity similar to that of a natural language search phrase. Updates to the individual’s taste profile and the presentation of recommendations represent significant organization of query outputs. The taste profile will dynamically reflect the tastes of the person and will change as the person changes thereby supporting learning.

9.1.2 A Cross-Platform Solution

Since WinePeer does not intend to develop a solution focused solely on a single platform, it will not develop an exclusive iPhone/iPad application. While further exploration is warranted, one approach being considered is the development of an online presence that will emulate the interface of multiple mobile platforms (e.g. iPhone/iPad, Windows, Android, and Blackberry) based on open-source technology. In this manner, all wine drinkers will be able to become WinePeer users and not just owners of Apple products.

9.1.3 The Inherent Potential

WinePeer will also be positioned as a widget or plug in, essentially mini applications embedded within a web page that can add dynamic content (BluePrint Data, 2010). In this way, consumers can access their taste profiles and the WinePeer recommendation engine from a number of locations (i.e. Facebook or LinkedIn). This will position WinePeer as a value-added complement rather than a competitive new entrant which could open doors for business relationships with some of the bigger players on the Internet.

Adding basic capabilities that allow people to link between taste profiles can make creating an account with WinePeer a thing that friends do. At some point, interest and adoption become self-generating leading to a mass adoption trend that could establish WinePeer as the dominant design in dynamically profiling wine tastes. From this vantage point, it is conceivable that dynamic taste profiling can now be applied in other areas, for instance with scotch or cheese.

9.2 Potential Revenue Streams

It is clear to the WinePeer Team that the application approach is a necessity for all the reasons discussed in the previous Section 9.1. Less clear was how to determine other potential revenue streams that might be enabled by the WinePeer application. A high-level review of the possible revenue streams was performed and captured in Table 20. A first pass was performed to remove all business models that did not provide a revenue opportunity for WinePeer as an application and a subsequent pass assessed those remaining on a case-by-case basis.

Table 20: Potential business models and suitable revenue opportunities

Business Model	Description	Revenue Opportunity?
Advertising	Pay-per-click or banner advertising such as that provide by Google AdSense or AdWords.	Yes
Subscriptions	Monthly or annual subscriptions that renew for a license, registration or software-as-a-service.	No, applications are purchased through flat fees. Subscriptions would only be possible for Data Services.
Affiliate Fees	A partnering company pays a percentage upon each sale for traffic driven to their site that converts into sales of product(s).	Yes, but currently only for US wine eCommerce websites.
eCommerce	Selling product directly online to consumers.	No. This requires warehousing, logistics and shipping and has numerous regulatory restrictions.
Data Services	A type of subscription that instead of providing access to software provides access to data at a monthly fee.	Yes. But only at a later stage when WinePeer has data to sell.
Licensing	Providing a white label version of the product that third-parties can use as their own.	No. There is very little need or willingness-to-pay amongst wineries, retailers, etc.
Paid Application	An application that is bought at a nominal fee (i.e. under \$4.99) as a one-time fee.	Yes but only by consumers.
Consulting Services	Providing marketing, sales or operations or expertise to members of the wine industry value chain.	No. Already provided by existing consultants and firms.
Big Exit	Build an application so great that it will be bought by a third-party prior to revenue generation.	No. WinePeer needs a viable revenue stream to sustain itself.

WinePeer is focusing on three possible early stage revenue streams: advertising, affiliate fees and paid application purchases. Data services is a later stage revenue model based on having

a pool of market data that could be sold to members of the wine industry value chain. Mass adoption is required to get the amount of data needed to provide the level of market insight that is worth purchasing. For this reason, data services cannot be a primary revenue stream for WinePeer.

The three sources of revenue identified are inherent to the retail environment and do not represent any significant deployment risk. Advertising can be deployed into an application using Google AdSense. Affiliate programs are already in place for the major wine eCommerce websites (e.g. wine.com and 800wine.com). Paid applications are regularly developed for under \$50,000 and in less than six months (Delooks, 2008). Overall, WinePeer has devised a method of exploiting all three of these revenue streams while maintaining a strong commitment to its stated value proposition.

9.2.1 Advertising

The WinePeer application will provide a list of recommended wines to consumers. Within the list and/or within the individual recommendations will be ads. WinePeer will exploit existing services such as Google AdSense as an efficient method for building a revenue stream into the application. The revenue generated by these ads varies; common metrics used by Google, for example, include cost-per-click, cost-per-thousand-impressions, and cost-per-action. The relevance and level of intrusion of the advertising will be taken into consideration when developing the free version of the WinePeer application; the paid version likely will not contain advertising.

9.2.2 Paid Application

In order to gain traction in the market and grow the number of adopters, WinePeer will initially be launched as a free application. A deeper feature set or imposed limits on the free application will justify development of a paid version. The difference between features of the free and paid applications will be determined after the product has been adopted and tested by early adopters (e.g. the Millennials that are Satisfied Sippers per Table 11, page 51) and before any significant dollars are spent on marketing the product. The paid application will be priced at a level that makes sense relative to other (wine) applications: typically between \$0.99 and \$4.99.

9.2.3 Affiliate Fees

Affiliate fees are an important revenue stream that offers a higher return per event or transaction than traditional online advertising. This higher return reflects the fee being earned when a sale is made or a specific action completed (such as registering an account). Affiliate fees are unlike online advertising where online traffic volume is driven to another website and payment is based on some predetermined conversion rate, whether conversion actually occurs or not. Affiliate fees are based on converting quality leads in the form of WinePeer users into customers for wine retailers or dedicated wine eCommerce websites. WinePeer's recommendations will be accompanied by "Buy Now" and "Where to Buy" buttons that will lead to the generation of these fees.

The "Buy Now" button directs WinePeer users to one of a few eCommerce websites where they can buy the wine and have it delivered. While WinePeer will initially integrate only one eCommerce provider into the application, it will need to provide a means for integrating any eCommerce provider with the application to accommodate any geographic constraints or regulatory limitations. The burden of integration can, however, be pushed onto the eCommerce providers once WinePeer is established; these providers will pay WinePeer a percentage of each sale – currently www.800wine.com pays its affiliates 8% of total sales, 10% if total sales exceed \$500 USD per month before tax and shipping (800wine.com, 2010).

The "Where to Buy" button will provide users with a list of wine retailers that feature the recommended wine within a given radius of their current position. Mobile GPS technology within phones will be leveraged and the reporting radius will be a user-configured setting that allows users to establish how far they are willing to travel to buy the wine. The retailers will pay a per-click fee that is registered when a user clicks on their location. Alternative models have been considered such as a single listing fee for each retailer or a monthly fee per bottle of wine listed; however, both of these approaches require a higher, up-front cost to the retailers. Having retailers pay a nominal fee of \$0.20 per click is relatively easy to develop and likely a relatively easy sell when accompanied by transparent click monitoring and the ability to manage their marketing budget (e.g. specify a maximum clicks threshold). This level of investment and control makes working within limited marketing budgets much easier to manage and, accordingly, opens up a mode of connecting with consumers that has usually been associated with larger budgets. WinePeer will also provide retailers with the ability to upload all or segments of their inventory so that applicability of the "Where to Buy" button can be enhanced. The "Where to Buy" button will not appear when a wine cannot be bought at a local retailer. The same can be said of a wine

that cannot be bought online; the “Buy Now” button will not appear. However, WinePeer will always provide recommendations that show at least one of the two affiliate buttons, so that WinePeer always has an opportunity to turn a recommendation into revenue and addresses the promise of providing consumers with *Immediacy*. This capability will require that the WinePeer product is seeded with data at launch to ensure that early adopters are not provided a list of recommended wines that they cannot buy.

9.2.4 Data Services

A longer-term strategy is the establishment of B2B relationships based on the provision of data. Activities by WinePeer’s user base will provide a rich source of information that can be mined in a manner that provides useful data while protecting the privacy of WinePeer’s users; personally identifiable information will be excluded from any transactions. Ideally, WinePeer would be able to leverage the dynamic nature of its offering to provide not only static snapshots of particular data states but, in addition, to offer time series of information that allows for a view into marketing behaviours. WinePeer could provide valuable insight into the consumer’s purchase decision-making process from recommendation to purchase.

9.3 Competitive Insulation

While identifying a market niche for WinePeer may create a new, uncontested space, that is unlikely to remain so for long. WinePeer’s business strategy must encompass ways to forestall, if not completely dissuade, new entrants from attempting to enter the market. Relevant strategies include maintaining trade secrets in terms of proprietary technology, elevating user switching costs, strategic use of trademarking and copyright, and enhancing lock-in for social media users. Interestingly, the barriers proposed next reflect the three values WinePeer plans to create.

9.3.1 Maintaining Trade Secrets

WinePeer will need to keep two components of its technology secure from general dissemination: the proprietary algorithm that creates and updates consumers’ taste profiles and the technology (and experience) that underlies the recommendation engine. Taste profiling as executed by WinePeer is fundamental to differentiating it from competitors and so is even more important than the wine recommendation engine. At a most basic level, access to the proprietary logic will be provided to only those developers and team members that require it using nondisclosure agreements and similar contractual clauses. Accordingly, sufficient funds need to

be allocated to navigate the legal requirements of drafting, executing and enforcing such agreements. Patents are unlikely to play a role for several reasons. They are expensive and extremely time consuming to enforce. Their application requires the submission of details that can compromise company secrecy and places protected information into the public domain. The very flexible nature of software makes it possible for competitors to program around patent constraints. In addition, pursuing legal action is a long and expensive process, hardly something that a start-up with a three to five year exit horizon wants to get involved in.

9.3.2 Increase Switching Costs

WinePeer users will be entering new ratings for wines they tasted and reviewing their changing profile and resultant recommendations. These individual ratings represent a chronological history of an individual's wine consumption. Recall that *Remembering* was highly regarded by consumers as seen from the survey results, it holds that abandoning *Remembering* would represent a significantly negative experience by consumers. The implications to WinePeer functionality are clear. The free version should not restrict *Remembering* in any way. That means no restrictions on the number of ratings able to be entered or recalled. Every rating should enable users to embed their experiences with wine deep within the WinePeer ecosystem. WinePeer needs to ensure that the ability to enter ratings is facilitated as much as possible through promoting fast logins, quick wine identification, and rapid, single-handed rating capabilities. Each rating entered equates to an increase in switching costs to the user who cherishes *Remembering*.

Another possibility is to embed the WinePeer functionality in key online social networks (predominantly Facebook using the WinePeer widget previously mentioned). WinePeer's functionality presents yet another link that benefits the online social network, while gaining access to an established user base. A WinePeer-Facebook combination could further lock-in users because the switching costs will include switching away from their online social network provider.

Aside from memory lock-in is the user's unique *Identity* which, at the outset, will only be available through the WinePeer application. WinePeer's vision would be to have those same infographics or archetypes be used throughout the wine industry so users can see themselves beside every label within every store and magazine.

9.3.3 Use of Trademark and Copyright

WinePeer’s depiction of the taste profile (Figure 35, page 81) is a proprietary aspect that makes a significant contribution to its brand and should be defended from unauthorized use. A trademark can provide some protection in this area. Whether the profile ‘infographic’ falls under a registered trademark has yet to be determined. Any content written by WinePeer or for WinePeer in an exchange of compensation will be copyright protected. Although such protection is relatively weak, it does reserve WinePeer the right to pursue legal action should circumstances demand it.

9.4 Phased Deployment

WinePeer’s approach to deployment can be grouped into three phases – Consumer Focus, Retailer Focus, Growth.

9.4.1 Phase I, Consumer Focus

WinePeer will start by building the free consumer application. Beta testing among early-adopter consumers (i.e. the Millennials per Table 11, page 51) will be a key milestone. Another milestone will be the pre-population of the application with wine content. Completion of this milestone will result in a WinePeer database that aggregates relevant content from existing websites. WinePeer will track metrics from the day the application is launched and will be able to target retailers who have had significant traffic driven to them. The knowledge of how much traffic has been driven to a given retailer will be used to earn their business as affiliates. It is yet to be decided if retailers will be openly involved and aware of the early tests or if WinePeer will develop independently and then approach retailers at a later stage. Regardless, this consumer adoption phase would not be limited geographically in order to test out the early product across a range of users.

9.4.2 Phase II, Retailer Focus

Retailer adoption involves seeking out paying customers for the “Where to Buy” and “Buy Now” affiliate revenues streams. This stage will be BC focussed unless consumer adoption indicated that another area of North America provides more opportunity at similar or lower costs to develop. Development planning for the paid application would begin and actual development commence.

9.4.3 Phase III, Growth

Development, beta testing, and launch of the paid application would serve as a focus. Launch activities could propel WinePeer beyond BC's borders, moving into the rest of Canada and the USA for retailer adoption. Breakeven by Month 30 is the current goal.

9.5 Exit Opportunities

Identification of an exit strategy is important to the founders as well as to potential investors. All vested parties need to know that WinePeer, as a business has the potential to show a sizeable return on investment. Further, vested parties (especially investors) will want to identify multiple avenues of exit in order to be given the opportunity to withdraw their investment and gain a return. Primarily, WinePeer is pursuing an acquisition strategy with a three-to-five year time horizon. Potential acquiring firms could include the following companies.

Snooth.com

WinePeer's offering is a natural extension of their current online presence. Not only is WinePeer a complement to Snooth.com's product line but it also has the potential to augment their revenues substantially. A key motivator metric is the point at which WinePeer's user base exceeds the membership of Snooth.com.

Amazon.com

In late 2008, Amazon.com announced it would leverage its online retail capabilities and a 2005 US Supreme Court decision that ruled states could not discriminate against out-of-state wineries thereby freeing up direct-to-consumer shipping across state lines (Sage, 2008). Amazon.com has since reported to have shelved those plans (Musil, 2009) but in June 2010 acquired Woot.com, an online retailer whose portfolio includes wine.woot.com (WineBusiness.com, 2010).

Google

WinePeer's proprietary technology includes a matching algorithm as the basis of its recommendation engine. It is not inconceivable that the WinePeer approach could be seen as yet another type of search to be controlled by this Internet behemoth.

Wine eCommerce sites (e.g. Wine.com, 800Wine.com)

WinePeer's capabilities could integrate quite readily with the existing infrastructure of these affiliate retail sites. The Buy Now button would become yet another portal that is driving

customers directly to their online retail sites. A key motivation is that if one does not acquire WinePeer, another is likely to, thus enhancing its competitive stance.

Major consumer goods retailers (e.g. Costco)

Costco in the US is a major bricks-and-mortar wholesale direct-to-consumer retailer that not only has a strong presence retailing wine in their stores but also has a significant history of online retail and eCommerce understanding. WinePeer could be just the method of launching a consumer-oriented foray into national wine sales with delivery not unlike Amazon.com has been experimenting with.

WinePeer can keep abreast of developments among these and other potential acquirers by, among other actions, buying shares in these public companies so it remains informed of interesting and significant developments. There also remains the possibility of developing business relationships with any of these companies should the opportunity arise.

The Path Forward—Financial Analysis & Projections

10: WinePeer’s Financial Analysis

This section takes a closer look at each of the previously discussed business models. A series of integrated spreadsheets was developed to determine whether WinePeer would be able to profit from the proposed revenue streams listed above while remaining solvent over a 5-year period (which is the proposed point of exit for the WinePeer founders). The results of this financial modelling will be discussed first followed by a breakdown of the key assumptions in the model.

10.1 Financial Model Breakdown

The financial model contains a number of tabs that have been used to think through all of the cost and revenue drivers for the business. This section will describe each tab at a high-level and explain anything (beyond the key assumptions) that is pertinent to WinePeer’s financial outlook. Appendices I to N will provide the relevant information discussed. The plan covers a five-year period and is broken down by month.

10.1.1 Years 1 to 5

Details for all five years can be found in Appendix I. Year 1 sees WinePeer raising \$209,000 (\$9,000 from the founders with another \$200,000 from friends and family) during the first six months. Year 1 sees little-to-no revenue with much of the time and money expended devoted to product development.

Year 2 sees gross revenue slowly climbing from \$55/month to over \$4,700/month. The combination of continued development and the cost of marketing the WinePeer product will still

see costs exceeding revenue. As such, an angel round of funding has been identified for Month 18 with plans to bring in another \$100,000 to sustain WinePeer through to break-even.

Year 3 plots revenues growing steadily through to the end of the year with a break-even being achieved at Month 30. This is a key turning point in the financial plan whereby revenues will grow to be more than triple expenses by the end of the year and available cash will grow to over \$100,000.

Years 4 and 5 are the lucrative years with revenues continuing to climb as adoption peaks and the various revenue streams of the product are mature and fully exploited (but still based on the same key assumptions). These years will be focussed on operations and new opportunities while also developing the exit plan (as discussed in Section 9.5, page 91).

10.1.1.1 Management and Staffing Plan

This portion of the model is devoted to listing all of the possible staff members needed to run the company, their salaries and how much of a “commitment” the company will require of them and the corresponding compensation to be paid out; details can be found in Appendix J. Naturally, a CEO listed at \$90,000 annual income will not be paid a full working salary at the outset. As such, designations of 0.25 (or 25%) capacity have been assigned. This represents paid capacity and not weekly or monthly commitments which (for the founders especially) will be much higher. Overall, the plan sees 0.5 employees in Year 1 growing to 4.0 full-time-equivalent (FTE) employees by Year 5. Note that much of the development work has been assigned to outsourcing firms that are not accounted for here but are covered in the Development tab of the financial model.

10.1.1.2 Development Assumptions Input

The development assumptions relate to the time and cost to develop certain features or to build the database required to drive the WinePeer application (details can be found in Appendix K). Best-, likely-, and worst-case cost estimates were entered to meter against any overly optimistic estimates; weighted averages of the three scenarios were used to determine the cost that would be drawn into the income statement. The Development Assumptions Input tab also contains the weighted average costs for the marketing plan.

10.1.1.3 Development Plan and Marketing Plan

The development plan is a high-level project plan that assigns the development activities to months within the 5 years of the financial model. The numbers are drawn from the Development Assumptions Input. Worth noting, the development of WinePeer is pegged at just over \$100,000 which at first glance appears high when compared to successful games developed for the iPhone. However, WinePeer requires not only an application but also a means of populating a database as well as the development of a matching/recommendation algorithm and as such, this cost appears realistic.

The Marketing Plan has been moved to a separate tab to avoid mixing development numbers with marketing numbers (details per Appendix L). This plan ramps up behind the Development Plan and is estimated at \$100,000 over the course of 5 years. This modest marketing budget does not take into consideration the marketing required to sell the data services which may need to be built into the plan later.

10.1.1.4 Adoption

This tab is simply designed to model a typical technology adoption S-curve (refer to Appendix M). The Bass diffusion model was used as the foundation for the S-curve modelling (Bass's (sic) Basement Research Institute, 2010). It was modified slightly by manipulating the p and q coefficients because much of Bass' work was based on technology that had long adoption cycles such as the transistor radio, television and cell phone. Applications are amongst the newest segment of technology and have very fast development cycles and related adoption curves.

The S-curve created for WinePeer sees a transition from early adopters to early majority at the end of Year 2 or early Year 3. Peak adoption momentum will be reached by the end of Year 3 showing signs of slowing towards the end of Year 4. The data services revenue stream follows the same adoption curve but staggered a year later and, again, only for a market size of 1,000 (as opposed to 400,000).

10.1.1.5 Financial Assumptions

This part breaks down the financial assumptions prior to drawing them into the respective income statements, balance sheets and cash flow statements for each of the five years (details per Appendix N). Much of this tab will be discussed in the key assumptions per Section 10.2. Each

of the key assumptions has been used to calculate out the key metrics and resulting revenue for WinePeer.

Also of note, the percentage of sales in cash and on account has been broken out along with the percentage of accounts receivable that will be collected in the month and months following. Some rudimentary estimates of benefits and payroll taxes have been included along with interest rate estimates and accounts receivables aging. Lastly, the amount of funding required at various stages has been included here as well and drives the ensuing cash flow statements and balance sheets.

10.2 Key Assumptions

What follows are some of the key assumptions used in constructing the financial model for WinePeer. These assumptions have been based on actual metrics as much as possible and justification for assumptions has been provided for those instances where no real-world reference was available or appropriate.

10.2.1 Market Size

How many total potential adopters of the WinePeer product are there (i.e. what is the potential market size)?

This question was hotly debated by the authors. The number of potential early adopters indicated in the market research is over 3 million and that potential expands with each sub-segment. However, to be conservative, it was decided that 400,000 was an appropriate number given that this is the number of users currently registered with Snooth. WinePeer is not looking to compete directly with Snooth as an online social network, so there is little concern about splitting their user base. The 400,000 registered users is therefore viewed as an upper limit for the number of potential consumers that might be attracted to WinePeer who presently drink wine *and* use technology to find/buy wine. Again, this is conservative because WinePeer plans to attract wine drinkers who do not presently use technology in their wine-buying process and also has the potential to attract drinkers of other alcoholic beverages who may be beginning to consider wine.

The adoption of the free version of the WinePeer product is based on an S-curve derived from the Bass model of technology adoption (Bass's (sic) Basement Research Institute, 2010). A

conservative adoption curve has been developed that sees peak adoption accrual at Month 45 (at ~16,000 free users per month) with full market adoption just below the 400,000-user threshold but still trending upward at Month 60.

10.2.2 User Uptake

What percentage of users that adopt the free product will later buy the paid application?

This metric was based on some blogs from iPhone application developers (mostly games) who saw conversion rates from their Lite (i.e. free) version of their games to the full version of the games in the 2% to 10% range (Owen, 2009) (Maxwell, 2008). Games are arguably the most contested segment of the apps market because of the sheer number available. Still, WinePeer has been somewhat conservative in this regard given that there are several wine applications already on the market. We have assumed the conversion rate to be 3% for this financial analysis.

10.2.3 Online Metrics

What is the average click-through-rate (CTR) for a pay-per-click ad?

First-hand experience with Google AdWords across a number of different businesses and markets has shown CTR's typically between 1% and 5%. Higher CTRs are possible but again, WinePeer has been conservative and assumed that only 2% of ads that are shown within the WinePeer application will actually be clicked on. Further, it has been assumed at this point that the paid application will not contain any pay-per-click (PPC) advertising which further reduces the number of potential clicks.

How many times a month will a user use WinePeer and therein, how many wines will a user look at during one sitting before deciding which wine to buy (or moving on to another activity)?

Here there is no point of reference for how often users access applications like WinePeer each week. Those metrics are internal to various wine application developers or are not even gathered because of privacy issues or because it is not an important metric to other application developers. It is important to WinePeer because it sets a value for how many impressions (ads) will be shown to a user each month. It is unlikely that WinePeer will be used daily like some games and productivity applications. It is more likely that the application will be used when trying to choose a wine or in social settings to share taste profiles and recommendations. The consumer survey revealed that the average consumer drinks between one and eight bottles of wine a month. For this financial analysis, it has been assumed that users will view the application

once a week and will see at least five recommended wines within the application at each sitting. This results in a total of 20 impressions per month per user which is a realistic estimate considering that a user may view 20 wines in a single sitting.

This number is also used to derive the total number of pay-per-click impressions as well as the number of times that the “Where to Buy” link and “Buy Now” link will be shown. As such, this is a pivotal metric for the financial model and will be watched very closely as the product is launched.

What percentage of users will click on the “Where to Buy” button?

It was argued internally that 25% of users will end up clicking on the “Where to Buy” link. This is a best guess and again will need to be monitored closely as the product is launched.

What percentage of users will click on the “Buy Now” button?

It was assumed that 0.1% of the users will click on the “Buy Now” button. This correlates to the percentage of wine sales that is far below the findings illustrated in Figure 7 (page 26). It is assumed that this number will increase over time as a number of sources view eCommerce as the next wave of opportunity in the wine industry.

10.2.4 Online Revenues

How much will WinePeer make for an average PPC ad click and an average “Where to Buy” click?

Again, from first-hand experience, pay-per-click advertising costs range from \$0.16 to as much as \$5.00 a click. WinePeer is erring on the conservative side by assuming that it will generate an average of \$0.20 per click for each ad that is clicked on within the WinePeer application. Payment will be made through Google AdSense or a similar existing advertising engine. The “Where to Buy” clicks have been assigned the same \$0.20-per-click value.

How much will affiliates pay for an eCommerce sale?

With respect to the “Buy Now” button, most affiliate fees are not published. However, 800wine.com has published their affiliate fees as 8% of the sale before tax, 10% for sales in excess of \$500 per month (800wine.com, 2010). WinePeer has set the affiliate percentage at 8% per sale.

What will be the average price of an eCommerce sale?

The average price of an eCommerce sale has been assumed to be \$40.00 which is likely low given that reports from as early as 2000 state that the average eCommerce sale is \$100 (Walker, 2001) with a 2005 report stating that the average price of wine eCommerce sales was \$235 with an increase the following year (Megna, 2006). WinePeer is optimistic that this average value will be higher but is again erring on the conservative side with a \$40 average sale value.

10.2.5 Paid Application

What will the paid application cost?

Paid wine applications on the iPhone range from \$0.99 to \$4.99. Elasticity has been tested by a number of game applications where the price has been dropped from \$2.99 or above to either \$1.99 or \$0.99. The results have shown that the increased volume of sales created by the price decrease have more than accounted for the lost revenue on a per sale basis (Markj, 2009; Maxwell, 2008). As such, WinePeer plans to price its paid application at \$1.99 initially which leaves the potential to test the price elasticity of demand at a later date by either raising the price at the onset of a more robust release or to decrease the price to \$0.99 if/when sales begin to slow. It should be noted that Apple takes 30% off the top for each app sale. Again, being conservative, the revenue for all app sales (Apple or otherwise) has been discounted by 30%.

10.2.6 Data Services

How many potential data service subscribers are there and how much will WinePeer charge per month for data services?

For modelling purposes, the data services have also been included. At this time, it is not important what that product will look like. What is important is that, if WinePeer can achieve its planned adoption schedule, it will have the opportunity to sell market data by Year 3. The data plan modelling is extremely conservative at this time with a monthly subscription fee of only \$95 and a peak adoption of only 1000 users. It assumes the same generic adoption S-curve as the application. This is not a critical revenue stream at the outset but it has been built into the model for future consideration.

Conclusion

The concept of WinePeer has evolved considerably to become a viable business model. The authors were able to demonstrate that a business opportunity for WinePeer exists despite extensive competition in the wine application marketplace.

A consumer-oriented, values-based approach has highlighted the strategy that WinePeer must pursue. Specifically, WinePeer will focus its efforts on raising the values of Match Budget, Match Taste, and Remembering; interestingly, almost all competitors largely ignored the latter two. WinePeer will also recognize latent consumer needs by creating the values Identity, Discovery, and Immediacy. Other values found not to be important by consumers yet consistently over delivered by the competition will be reduced or altogether eliminated. This approach appears to define currently uncontested space for WinePeer within what might otherwise be perceived as a crowded market.

WinePeer will be a Web 3.0 product—in other words, a fully web-enabled application. It will be accessible to multiple platforms and employ features that allow any wine drinker to build a dynamically evolving user-specific taste profile (one's identity) and a repertoire of past wines (per remembering) simply by rating wines they are currently enjoying. Speed will be a key focus with each user scenario fulfilling the goal of completion in less than 60 seconds. This store of highly personalized information will allow WinePeer's recommendation engine to suggest wines aligned with one's tastes and provide the means to purchase it right now (with immediacy) through either "Where to Buy" and "Buy Now" buttons. As a person's library of past wines increases, so does their motivation to remain with WinePeer.

Four different ways of earning revenue include application sales, highly targeted advertising, affiliate fees through sales referrals, and a longer-term view towards data services. These four revenue models provide multiple channels of earnings potential thereby lending WinePeer the flexibility few start-ups have. These multiple opportunities will facilitate WinePeer's cash flow through its various stages of development while decreasing the relative risk to investors. WinePeer is projected to reach break-even at Month 30 with a monthly net income exceeding \$230,000 at the end of Year 5.

Ultimately, the authors have assembled compelling evidence supporting a viable business strategy and defined, albeit at a high level, the corresponding business plan. The uncertainty the authors felt at the beginning of researching and authoring this document has essentially dissipated. The authors agree that WinePeer will become a business beginning in the fall of 2010.

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Appendices

Appendix A: Project Methodology

This section explains the methods used to gather the data and sets the stage for the type of analyses used to analyze that data and formulate conclusions about the potential success of WinePeer.

Data Gathering

To justify WinePeer's concept and business model required the gathering of information from a number of sources. The following are the general sources used to gather such information.

Primary Research

High-level market information was gathered from statistical sources such as IPSOS and StatsCanada. Information was also obtained via reports from public companies such as Constellation Brands in which 3,500 wine consumers responded to over 100 questions related to wine purchasing and consumption.

Primary Interviews

A number of interviews were conducted with members of the wine industry value chain. A set of questions was used to guide the interview and to ensure that key areas of data were gathered (where relevant). Because these were face-to-face interviews, the data provided was qualitative. Nonetheless, this data was very useful in understanding how the wine industry works in BC and in understanding consumer behaviour (which lead directly to the creation of the values discussed below). Further, these interviews have lead to a number of interested industry contacts who wish to follow and potentially contribute to WinePeer's progress.

Consumer Survey

A consumer survey was created and circulated to contacts as well as through various online social networks and wine industry websites. The survey saw 266 respondents, out of which 206 respondents completed a selection of 130 questions. The selection was determined based on some simple survey logic built into Qualtrics (the product used to design and deliver the survey online). Respondents who drank wine were asked a set of questions that was different from those who did not drink wine. The complete set of survey questions can be seen in Appendix C.

Competitive Feature Scoring

Competitors were defined as any technology-driven or traditional market-driven information source that consumers would use to try to decide which wine they should buy. These included the following:

- private retail websites
- government retail websites
- wineries
- wine eCommerce websites
- wine blogs
- wine iPhone applications
- wine magazine websites
- online wine social networks
- wine listing websites
- wine software developers
- wine events
- wine clubs
- wine critiques
- wine video websites
- wine agents
- wine marketers
- and more

A comprehensive list of features was compiled that encompassed all of the things the industry currently offers which are designed to help consumers find a wine they will like. Features that did not directly relate to consumer buying behaviour were excluded from the scoring.

The features were each scored by one of the authors on a scale of 0 to 10 based on how well developed and designed the features were. For example, an eCommerce site with a single basic search bar would get a score of two relative to the ‘search’ feature whereas a site with a recommendation engine or an advanced search that let users set all their parameters for the wine they wanted to buy would get score of six or above. The final few points were reserved for usability in the context of the given feature. Only the most user-friendly feature would get an eight or nine. Very few websites’ features were given a perfect ten, which was reserved for the best in class for that feature.

Past Survey Data and Interviews

Although not referenced heavily, some information was drawn from early research done in the fall of 2009. This includes a consumer survey delivered in October of 2009 as well as 13 interviews conducted with members of the wine industry value chain. Much of the data gathered during that process is still relevant regardless of the shift in the WinePeer concept and the evolution of the WinePeer business model. The complete set of survey questions can be seen in Appendix B.

Data Analysis

For the most part, the analysis of the data will be discussed in more detail in each section. These descriptions are intended to define the context and scope of the analysis. The analysis in this paper flows from a high-level and moves down into areas of importance based on the areas that were most relevant to the WinePeer concept and business model.

Value Chain and Regulatory Overview

The wine industry value chain in British Columbia was decided on as a starting point because it provided insight to all the areas of the wine industry. British Columbia's wine (beer and liquor) industry is generally considered one of the most highly regulated and operationally complex jurisdictions in all of North America. The goal here was to understand the flow of money and product, identify any potential pain points and then hone-in and analyze those pain points that are of importance to WinePeer. Special attention was paid to the regulatory side as well with respect to WinePeer's potential revenue streams. BC was used for this analysis because of its strict regulatory and operational structure. If WinePeer can find opportunity in BC, it has a strong chance of success in other, less regulated jurisdictions.

Industry Trends

This section simply identifies any changes occurring in the wine industry and highlights any positive or negative changes that may have an impact on the WinePeer product. This section attempts to take into consideration the differences between BC, the rest of Canada and the US. However, data sources varied in their breadth and depth because of market size and the type of information being used in the analysis. Any assumptions made in this analysis are clearly and carefully stated.

Value Identification

The values for the wine industry were drawn from the following sources:

- Direct interviews with members of the wine industry value chain
- The October 2009 consumer survey
- The June 2010 consumer survey
- An existing value map done on Yellowtail Wine^{30,31}

³⁰ <http://cb.hbsp.harvard.edu/cb/product/BOS018-PDF-ENG> for resource description.

The wine-related values referenced throughout this paper are listed in Table 21 below.

Table 21: Wine-related consumer values

Value	Definition of Value
Inventory Management	Products that allow consumers, businesses or estates with wine cellars to keep track of their wine inventory.
Data	Information on consumer and market behaviour that can be sold or used by one or more members of the wine industry value chain.
Education	Providing general information on the various grapes, regions, flavours and foods as well as the recognized methods for tasting and serving wine along with the entire vernacular that goes with these learning points.
Prestige	Attribute that connotes some sort of elite status which is often used to attempt to create barriers to entry or to limit competition. Examples include 100-point rating systems, expert reviews and industry awards.
Advertising	Contest, promotions, prizes, discounts, fancy labels and any other marketing tactic that attempts to make a sale not based on the actual sensory merit of the product (i.e. taste, smell, and sight).
Remembering	Providing a history of what wines were consumed, when and whether or not they provided good value for their price.
Social	Wine is a social product and social media have arisen which support this drive. This value encompasses anything that involves experiencing wine with others.
Search	Providing consumers with a way to explore and find new wines typically through search functionality.
Match Food	Providing a method for individuals to match wine with their meal/food.
Match Budget	Providing a method for individuals to match wine with their budget.
Match Location	Providing a method for individuals to find a wine that can be bought nearby.
Match Taste	Providing a method for individuals to find a wine that matches their personal taste.

Values Excluded

Not all of the values were used in the analysis but they are mentioned here because they were originally scored and are referenced in the raw data and appendices. *Inventory Management* was disregarded because it was discovered through the market research that only a very small percentage of wine drinkers (much less than 1%) actually store or age wine. *Data* was also excluded from the final analysis because it is a B2B value and as such, has no correlation to the consumer survey which forms the backbone for the values analysis discussed in Section 5: (page 27).

Competitive Value Analysis

Competitive firms assessed were divided into six groupings of competitors. As noted earlier, features were individually assessed (scale of 1 to 10) per competitor. Averages were calculated per feature within a given competitor grouping to arrive at a single feature score. By

³¹ <http://www.slideshare.net/pchitchai/blue-ocean-strategy-bos-258800>

associating a given feature with a specific consumer value, it was possible to use weighted averages to arrive at a single value score within the competitor grouping. Alternatively, the same could be calculated at the level of an individual competitive firm.

Value Mapping

Vital to understanding many of the analyses in this paper is the idea of value curves. Any industry inherently has a set of values that forms the foundation for what consumers appreciate in a product or service (and which drives buying decisions). Conversely, these same values are what businesses attempt to provide in order to meet customer needs and thus make sales. A gap between the consumers' desired values and the provision within the industry correlates to an opportunity.

If consumer values are seen to be higher than the industry is currently providing, it creates an opportunity to either raise the current values being provided in the industry or create new values that better meet the needs of consumers. If consumers desire little value and the industry is overshooting, it creates an opportunity to exclude or reduce values from a given product. This will save both time and money pursuing features or functionality that the industry has taken for granted and to which competitors have allocated resources unnecessarily for further development and maintenance. Avoiding these values will allow WinePeer to remain lean and highly competitive. Ultimately, understanding these value gaps will allow WinePeer to differentiate itself competitively from other products.

Appendix B: Survey Questions of October 2009



Win a Free Bottle of Wine

Thanks for taking time to complete our survey! As a small token of our appreciation, upon completing this survey you will be entered into a draw to win a free bottle of wine.

I know which wines go best with which types of food *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

I am overwhelmed when choosing a bottle of wine in a liquor store *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

I am completely comfortable ordering a bottle of wine for business associates *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

I always purchase wine that I am familiar with *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

I would drink wine more often if there was an application that would help me to select bottles of wine that I would like *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

The better tasting a bottle of wine is the more expensive it is *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

I feel unsure of myself when ordering wine in a restaurant *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

I select wine primarily by taste and not by price *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

If there was a utility or application that could help me to pick wines I liked I would use it for all of my wine purchases *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

I know more about wine than the average person *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

I mostly drink wine from local wineries *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

I know a lot of really good wines that don't cost a lot *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

I completely understand the existing 100 point rating scale for rating wines *

- Strongly Agree
- Agree
- Mildly Agree
- Mildly Disagree
- Disagree
- Strongly Disagree

I use online rating systems (e.g. Amazon, Tripadvisor, Netflix) to make purchasing decisions *

- Everyday
- Once a week
- 2 to 3 times a month
- Once a month
- Less than once a month
- Never

How many bottles of wine do you drink a month? *

How many wineries have you visited in the last five years?

*

What frustrates you most about purchasing a bottle of wine?

Is there anything that would cause you to buy more or less wine?

Where do you most often buy wine from?

Can you name 3-5 of your favorite wines? Please list below.

Wine Peer

For people that like to drink wine but who are frustrated by the experience of trying to buy a bottle of wine, WinePeer provides a utility that will help you to select your next bottle by analyzing your feedback on previous bottles. Unlike wine snobs, we don't confuse things with complicated rating schemes or terminology. And best of all WinePeer is free!

With this in mind...

How interested would you be in using WinePeer? Why? *

What would be some of the reasons you might not use WinePeer? *

What are some of the key features you would like to see included in WinePeer? *

Please complete the following to be eligible to win

We promise to only use this information to contact you if you win unless you specify otherwise.

NOTE: If your having trouble adding your contact information please enter it in the text area called "Contact Information" below.

Name

First Last

Email

Phone Number

 - -

####

Are you of legal drinking age?

- Yes
- No

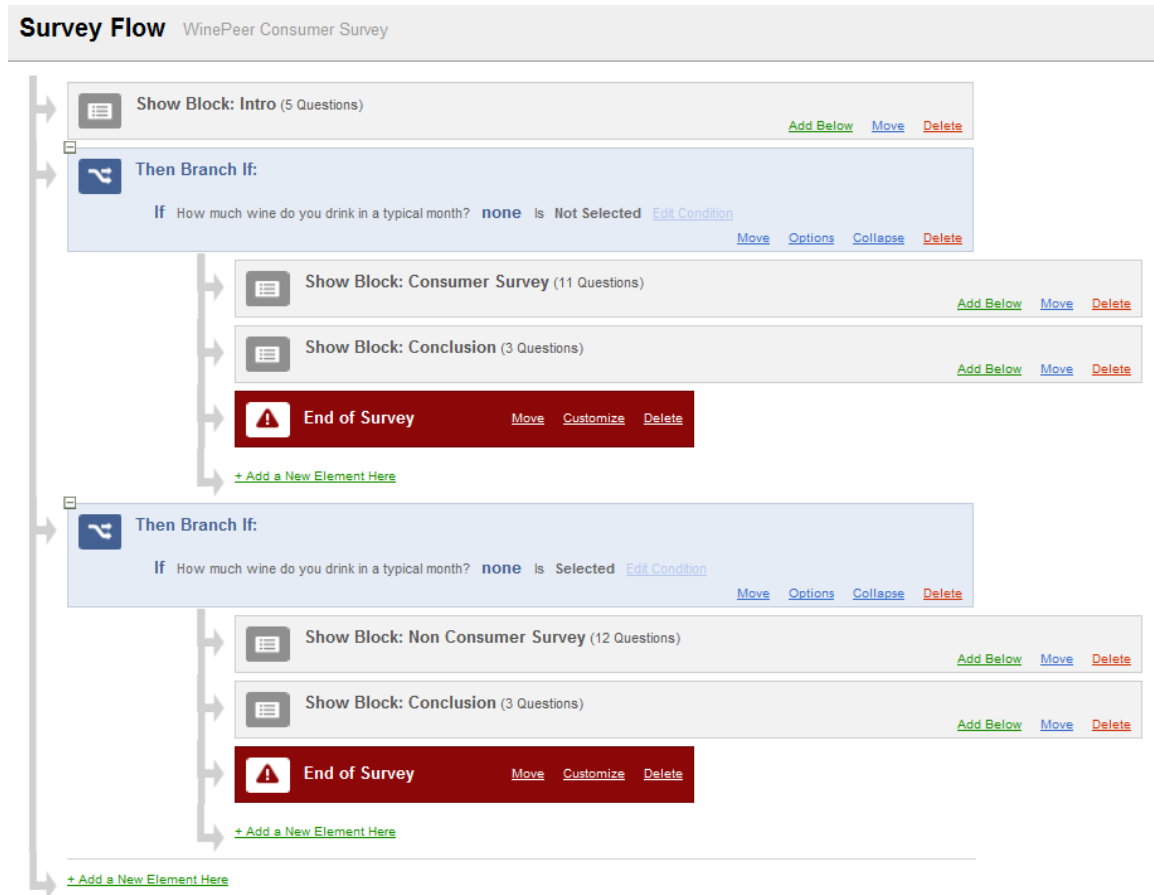
Contact Information

Do you want to be kept in the loop about the development of WinePeer?

- Yes, feel free to use my e-mail address above to send me updates on WinePeer

Appendix C: Survey Questions of June 2010

The survey tool Qualtrics was employed.



1.1

BEGIN INTRO

Thank-you for participating in our Simon Fraser University MBA research survey. This survey is intended to help shed light on consumer behavior around buying alcohol and, in doing so, help define the business model for a student technology start-up called WinePeer.

The answers you provide will be kept anonymous.

At the end of the survey you will have the option to enter your email address for a chance to win a free bottle of wine.

1.2

Which age group do you belong to?

- under 25
- 25 to 34
- 35 to 44
- 45 to 54
- 55 to 65
- over 65

1.3

Please indicate your gender

- Male
- Female

1.4

Which state / province do you live in? If you live outside Canada and the US, please enter your country.

1.5

How much wine do you drink in a typical month?

- none
- 1 - 2 bottles
- 2 - 4 bottles
- 4 - 8 bottles
- 8 - 12 bottles
- 12 - 16 bottles
- more than 16 bottles

2.1

BEGIN CONSUMER

What is the average price you pay for a bottle of wine?

- \$1 to \$5
- \$5 to \$10
- \$10 - \$15
- \$15 to \$20
- \$20 to \$25
- \$25 to \$50
- more than \$50

2.2

When trying to decide which wine to buy, how important are the following to you?

	Not at all Important	Very Unimportant	Somewhat Unimportant	Neither Important nor Unimportant	Somewhat Important	Very Important	Extremely Important
The label on the bottle	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The write-up on the back of the bottle	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The variety of grape	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The country / region	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The year it was bottled	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The history / legacy of the winery	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The potential to age the wine	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finding a wine that fits your personal taste	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

2.2 (Continued)

	Not at all Important	Very Unimportant	Somewhat Unimportant	Neither Important nor Unimportant	Somewhat Important	Very Important	Extremely Important
How well the wine pairs with your food	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The alcohol content	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The location of the wine / liquor store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
That the wine is on sale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finding a wine you've enjoyed in the past	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finding a wine you haven't had before	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The satisfaction of your guest(s) / companion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A recommendation from a friend	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A recommendation from wine / liquor store staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
An expert review	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
That the wine has won awards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The 100-point rating system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The sweetness rating for the wine	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Being able to buy the wine online	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments

2.3

In an average week, how much time do you spend consulting the following sources for wine information?

	none	15 minutes	30 minutes	1 hour	2 hours	4 hours	8 hours	more than 8 hours
Talking to friends and colleagues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Talking to wine / liquor store staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2.3 (Continued)

In an average week, how much time do you spend consulting the following sources for wine information?

	none	15 minutes	30 minutes	1 hour	2 hours	4 hours	8 hours	more than 8 hours
Reading wine bottle labels in store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wine magazines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Facebook	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Twitter	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Online wine videos (Youtube, Viddler, etc)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wine social networks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Online chat rooms and forums	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wine mobile applications	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wine blogs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wine / liquor store websites	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Winery websites	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wine association websites	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Wine e-commerce websites	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments

2.4

On average, how much time do you spend "shopping" in a wine / liquor store before you buy a wine?

- none, I don't buy wine in wine / liquor stores
- less than 1 minute
- 1 to 2 minutes
- 2 to 5 minutes
- 5 to 10 minutes
- 10 to 20 minutes
- more than 20 minutes

2.5

On average, how much time do you spend "shopping" before you buy a wine online?

- none, I don't buy wine online
- less than 1 minute
- 1 to 2 minutes
- 2 to 5 minutes
- 5 to 10 minutes
- 10 to 20 minutes
- more than 20 minutes

2.6

I would consider drinking a more expensive bottle of wine if...

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
It was cheaper	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My friends drank it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It tasted better than the wines I buy now	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I knew what to buy for myself	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I knew what to buy for others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understood the rating systems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understood the language used by wine experts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It was for a special occasion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It was recommended by someone with the same taste as me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understood the difference between varieties of grapes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understood the different countries and regions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I knew which wines were most popular	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I knew how to pair it with food	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I knew that it fit my personal taste	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It was on sale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It had won awards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2.6 (Continued)

It had good reviews by wine experts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It had a high score on the 100-point scale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I didn't have to talk to the wine store staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It was seen as less pretentious (less elitist)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I could buy it online and have it delivered	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I could buy it online and pick it up	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments

2.7

Assume you are using an application to rate and save the wines you drink. How long would you be willing to spend rating a single wine?

- less than 15 seconds
- 15 to 30 seconds
- 30 to 60 seconds
- 1 to 2 minutes
- 2 to 5 minutes
- more than 5 minutes

If you have any final comments, please include them here.

3.1

BEGIN NONCONSUMER

On average, how much beer do you drink in a month?

- none, I don't drink beer
- 1 to 6 cans of beer
- 6 to 12 cans of beer
- 12 to 24 cans of beer
- more than 24 cans of beer

3.2

What is the average price you pay per 6-pack of beer?

- zero, I don't drink beer
- under \$6
- \$6 to \$10
- \$10 to \$15
- \$15 to \$20
- more than \$20

3.3

On average, how much liquor do you drink in a month?

- none, I don't drink liquor
- less than 2 shots / drinks
- 2 to 6 shots / drinks
- 6 to 13 shots / drinks
- 13 to 26 shots / drinks
- 26 to 40 shots / drinks
- more than 40 shots / drinks

3.4

What is the average price you pay for a 26oz (750mL) bottle of liquor?

- less than \$10
- \$10 to \$15
- \$15 to \$20
- \$20 to \$25
- \$25 to \$30
- \$30 to \$50
- more than \$50

3.5

When trying to decide which alcohol to drink, how important are the following to you?

	Not at all Important	Very Unimportant	Somewhat Unimportant	Neither Important nor Unimportant	Somewhat Important	Very Important	Extremely Important
The label on the bottle / can	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The write-up on the bottle / packaging	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The country / region it was produced in	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The year it was bottled	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The history / legacy of the producer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The potential to age the drink	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finding a drink that fits your personal taste	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
How well the drink pairs with your food	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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3.5 (Continued)

	Not at all Important	Very Unimportant	Somewhat Unimportant	Neither Important nor Unimportant	Somewhat Important	Very Important	Extremely Important
The location of the beer / liquor store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
That it is on sale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The alcohol content	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finding a drink you've enjoyed in the past	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Finding a drink you haven't had before	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The satisfaction of your guest(s) / companion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A recommendation from a friend	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A recommendation from liquor store staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A positive review by an expert	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
That the drink has won awards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments

3.6

In an average week, how much time do you spend consulting the following sources for alcoholic drink information?

	none	15 minutes	30 minutes	1 hour	2 hours	4 hours	8 hours	more than 8 hours
Talking to friends and colleagues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Talking to beer / liquor store staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reading the packaging / labels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Drink magazines	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Facebook	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Twitter	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3.6 (Continued)

	none	15 minutes	30 minutes	1 hour	2 hours	4 hours	8 hours	more than 8 hours
Online drink videos (Youtube, Viddler, etc)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Alcohol-related social networks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Online chat rooms and forums	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mobile applications	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Drink blogs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Beer / liquor store websites	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Drink producer websites	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Drink association websites	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Drink e-commerce websites	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments

3.7

I would consider drinking wine if...

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
It was cheaper	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My friends drank it	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It tasted better than the drinks I buy now	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I knew what to buy for myself	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I knew what to buy for others	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understood the rating systems	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It was for a special occasion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It was recommended by someone with the same taste as me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understood the difference between varieties of grapes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understood the different countries and regions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

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3.7 Continued)

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I knew which wines were most popular	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I knew how to pair it with food	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I knew that it fit my personal taste	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It was on sale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It had won awards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It had a high score on the 100-point scale	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It had good reviews by wine experts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I understood the language used by wine experts	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I didn't have to talk to the wine store staff	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
It was seen as less pretentious (less elitist)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I could buy it online and have it delivered	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I could buy it online and pick it up	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments

3.8

Assume you are using an application to rate and save what you drink. How long would you be willing to spend rating a single drink?

- less than 15 seconds
- 15 to 30 seconds
- 30 to 60 seconds
- 1 to 2 minutes
- 2 to 5 minutes
- more than 5 minutes

If you have any final comment, please include them here.

4.1

BEGIN CONCLUSION

Thank you for completing our survey. To be entered in our survey to win a free bottle of wine, please enter your name and email address.

First Name	<input type="text"/>
Last Name	<input type="text"/>
Email	<input type="text"/>

4.2

WinePeer is developing technology that aims to be the world's leading wine recommendation engine. Please indicate if you would like to receive updates and exclusive pre-launch invites to try WinePeer.

- Yes, you can email updates and invitations to me
- Do not email me unless I win the free bottle of wine

Thank you.
The WinePeer Team
www.winepeer.com

Appendix D: British Columbians Contribute the Most Liquor Revenue

As stated earlier, liquor mark-up and taxes—in the amount of \$891 million (BC LDB, 2009, p. 8) and \$900 million (Hicken, Wine Law in Canada and BC, Provincial Per Capita Liquor Tax Amounts, 2010), respectively, for fiscal 2009—contribute significantly to the General Revenue of the Province of BC. Relative to the rest of Canada, British Columbians contribute the highest per-capita liquor revenue to their provincial government (refer to Table 22 below).

Table 22: *Liquor tax revenue (2009) across Canada by province and per capita*

Province	Annual Liquor Tax Revenue (2009)	Population	Per Capita Liquor Revenue
Quebec	\$973,066,000	7,870,026	\$123.64
Ontario	\$1,883,422,000	13,134,455	\$143.39
Alberta	\$684,468,000	3,711,845	\$184.40
BC	\$900,135,000	4,494,232	\$200.28
Canada Overall	\$5,426,005	33,930,830	\$159.91 (Canadian Average)

Source: (Hicken, Wine Law in Canada and BC, Provincial Per Capita Liquor Tax Amounts, 2010)

Reasons for this disparity can be seen with Table 23 and Table 24.

Table 23: *BC wine breakdown of government taxes and mark-up*

Note that the values displayed are estimates, as they require certain assumptions to be made (e.g., country of origin).

Wine Retail Cost	\$10	\$20	\$50	\$100
Federal HST portion + customs	\$0.94	\$1.38	\$2.72	\$4.95
Provincial HST portion	\$0.63	\$1.25	\$3.13	\$6.25
Subtotal Government Tax	\$1.56	\$2.63	\$5.85	\$11.20
LDB Mark-up	\$4.64	\$9.57	\$19.07	\$34.91
LDB Fees	\$0.60	\$0.60	\$0.60	\$0.60
Wholesale Cost	\$3.20	\$7.20	\$24.48	\$53.28
Percentage of Price Paid to Government	55.5%	51.8%	41.6%	38.2%
“Real” BC Sales Tax Rate	119.7%	102.5%	66.2%	56.8%

Source: (Hicken, BC Liquor Store Wine Markup Calculators, 2008)

Table 24: July 1, 2010 Discount Factors and HST Factors

The HST factor, when applied to the LDB display (pre-discount) price, calculates the amount of HST applicable.

Customer Type	Discount Factor	HST Factor
Licensed Establishment	0%	10.714%
Licensee Retail Store	16.0%	9.000 %
Rural Agency Stores	10.0%	9.643 %
Independent Wine Store	30.0%	7.500 %
Duty Free Store	N/A	0%

Source: (BC LDB, 2010, p. 2)

Appendix E: British Columbian Liquor Licenses and Associated Fees

Following are the type of liquor licenses that are granted, and have been granted, by the BC LCLB. Note that within BC, no new licenses are being currently granted for private, stand-alone liquor stores.

Table 25: *Classes of liquor licenses present within British Columbia*

License Class	Description
Open to New Licensees:	
Agent's Licences	For independent marketers who wish to offer alcoholic beverages from various manufactures and for BC manufacturers who wish to market their products off-site (i.e. away from their manufacturing premises)
Food-Primary Licences	For establishments who primarily serve food (e.g. restaurants) and wish to sell alcohol by the glass
Liquor-Primary Licences	For those establishments whose primary purpose is the sale of alcohol by the glass (e.g. pubs, bars and nightclubs and including private clubs)
Manufacturer's Licences	For firms whose purpose is the manufacture of beer, wine or spirits or other beverages containing alcohol (e.g. winery, brewery or distillery); wineries are able to apply for an endorsement allowing them to sell wine by the glass at an on-site location Note that wineries must also obtain federal licenses from the Canadian Revenue Agency, specifically for the Excise Duty Pacific Region (BC MHSD, 2010, p. 11).
Special Occasion Licences	For people holding one-time events (e.g. banquets and weddings)
UBrew/UVin Licences	For firms that provide for a fee the ingredients, facilities and advice to allow people to make their own beer, wine, ciders or coolers
Closed to New Licensees:	
Liquor Retail Store Licences	For the sale of alcohol by the bottle by Licensed Retail Stores (LRS) also referred to as Private Liquor Stores; often operated in association with licensed hotels, pubs and bars
Off-site Retail Wine Store Appointments	For those companies selling wine by the bottle through winery-operated stores (off-site from the main facility), independent wine stores, VQA wine stores and tourist wine stores
Legacy Licenses (i.e. present in law and/ or grandfathered):	
Olympic/Paralympic Licences	A legacy license for those firms directly involved with the 2010 Olympic/ Paralympic Winter Games
Private Wine Store Licences	Many years ago, the BC Government issued select licenses that had more favourable terms than are available today including the ability to import as well as sell both imported and domestic wines; these licenses are grandfathered and thus coveted by the industry. (Hicken, BC Wine Distribution: Part 1 Retail, 2010)

Source: (BC MHSD, 2009)

Fees vary but are typically split between the application fee plus that of the first year (essentially the application fee twice over) in addition to the fee for subsequent years.

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Table 26: License fee schedule (2010) for wineries and agents

License Class	Application Fee	First Year Fee ³²	Subsequent Year Fee	
			≤135,000L	>135,000L
Winery alone	\$550	\$550	\$550	\$1,100
Winery + Special Event Endorsement	\$660	\$660	\$660	\$1,210
Winery + Lounge Endorsement	\$880	\$880	\$880	\$1,430
Winery + Special Event + Lounge Endorsement	\$990	\$990	\$990	\$1,540
UVin	\$550	N/A		\$750
Agent	\$220	N/A		\$200

Source: (BC MHSD, 2010)

Licensee fees are set for subsequent years based on the total purchase amount ordered from the LDB the previous year.

Table 27: License fee schedule (2010) for food and beverage establishments

License Class	Application Fee	First Year Fee ¹¹	Subsequent Year Fee Based on LDB Purchases	
			LDB Purchases	Fees
Liquor Primary	\$2,200	\$2,200	≤\$12.5K	\$250
Liquor-primary off-premises sales endorsement	\$100	\$100	>\$12.5K and ≤\$20K	\$500
Liquor-primary club	\$2,200	\$2,200	>\$20K and ≤\$45K	\$825
			>\$45K and ≤\$100K	\$1,100
Food-primary	\$475	\$475	>\$100K and ≤\$500K	\$1,400
			>\$500K and ≤\$1M	\$1,700
Licensee retail store	N/A	\$1,200	>\$1M and ≤\$2M	\$2,000
			>\$2M	\$2,200

Source: (BC MHSD, 2010)

³² First year fee is prorated depending upon the number of months remaining. The year ends March 31st to coincide with the BC LCLB and LDB's fiscal year-end.

Appendix F: BC Regulations Related to the Advertising of Liquor

As noted in Section 3.3.1 (p. 18), there is a possibility that the WinePeer approach of wine recommendations coupled with identification of the relevant location(s) could be construed as violating BC law.

The Liquor Control and Licensing Act defines advertising per 1.1 of the Act as:

“... "advertise" means, in respect of liquor or the availability of liquor... (b) to publish, broadcast, distribute or display a sign, notice, circular, letter, poster, handbill, card, price list or information in any format that (i) names, represents, describes or refers to liquor, or to the qualities or quantities of a liquor, (ii) gives the name or address of a person manufacturing or dealing in liquor, or (iii) states or indicates where liquor may be obtained or purchased;...”

(British Columbia Provincial Government, Canada, RSBC 1996, current as of 07Apr2010)
(emphasis added)

The Liquor Control and Licensing Act goes on to lay a blanket rule disallowing anyone from advertising alcohol (per 51.1 (1)) with the exception of that specified in federal legislation (per 51.1 (2)):

“Except as provided in the regulations, a person must not advertise liquor or the availability of liquor.” and “Subsection (1) ceases to operate to the extent that it conflicts with or is inconsistent with legislation enacted by the Parliament of Canada for the control and regulation of liquor advertising.”

(British Columbia Provincial Government, Canada, RSBC 1996, current as of 07Apr2010)

Licensees and agents may advertise but have limitations in how that advertising is presented and the words used. The BC LCLB supports adherence to the CRTC Code for Advertising of Alcoholic Beverages (Ministry of Public Safety and Solicitor General (PSSG), 2008, p. 32). Review of this document seems to indicate (in the opinion of the authors) that WinePeer would easily comply.

Appendix G: Relevant Questions of the June 2010 Survey and Values Assigned

Table 28: Relevant questions of the June 2010 survey and full list of values assigned

When trying to decide which wine to buy, how important are the following to you?	Value Assigned
The label on the bottle	Advertising
The write-up on the back of the bottle	Advertising
The brand	Advertising
The variety of grape	Education
The country / region	Education
The year it was bottled	Prestige
The history / legacy of the winery	Prestige
The potential to age the wine	Inventory Management
Finding a wine that fits your personal taste	Match Taste
How well the wine pairs with your food	Match Food
The alcohol content	n/a
The location of the wine / liquor store	Match Location
The price	Match Budget
That the wine is on sale	Match Budget
Finding a wine you've enjoyed in the past	Remembering
Finding a wine you haven't had before	Search
The satisfaction of your guest(s) / companion	Social
A recommendation from a friend	Social
A recommendation from wine / liquor store staff	Search
An expert review	Prestige
That the wine has won awards	Prestige
The 100-point rating system	Prestige
The sweetness rating for the wine	Match Taste
Being able to buy the wine online	Immediacy

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I would consider drinking a more expensive bottle of wine if...	Value Assigned
It was cheaper	Match Budget
My friends drank it	Social
It tasted better than the wines I buy now	Match Taste
I knew what to buy for myself	Immediacy
I knew what to buy for others	Social
I understood the rating systems	Prestige
I understood the language used by wine experts	Education
It was for a special occasion	Social
It was recommended by someone with the same taste as me	Match Taste
I understood the difference between varieties of grapes	Education
I understood the different countries and regions	Education
I knew which wines were most popular	Social
I knew how to pair it with food	Match Food
I knew that it fit my personal taste	Match Taste
It was on sale	Match Budget
It had won awards	Prestige
It had good reviews by wine experts	Prestige
It had a high score on the 100-point scale	Prestige
I didn't have to talk to the wine store staff	Search
It was seen as less pretentious (less elitist)	Prestige
I could buy it online and have it delivered	Immediacy
I could buy it online and pick it up	Immediacy

Appendix H: Survey Comments Exposing Consumer Values

Table 29: Survey comments exposing consumer values

Comments	Value
<p>"I'd like to buy my wine online if it is a lot cheaper..."</p> <p>"...for the most part, I stay within the \$12-15 dollar range..."</p> <p>"The question you forgot was 'The availability of the wine in a 4 litre box'."</p> <p>"In the past I've found that my true tastes seem to run \$80+ bottle, so it's not very often I'm willing/able to really splurge. Would be happy to find wines I loved just as much in the \$15-30 range."</p>	Match Budget
<p>"I keep a record of wine that I have tried and liked previously. I refer to this list when I go into a wine store..."</p> <p>"I use my Blackberry memo pad to make notes about the wine I like."</p>	Remembering
<p>"In Finland we have a liquor monopoly and therefore wine is never on sale"</p>	Advertising
<p>"[I] go for wines from regions that I enjoy & that have certain characteristics of oak, vanilla, cherries...etc. I love Pinot Noir, Shiraz and a good merlot from time to time- all red."</p> <p>"Sweetness is important to know only because I don't care for sweet wine and my understanding (true or false?) Is that the higher the alcohol content, the dryer the wine."</p> <p>"[The] sweetness rating is irrelevant because I choose the varietal and they are all usually the same sweetness."</p> <p>"I mostly buy wine for me; my wife buys our dinner wines"</p> <p>"Wine is a personal thing, recommendations from staff and experts do not mean you will like it. Tasting it lets you know. There should be more availability to taste expensive wines then you are not risking buying something expensive that you may not like."</p> <p>"My experience is that many more expensive wines are too fine for my box-wine palate."</p>	Match Taste
<p>"The most important thing about purchasing a bottle of wine is whether or not I am going to enjoy it. What the "experts" say is sometimes helpful, but ultimately it is about will satisfy me and my friends."</p> <p>"I find that not a lot of people including myself talk about wine because we are not that familiar of many wines."</p> <p>"I just buy what my friends tell me to buy...unless there is a 4 litre box available."</p> <p>"flavour and satisfaction of the person(s) I am entertaining are the two most important factors for me."</p>	Social
<p>"I change my interest for wine regions periodically, depending on some article I have read."</p> <p>"I like to go into the liquor store and familiarize myself with the different regions and vineyards. It is like travelling and experiencing the country."</p>	Education
<p>"I rarely listen the in-store experts and staff as they are under a commission structure and therefore are not giving me unbiased advice."</p> <p>"I also carry around a copy of "Had a Glass". What annoys me most is not finding the bottle I am looking for in the store."</p>	Search

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Comments	Value
<p><i>"I find that speaking to a wine expert or a sommelier to learn more about wine is intimidating because they seem snobby and opinionated."</i></p> <p><i>"I do like weekly newspaper articles on wine (Gismondi in the Sun)"</i></p> <p><i>"It's not so much that I talk to staff or read the labels on the bottles, it's that the stores I go to in Seattle often have hand-written labels that include both the wine's 100-point rating and very descriptive/helpful reviews."</i></p> <p><i>"I buy wines by consulting blogs looking up reviews on line and dare I say it the 100 point scale."</i></p>	Prestige
<p><i>"I would potentially use your application. One resource that I use now is the "Had a Glass" a book describing 100 bottles all under \$30. Accessible language, fun to use."</i></p> <p><i>"If there was a phone app or similar that would quickly catalogue and allow me to rate a wine, it would be great."</i></p> <p><i>"I don't think I'd use the application at all."</i></p> <p><i>"This idea i like....."(referring to a wine-rating application)</i></p> <p><i>"I do use such an application, CellarTracker"</i></p>	General Comments on Applications

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Appendix I: Years 1 to 5 Financial Projections

YEAR 1

	3/Aug/10	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1 TOTAL \$
Income Statement														
REVENUE														
Cash Sales	-	-	-	-	-	-	-	-	-	-	4	8	16	28
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	2	5	11	18
Total Revenue in the Month	-	-	-	-	-	-	-	-	-	-	6	13	27	47
SALES COGS														
	-	-	-	-	-	-	-	-	-	-	0	1	2	3
GROSS PROFIT														
	-	-	-	-	-	-	-	-	-	-	6	12	26	44
INDIRECT EXPENSES														
Salaries	1,875	1,875	1,875	1,875	1,875	1,875	5,000	5,000	5,000	5,000	5,000	5,000	5,000	41,250
Payroll taxes & benefits	293	293	293	293	293	293	783	783	783	783	783	783	783	6,456
Rent	-	-	-	-	-	-	1,200	1,200	1,200	1,200	1,200	1,200	1,200	7,200
Development	-	-	-	2,500	2,500	2,500	4,667	4,667	4,667	5,000	5,000	5,000	5,000	36,500
Marketing	-	-	-	-	-	-	-	-	-	-	3,333	3,333	3,333	10,000
Communications	150	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Transportation	50	50	50	50	50	50	50	50	50	50	50	50	50	600
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Indirect Expenses	2,368	2,368	2,368	4,868	4,868	4,868	11,849	11,849	11,849	15,516	15,516	15,516	15,516	103,806
GENERAL & ADMIN EXPENSES														
Insurance														-
Legal & Accounting	1,500	1,500	1,500	500	500	500	500	500	500	500	500	500	500	9,000
Office supplies	200	100	50	50	50	50	50	50	50	50	50	50	50	800
Equipment leases	-	-	-	-	-	-	50	50	50	50	50	50	50	300
Total G&A	1,700	1,600	1,550	550	550	550	600	600	600	600	600	600	600	10,100
OPERATING MARGIN	(4,068)	(3,968)	(3,918)	(5,418)	(5,418)	(5,418)	(12,449)	(12,449)	(12,449)	(16,110)	(16,103)	(16,090)	(16,090)	(113,862)
EBIT	(4,068)	(3,968)	(3,918)	(5,418)	(5,418)	(5,418)	(12,449)	(12,449)	(12,449)	(16,110)	(16,103)	(16,090)	(16,090)	(113,862)
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EARNINGS BEFORE TAXES	(4,068)	(3,968)	(3,918)	(5,418)	(5,418)	(5,418)	(12,449)	(12,449)	(12,449)	(16,110)	(16,103)	(16,090)	(16,090)	(113,862)

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Balance Sheet

	Balance	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	
ASSETS														
Cash	-	4,932	963	7,045	76,626	146,208	180,789	168,340	155,891	143,442	127,332	111,228	95,138	95,138
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	-	4,932	963	7,045	76,626	146,208	180,789	168,340	155,891	143,442	127,332	111,228	95,138	95,138
LIABILITIES														
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term loan incl. interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OWNERS' EQUITY														
Investment by owners	-	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
FFF funding	-	-	-	10,000	85,000	160,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Angel round funding	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings (loss)	-	(4,068)	(8,037)	(11,955)	(17,374)	(22,792)	(28,211)	(40,660)	(53,109)	(65,558)	(81,668)	(97,772)	(113,862)	(113,862)
Net equity	-	4,932	963	7,045	76,626	146,208	180,789	168,340	155,891	143,442	127,332	111,228	95,138	95,138
TOTAL LIABILITIES & EQUITY	-	4,932	963	7,045	76,626	146,208	180,789	168,340	155,891	143,442	127,332	111,228	95,138	95,138

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Cash Flow Statement

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	
Cash flow from operations													
Receipts													
Cash sales	-	-	-	-	-	-	-	-	-	4	8	16	28
Accounts Receivable collections	-	-	-	-	-	-	-	-	-	2	5	11	18
Total receipts	-	-	-	-	-	-	-	-	-	6	13	27	47
Disbursements													
Sales COGS	-	-	-	-	-	-	-	-	-	0	1	2	3
Indirect expenses except bad debt	2,368	2,368	2,368	4,868	4,868	4,868	11,849	11,849	11,849	15,516	15,516	15,516	103,806
G&A except depreciation	1,700	1,600	1,550	550	550	550	600	600	600	600	600	600	10,100
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	4,068	3,968	3,918	5,418	5,418	5,418	12,449	12,449	12,449	16,116	16,117	16,117	113,908
Net cash flow from operations	(4,068)	(3,968)	(3,918)	(5,418)	(5,418)	(5,418)	(12,449)	(12,449)	(12,449)	(16,110)	(16,103)	(16,090)	(113,862)
Cash flow from investing activities													
Purchase of Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flow from investing activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow from financing activities													
Investment by owners	9,000	-	-	-	-	-	-	-	-	-	-	-	9,000
Investment by FFF	-	-	10,000	75,000	75,000	40,000	-	-	-	-	-	-	200,000
Investment by Angels	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flow from financing activities	9,000	-	10,000	75,000	75,000	40,000	-	-	-	-	-	-	209,000
Net cash increase (decrease)	4,932	(3,968)	6,082	69,582	69,582	34,582	(12,449)	(12,449)	(12,449)	(16,110)	(16,103)	(16,090)	95,138
Short-term loan increase (decrease)	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning cash	-	4,932	963	7,045	76,626	146,208	180,789	168,340	155,891	143,442	127,332	111,228	-
Ending cash	4,932	963	7,045	76,626	146,208	180,789	168,340	155,891	143,442	127,332	111,228	95,138	95,138

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

YEAR 2

	3/Aug/10	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	Year 2 TOTAL \$
Income Statement														
REVENUE														
Cash Sales	32	60	92	129	172	221	959	1,191	1,460	1,776	2,139	2,563		10,795
Accounts Receivable	22	42	69	101	139	183	574	886	1,248	1,527	1,849	2,225		8,867
Total Revenue in the Month	55	102	161	231	311	405	1,533	2,078	2,708	3,303	3,989	4,788		19,662
SALES COGS														
	3	6	9	13	17	22	96	119	146	178	214	256		1,080
GROSS PROFIT														
	51	96	151	218	294	383	1,437	1,958	2,562	3,125	3,775	4,532		18,582
DIRECT EXPENSES														
Salaries	5,000	6,563	6,563	6,563	6,563	6,563	6,563	6,563	6,563	6,563	6,563	6,563	6,563	77,188
Payroll taxes & benefits	783	1,027	1,027	1,027	1,027	1,027	1,027	1,027	1,027	1,027	1,027	1,027	1,027	12,080
Rent	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Development	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
Marketing	1,667	1,667	1,667	1,667	1,667	1,667	833	833	833	833	833	833	833	15,000
Communications	300	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Transportation	500	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Bad Debt Expense	0	0	1	1	2	4	5	7	9	38	48	58		174
Total Direct Expenses	11,949	13,757	13,757	13,757	13,759	13,760	12,928	12,930	12,932	12,961	12,971	12,981		158,267
General & Admin. Expenses														
Insurance														-
Legal & Accounting	500	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Office supplies	100	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Equipment leases	100	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Total G&A	700	700	700	700	700	700	700	700	700	700	700	700	700	8,400
OPERATING MARGIN														
	(12,598)	(14,361)	(14,305)	(14,240)	(14,164)	(14,077)	(12,191)	(11,671)	(11,070)	(10,536)	(9,896)	(9,150)		(148,085)
EBIT														
	(12,598)	(14,361)	(14,305)	(14,240)	(14,164)	(14,077)	(12,191)	(11,671)	(11,070)	(10,536)	(9,896)	(9,150)		(148,259)
Interest Expense														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EARNINGS BEFORE TAXES														
	(12,598)	(14,361)	(14,305)	(14,240)	(14,164)	(14,077)	(12,191)	(11,671)	(11,070)	(10,536)	(9,896)	(9,150)		(148,259)

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Balance Sheet

	Balance	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	
ASSETS														
Cash	95,138	82,540	68,180	53,875	39,637	25,475	111,401	99,216	87,551	76,490	65,993	56,145	47,053	47,053
Accounts Receivable	-	(0)	(0)	(1)	(2)	(5)	(9)	(14)	(21)	(29)	(68)	(115)	(174)	(174)
Total Current Assets	95,138	82,540	68,180	53,874	39,634	25,470	111,393	99,202	87,531	76,461	65,925	56,029	46,879	46,879
LIABILITIES														
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term loan inc. interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on long-term	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OWNERS' EQUITY														
Investment by owners	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
FFF funding	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Angel round funding	-	-	-	-	-	-	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Retained earnings (loss)	(113,862)	(126,460)	(140,820)	(155,126)	(169,366)	(183,530)	(197,607)	(209,798)	(221,469)	(232,539)	(243,075)	(252,971)	(262,121)	(262,121)
Net equity	95,138	82,540	68,180	53,874	39,634	25,470	111,393	99,202	87,531	76,461	65,925	56,029	46,879	46,879
TOTAL LIABILITIES & EQUITY	95,138	82,540	68,180	53,874	39,634	25,470	111,393	99,202	87,531	76,461	65,925	56,029	46,879	46,879

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Cash Flow Statement

	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	
Cash flow from operations													
Receipts													
Cash sales	32	60	92	129	172	221	959	1,191	1,460	1,776	2,139	2,563	10,795
Accounts Receivable collections	22	42	69	101	139	183	574	886	1,248	1,527	1,849	2,225	8,867
Total receipts	55	102	161	231	311	405	1,533	2,078	2,708	3,303	3,989	4,788	19,662
Disbursements													
Sales COGS	3	6	9	13	17	22	96	119	146	178	214	256	1,080
Direct expenses except bad debt	11,949	13,756	13,756	13,756	13,756	13,756	12,923	12,923	12,923	12,923	12,923	12,923	158,267
G&A except depreciation	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	12,652	14,462	14,465	14,469	14,473	14,478	13,719	13,742	13,769	13,800	13,837	13,879	167,747
Net cash flow from operations	(12,598)	(14,360)	(14,305)	(14,239)	(14,162)	(14,073)	(12,186)	(11,664)	(11,061)	(10,497)	(9,848)	(9,091)	(148,085)
Cash flow from investing activities													
Purchase of Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flow from investing activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow from financing activities													
Investment by owners	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment by FFF	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment by Angels	-	-	-	-	-	100,000	-	-	-	-	-	-	100,000
Long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flow from financing activities	-	-	-	-	-	100,000	-	-	-	-	-	-	100,000
Net cash increase (decrease)	(12,598)	(14,360)	(14,305)	(14,239)	(14,162)	85,927	(12,186)	(11,664)	(11,061)	(10,497)	(9,848)	(9,091)	(48,085)
Short-term loan increase (decrease)	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning cash	95,138	82,540	68,180	53,875	39,637	25,475	111,401	99,216	87,551	76,490	65,993	56,145	95,138
Ending cash	82,540	68,180	53,875	39,637	25,475	111,401	99,216	87,551	76,490	65,993	56,145	47,053	47,053

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

YEAR 3

	3/Aug/10	Month 25	Month 26	Month 27	Month 28	Month 29	Month 30	Month 31	Month 32	Month 33	Month 34	Month 35	Month 36	Year 3 TOTAL \$
Income Statement														
REVENUE														
Cash Sales	5,310	6,376	7,600	9,016	10,632	12,473	14,563	16,929	19,596	22,592	25,940	29,662		180,689
Accounts Receivable	2,655	3,188	3,800	4,508	5,316	6,236	7,282	8,464	9,798	11,296	12,970	14,831		90,345
Total Revenue in the Month	7,965	9,564	11,400	13,524	15,948	18,709	21,845	25,393	29,394	33,887	38,909	44,493		271,034
SALES COGS														
	306	367	436	515	605	708	824	955	1,103	1,268	1,452	1,657		10,196
GROSS PROFIT	7,659	9,197	10,964	13,009	15,343	18,002	21,021	24,438	28,291	32,619	37,457	42,837		260,837
DIRECT EXPENSES														
Salaries	8,438	8,438	8,438	8,438	8,438	8,438	8,438	8,438	8,438	8,438	8,438	8,438		101,250
Payroll taxes & benefits	1,320	1,320	1,320	1,320	1,320	1,320	1,320	1,320	1,320	1,320	1,320	1,320		15,846
Rent	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200		14,400
Development	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	-	-	-		22,500
Marketing	833	833	4,167	4,167	4,167	833	3,333	3,333	3,333	3,333	3,333	3,333		35,000
Communications	300	300	300	300	300	300	300	300	300	300	300	300		3,600
Transportation	500	500	500	500	500	500	500	500	500	500	500	500		6,000
Bad Debt Expense	71	86	103	122	147	174	206	242	283	330	382	441		2,587
Total Direct Expenses	15,162	15,177	18,527	18,547	18,571	15,266	17,797	17,833	17,874	15,421	15,473	15,532		198,596
General & Admin. Expenses														
Insurance														-
Legal & Accounting	500	500	500	500	500	500	500	500	500	500	500	500		6,000
Office supplies	100	100	100	100	100	100	100	100	100	100	100	100		1,200
Equipment leases	100	100	100	100	100	100	100	100	100	100	100	100		1,200
Total G&A	700	700	700	700	700	700	700	700	700	700	700	700		8,400
OPERATING MARGIN	(8,203)	(6,679)	(8,263)	(6,238)	(3,928)	2,036	2,523	5,904	9,717	16,498	21,283	26,604		53,842
EBIT	(8,203)	(6,679)	(8,263)	(6,238)	(3,928)	2,036	2,523	5,904	9,717	16,498	21,283	26,604		51,255
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-		-
EARNINGS BEFORE TAXES	(8,203)	(6,679)	(8,263)	(6,238)	(3,928)	2,036	2,523	5,904	9,717	16,498	21,283	26,604		51,255

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Balance Sheet

	Balance	Month 25	Month 26	Month 27	Month 28	Month 29	Month 30	Month 31	Month 32	Month 33	Month 34	Month 35	Month 36	
ASSETS														
Cash	47,053	38,921	32,327	24,167	18,051	14,270	16,480	19,210	25,356	35,356	52,184	73,849	100,895	100,895
Accounts Receivable	(174)	(245)	(330)	(433)	(555)	(702)	(876)	(1,082)	(1,325)	(1,608)	(1,937)	(2,319)	(2,761)	(2,761)
Total Current Assets	46,879	38,676	31,997	23,734	17,496	13,568	15,604	18,127	24,032	33,749	50,247	71,530	98,135	98,135
LIABILITIES														
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term loan inc. interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on long-term	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OWNERS' EQUITY														
Investment by owners	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
FFF funding	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Angel round funding	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Retained earnings (loss)	(262,121)	(270,324)	(277,003)	(285,266)	(291,504)	(295,432)	(293,396)	(290,873)	(284,968)	(275,251)	(258,753)	(237,470)	(210,865)	(210,865)
Net equity	46,879	38,676	31,997	23,734	17,496	13,568	15,604	18,127	24,032	33,749	50,247	71,530	98,135	98,135
TOTAL LIABILITIES & EQUITY	46,879	38,676	31,997	23,734	17,496	13,568	15,604	18,127	24,032	33,749	50,247	71,530	98,135	98,135

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Cash Flow Statement

	Month 25	Month 26	Month 27	Month 28	Month 29	Month 30	Month 31	Month 32	Month 33	Month 34	Month 35	Month 36	
Cash flow from operations													
Receipts													
Cash sales	5,310	6,376	7,600	9,016	10,632	12,473	14,563	16,929	19,596	22,592	25,940	29,662	180,689
Accounts Receivable collections	2,655	3,188	3,800	4,508	5,316	6,236	7,282	8,464	9,798	11,296	12,970	14,831	90,345
Total receipts	7,965	9,564	11,400	13,524	15,948	18,709	21,845	25,393	29,394	33,887	38,909	44,493	271,034
Disbursements													
Sales COGS	306	367	436	515	605	708	824	955	1,103	1,268	1,452	1,657	10,196
Direct expenses except bad debt	15,091	15,091	18,425	18,425	18,425	15,091	17,591	17,591	17,591	15,091	15,091	15,091	198,596
G&A except depreciation	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	16,097	16,158	19,561	19,640	19,730	16,499	19,115	19,247	19,394	17,060	17,244	17,448	217,192
Net cash flow from operations	(8,132)	(6,594)	(8,160)	(6,116)	(3,781)	2,210	2,729	6,146	10,000	16,828	21,666	27,046	53,842
Cash flow from investing activities													
Purchase of Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flow from investing activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow from financing activities													
Investment by owners	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment by FFF	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment by Angels	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flow from financing activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash increase (decrease)	(8,132)	(6,594)	(8,160)	(6,116)	(3,781)	2,210	2,729	6,146	10,000	16,828	21,666	27,046	53,842
Short-term loan increase (decrease)	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning cash	47,053	38,921	32,327	24,167	18,051	14,270	16,480	19,210	25,356	35,356	52,184	73,849	47,053
Ending cash	38,921	32,327	24,167	18,051	14,270	16,480	19,210	25,356	35,356	52,184	73,849	100,895	100,895

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

YEAR 4

	3/Aug/10	Month 37	Month 38	Month 39	Month 40	Month 41	Month 42	Month 43	Month 44	Month 45	Month 46	Month 47	Month 48	Year 4 TOTAL \$
Income Statement														
REVENUE														
Cash Sales	33,696	38,300	43,234	48,578	54,322	60,443	66,910	73,684	80,716	87,951	95,331	102,800		785,966
Accounts Receivable	16,848	19,150	21,617	24,289	27,161	30,221	33,455	36,842	40,358	43,975	47,666	51,400		392,983
Total Revenue in the Month	50,545	57,450	64,851	72,868	81,483	90,664	100,366	110,526	121,074	131,926	142,997	154,199		1,178,949
SALES COGS														
	1,881	2,127	2,394	2,682	2,990	3,316	3,658	4,014	4,382	4,758	5,139	5,522		42,863
GROSS PROFIT	48,663	55,323	62,457	70,185	78,493	87,349	96,708	106,512	116,692	127,168	137,858	148,677		1,136,086
DIRECT EXPENSES														
Salaries	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
Payroll taxes & benefits	3,130	3,130	3,130	3,130	3,130	3,130	3,130	3,130	3,130	3,130	3,130	3,130	3,130	37,560
Rent	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Development	2,500	2,500	2,500	2,500	2,500	2,500	-	-	-	-	-	-	-	15,000
Marketing	-	-	-	-	-	3,333	3,333	3,333	3,333	3,333	3,333	3,333	3,333	23,333
Communications	300	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Transportation	500	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Bad Debt Expense	507	581	663	753	851	958	1,073	1,196	1,326	1,463	1,606	1,753		12,729
Total Direct Expenses	28,437	28,511	28,593	28,683	28,781	32,221	29,836	29,959	30,090	30,227	30,369	30,516		343,493
General & Admin. Expenses														
Insurance														-
Legal & Accounting	500	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Office supplies	100	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Equipment leases	100	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Total G&A	700	700	700	700	700	700	700	700	700	700	700	700	700	8,400
OPERATING MARGIN	19,526	26,112	33,164	40,803	49,012	54,427	66,172	75,853	85,902	96,242	106,789	117,461		784,192
EBIT	19,526	26,112	33,164	40,803	49,012	54,427	66,172	75,853	85,902	96,242	106,789	117,461		771,464
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EARNINGS BEFORE TAXES	19,526	26,112	33,164	40,803	49,012	54,427	66,172	75,853	85,902	96,242	106,789	117,461		771,464

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Balance Sheet

	Balance	Month 37	Month 38	Month 39	Month 40	Month 41	Month 42	Month 43	Month 44	Month 45	Month 46	Month 47	Month 48	
ASSETS														
Cash	100,895	120,928	147,621	181,448	223,003	272,866	328,251	395,496	472,545	559,773	657,478	765,873	885,087	885,087
Accounts Receivable	(2,761)	(3,268)	(3,849)	(4,511)	(5,264)	(6,115)	(7,073)	(8,145)	(9,341)	(10,668)	(12,131)	(13,737)	(15,489)	(15,489)
Total Current Assets	98,135	117,661	143,772	176,936	217,739	266,751	321,179	387,350	463,203	549,106	645,347	752,137	869,598	869,598
LIABILITIES														
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term loan inc. interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on long-term	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OWNERS' EQUITY														
Investment by owners	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
FFF funding	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Angel round funding	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Retained earnings (loss)	(210,865)	(191,339)	(165,228)	(132,064)	(91,261)	(42,249)	12,179	78,350	154,203	240,106	336,347	443,137	560,598	560,598
Net equity	98,135	117,661	143,772	176,936	217,739	266,751	321,179	387,350	463,203	549,106	645,347	752,137	869,598	869,598
TOTAL LIABILITIES & EQUITY	98,135	117,661	143,772	176,936	217,739	266,751	321,179	387,350	463,203	549,106	645,347	752,137	869,598	869,598

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Cash Flow Statement

	Month 37	Month 38	Month 39	Month 40	Month 41	Month 42	Month 43	Month 44	Month 45	Month 46	Month 47	Month 48	
Cash flow from operations													
Receipts													
Cash sales	33,696	38,300	43,234	48,578	54,322	60,443	66,910	73,684	80,716	87,951	95,331	102,800	785,966
Accounts Receivable collections	16,848	19,150	21,617	24,289	27,161	30,221	33,455	36,842	40,358	43,975	47,666	51,400	392,983
Total receipts	50,545	57,450	64,851	72,868	81,483	90,664	100,366	110,526	121,074	131,926	142,997	154,199	1,178,949
Disbursements													
Sales COGS	1,881	2,127	2,394	2,682	2,990	3,316	3,658	4,014	4,382	4,758	5,139	5,522	42,863
Direct expenses except bad debt	27,930	27,930	27,930	27,930	27,930	31,263	28,763	28,763	28,763	28,763	28,763	28,763	343,493
G&A except depreciation	700	700	700	700	700	700	700	700	700	700	700	700	8,400
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	30,511	30,757	31,024	31,312	31,620	35,279	33,121	33,478	33,845	34,221	34,602	34,985	394,756
Net cash flow from operations	20,033	26,693	33,827	41,555	49,863	55,385	67,244	77,049	87,229	97,705	108,395	119,214	784,192
Cash flow from investing activities													
Purchase of Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flow from investing activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow from financing activities													
Investment by owners	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment by FFF	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment by Angels	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flow from financing activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash increase (decrease)	20,033	26,693	33,827	41,555	49,863	55,385	67,244	77,049	87,229	97,705	108,395	119,214	784,192
Short-term loan increase (decrease)	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning cash	100,895	120,928	147,621	181,448	223,003	272,866	328,251	395,496	472,545	559,773	657,478	765,873	100,895
Ending cash	120,928	147,621	181,448	223,003	272,866	328,251	395,496	472,545	559,773	657,478	765,873	885,087	885,087

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

YEAR 5

	3/Aug/10	Month 49	Month 50	Month 51	Month 52	Month 53	Month 54	Month 55	Month 56	Month 57	Month 58	Month 59	Month 60	Year 5 TOTAL \$
Income Statement														
REVENUE														
Cash Sales	110,146	117,777	125,186	132,483	139,633	146,602	153,361	159,882	166,140	172,108	177,763	183,084		1,784,165
Accounts Receivable	55,073	58,888	62,593	66,242	69,817	73,301	76,681	79,941	83,070	86,054	88,881	91,542		892,082
Total Revenue in the Month	165,218	176,665	187,778	198,725	209,450	219,903	230,042	239,824	249,210	258,162	266,644	274,626		2,676,247
SALES COGS														
	5,905	6,285	6,660	7,027	7,386	7,735	8,071	8,395	8,704	8,997	9,274	9,533		93,971
GROSS PROFIT	159,313	170,380	181,119	191,698	202,063	212,169	221,971	231,429	240,506	249,165	257,371	265,093		2,582,275
DIRECT EXPENSES														
Salaries	24,583	24,583	24,583	24,583	24,583	24,583	24,583	24,583	24,583	24,583	24,583	24,583	24,583	295,000
Payroll taxes & benefits	3,847	3,847	3,847	3,847	3,847	3,847	3,847	3,847	3,847	3,847	3,847	3,847	3,847	46,168
Rent	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Marketing	3,333	3,333	3,333	3,333	3,333	-	-	-	-	-	-	-	-	16,667
Communications	150	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Transportation	50	50	50	50	50	50	50	50	50	50	50	50	50	600
Bad Debt Expense	1,903	2,055	2,209	2,362	2,514	2,664	2,811	2,954	3,094	3,228	3,358	3,482		32,634
Total Direct Expenses	35,367	35,519	35,673	35,826	35,978	32,795	32,942	33,085	33,224	33,359	33,489	33,612		378,234
General & Admin. Expenses														
Insurance														-
Legal & Accounting	500	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Office supplies	250	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Equipment leases	100	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Total G&A	850	850	850	850	850	850	850	850	850	850	850	850	850	10,200
OPERATING MARGIN	123,096	134,011	144,596	155,022	165,235	178,524	188,179	197,494	206,431	214,955	223,032	230,631		2,193,841
EBIT	123,096	134,011	144,596	155,022	165,235	178,524	188,179	197,494	206,431	214,955	223,032	230,631		2,161,207
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EARNINGS BEFORE TAXES	123,096	134,011	144,596	155,022	165,235	178,524	188,179	197,494	206,431	214,955	223,032	230,631		2,161,207

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Balance Sheet

	Balance	Month 49	Month 50	Month 51	Month 52	Month 53	Month 54	Month 55	Month 56	Month 57	Month 58	Month 59	Month 60	
ASSETS														
Cash	885,087	1,010,087	1,146,153	1,292,958	1,450,341	1,618,091	1,799,279	1,990,269	2,190,717	2,400,242	2,618,426	2,844,816	3,078,929	3,078,929
Accounts Receivable	(15,489)	(17,392)	(19,448)	(21,657)	(24,019)	(26,533)	(29,197)	(32,007)	(34,962)	(38,056)	(41,284)	(44,642)	(48,124)	(48,124)
Total Current Assets	869,598	992,695	1,126,705	1,271,301	1,426,323	1,591,558	1,770,082	1,958,261	2,155,755	2,362,187	2,577,142	2,800,174	3,030,805	3,030,805
LIABILITIES														
Accounts payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term loan inc. interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on long-term	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OWNERS' EQUITY														
Investment by owners	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
FFF funding	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Angel round funding	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Retained earnings (loss)	560,598	683,695	817,705	962,301	1,117,323	1,282,558	1,461,082	1,649,261	1,846,755	2,053,187	2,268,142	2,491,174	2,721,805	2,721,805
Net equity	869,598	992,695	1,126,705	1,271,301	1,426,323	1,591,558	1,770,082	1,958,261	2,155,755	2,362,187	2,577,142	2,800,174	3,030,805	3,030,805
TOTAL LIABILITIES & EQUITY	869,598	992,695	1,126,705	1,271,301	1,426,323	1,591,558	1,770,082	1,958,261	2,155,755	2,362,187	2,577,142	2,800,174	3,030,805	3,030,805

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Cash Flow Statement

	Month 49	Month 50	Month 51	Month 52	Month 53	Month 54	Month 55	Month 56	Month 57	Month 58	Month 59	Month 60	
Cash flow from operations													
Receipts													
Cash sales	110,146	117,777	125,186	132,483	139,633	146,602	153,361	159,882	166,140	172,108	177,763	183,084	1,784,165
Accounts Receivable collections	55,073	58,888	62,593	66,242	69,817	73,301	76,681	79,941	83,070	86,054	88,881	91,542	892,082
Total receipts	165,218	176,665	187,778	198,725	209,450	219,903	230,042	239,824	249,210	258,162	266,644	274,626	2,676,247
Disbursements													
Sales COGS	5,905	6,285	6,660	7,027	7,386	7,735	8,071	8,395	8,704	8,997	9,274	9,533	93,971
Direct expenses except bad debt	33,464	33,464	33,464	33,464	33,464	30,131	30,131	30,131	30,131	30,131	30,131	30,131	378,234
G&A except depreciation	850	850	850	850	850	850	850	850	850	850	850	850	10,200
Interest on long-term debt	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	40,219	40,599	40,974	41,341	41,700	38,715	39,052	39,375	39,684	39,978	40,255	40,513	482,406
Net cash flow from operations	124,999	136,066	146,805	157,384	167,749	181,188	190,990	200,448	209,525	218,184	226,390	234,112	2,193,841
Cash flow from investing activities													
Purchase of Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flow from investing activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow from financing activities													
Investment by owners	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment by FFF	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment by Angels	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash flow from financing activities	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash increase (decrease)	124,999	136,066	146,805	157,384	167,749	181,188	190,990	200,448	209,525	218,184	226,390	234,112	2,193,841
Short-term loan increase (decrease)	-	-	-	-	-	-	-	-	-	-	-	-	-
Beginning cash	885,087	1,010,087	1,146,153	1,292,958	1,450,341	1,618,091	1,799,279	1,990,269	2,190,717	2,400,242	2,618,426	2,844,816	885,087
Ending cash	1,010,087	1,146,153	1,292,958	1,450,341	1,618,091	1,799,279	1,990,269	2,190,717	2,400,242	2,618,426	2,844,816	3,078,929	3,078,929

Appendix J: Management and Staffing Plan Financials

Development costs not included as these will be expensed as outsourced work

Positions by Percentage of Time	Year 1	Year 2	Year 3	Year 4	Year 5
President & CEO	0.25	0.25	0.50	1.00	1.00
COO	0.00	0.00	0.00	0.00	0.00
CFO	0.13	0.25	0.25	1.00	1.00
CTO	0.13	0.25	0.50	1.00	1.00
VP Customer Services	0.00	0.00	0.00	0.00	0.00
Director Operations	0.00	0.00	0.00	0.00	0.00
Sales and Marketing Manager	0.00	0.00	0.00	0.00	1.00
Controller	0.00	0.00	0.00	0.00	0.00
Accounting Clerk	0.00	0.00	0.00	0.00	0.00
A/P A/R Payroll Clerk	0.00	0.00	0.00	0.00	0.00
Manager, Human Resources	0.00	0.00	0.00	0.00	0.00
Secretary/Receptionist	0.00	0.00	0.00	0.00	0.00
Total FTEs	0.50	0.75	1.25	3.00	4.00
Positions by Cost	Year 1	Year 2	Year 3	Year 4	Year 5
President & CEO	22,500	22,500	45,000	90,000	90,000
COO	-	-	-	-	-
CFO	9,375	18,750	18,750	75,000	75,000
CTO	9,375	18,750	37,500	75,000	75,000
VP Customer Services	-	-	-	-	-
Director Operations	-	-	-	-	-
Sales and Marketing Manager	-	-	-	-	55,000
Controller	-	-	-	-	-
Accounting Clerk	-	-	-	-	-
A/P A/R Payroll Clerk	-	-	-	-	-
Manager, Human Resources	-	-	-	-	-
Secretary/Receptionist	-	-	-	-	-
Subtotal	41,250	60,000	101,250	240,000	295,000
Benefits	6,456	9,390	15,846	37,560	46,168
Total	47,706	69,390	117,096	277,560	341,168

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Appendix K: Development Assumptions and Plan Financials

Development Assumptions

Tasks	Work (Months)	Duration (Months)	Rates (\$/Month)			Cost (\$)			Weighted Average Totals	Weighted Average Costs
			Best	Likely	Worst	Best	Likely	Worst		
Business Development										
Fund Raising	6	6	\$35,000	\$33,333	\$20,000	\$210,000	\$200,000	\$120,000	\$188,333	
Technology Development										
Matching Algorithm	3	3	\$2,000	\$2,500	\$3,000	\$6,000	\$7,500	\$9,000	\$7,500	\$2,500
Data Collection										
Wine & Wineries	3	3	\$500	\$1,000	\$2,000	\$1,500	\$3,000	\$6,000	\$3,250	\$1,083
Store Inventories	3	3	\$500	\$1,000	\$2,000	\$1,500	\$3,000	\$6,000	\$3,250	\$1,083
Consumer Product										
Website and widget										
Beta Release	3	3	\$2,000	\$2,500	\$3,000	\$6,000	\$7,500	\$9,000	\$7,500	\$2,500
Version 1.0	3	3	\$2,000	\$2,500	\$3,000	\$6,000	\$7,500	\$9,000	\$7,500	\$2,500
Free Application	3	3	\$2,000	\$2,500	\$3,000	\$6,000	\$7,500	\$9,000	\$7,500	\$2,500
Paid Application	3	3	\$2,000	\$2,500	\$3,000	\$6,000	\$7,500	\$9,000	\$7,500	\$2,500
Version 2.0	6	6	\$2,000	\$2,500	\$3,000	\$12,000	\$15,000	\$18,000	\$15,000	\$2,500
Data Provision Dashboard										
Beta Release	3	3	\$2,000	\$2,500	\$3,000	\$6,000	\$7,500	\$9,000	\$7,500	\$2,500
Version 1.0	3	3	\$2,000	\$2,500	\$3,000	\$6,000	\$7,500	\$9,000	\$7,500	\$2,500
Version 2.0	3	6	\$2,000	\$2,500	\$3,000	\$6,000	\$7,500	\$9,000	\$7,500	\$2,500
Total						\$273,000	\$281,000	\$222,000	\$269,833	

Development Plan:

Task	Time (Months)	Duration of	Cost/Mo	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Technology Development									
Matching Algorithm	3	3	2,500	7,500	0	0	0	0	
Data Collection									
Wine & Wineries	3	3	1,083	3,250	0	0	0	0	
Store Inventories	3	3	1,083	3,250	0	0	0	0	
Consumer Product									
Website and widget									
Beta Release	3	3	2,500	7,500	0	0	0	0	
Version 1.0	3	3	2,500	7,500	0	0	0	0	
Free Application	3	3	2,500	7,500	0	0	0	0	
Paid Application	6	6	2,500	0	15,000	0	0	0	
Version 2.0	6	6	2,500	0	15,000	0	0	0	
Data Provision Dashboard									
Beta Release	3	3	2,500	0	0	7,500	0	0	
Version 1.0	6	6	2,500	0	0	15,000	0	0	
Version 2.0	6	6	2,500	0	0	0	15,000	0	
Development Totals				36,500	30,000	22,500	15,000	0	104,000

Appendix L: Marketing Plan Financials

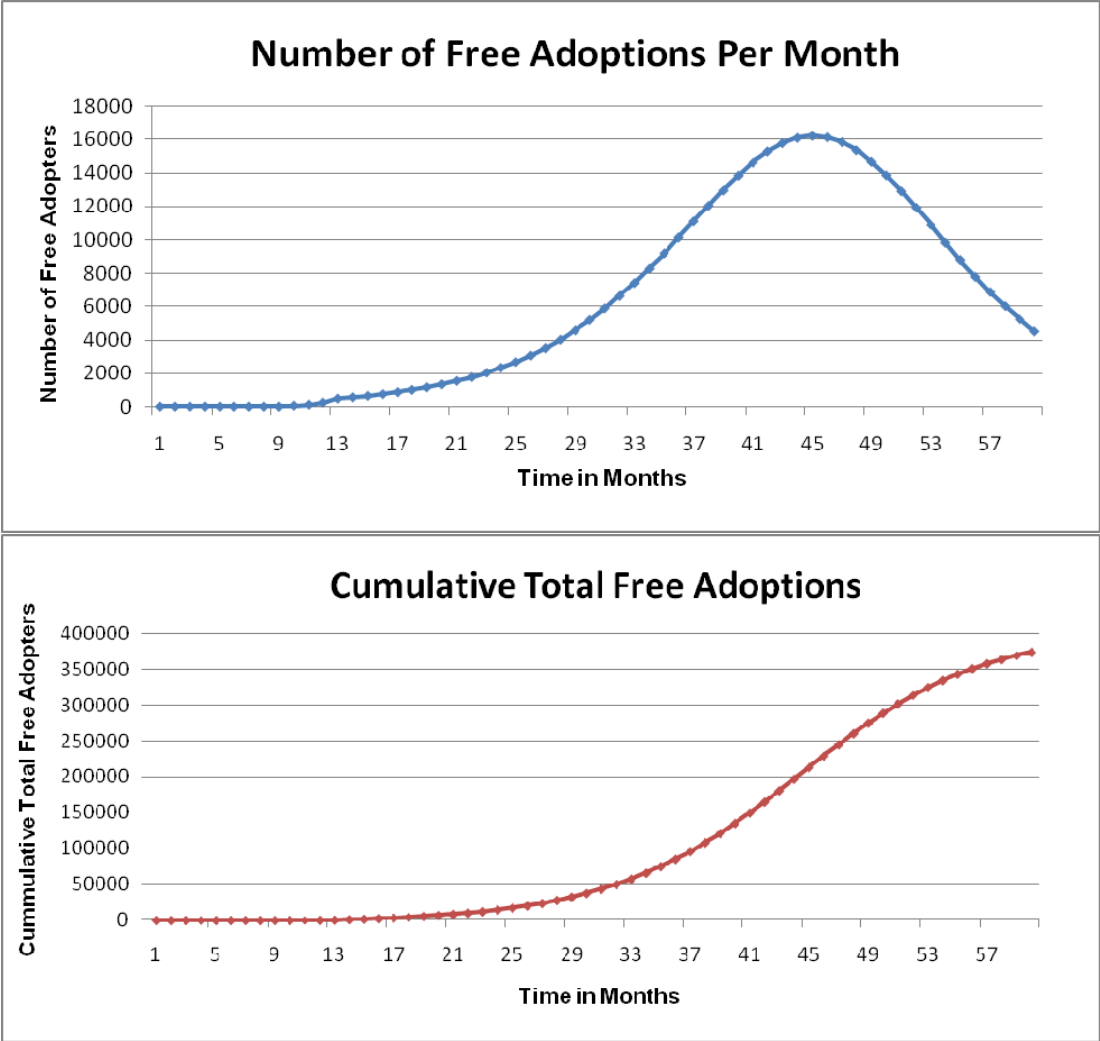
Marketing Assumptions

Tasks	Work (Months)	Duration (Months)	Rates (\$/Month)			Cost (\$)			Weighted Average Totals	Weighted Average Costs
			Best	Likely	Worst	Best	Likely	Worst		
Marketing										
Consumer Product										
Buzz	3	3	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	\$3,333
Early Adopters	6	6	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	\$1,667
Early Majority	12	12	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	\$833
Data Provision Dashboard										
Buzz	3	3	\$0	\$0	\$0	\$0	\$0	\$0	\$10,000	\$3,333
Early Adopters	6	6	\$0	\$0	\$0	\$0	\$0	\$0	\$20,000	\$3,333
Early Majority	12	12	\$0	\$0	\$0	\$0	\$0	\$0	\$40,000	\$3,333
Total						\$0	\$0	\$0	\$100,000	

Marketing Plan:

Task	Time (Months)	Duration of	Cost*	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Marketing									
Consumer Product									
Buzz	3	3	3,333	10,000	0	0	0	0	
Early Adopters	6	6	1,667	0	10,000	0	0	0	
Early Majority	12	12	833	0	5,000	5,000	0	0	
Data Provision Dashboard									
Buzz	3	3	3,333	0	0	10,000	0	0	
Early Adopters	6	6	3,333	0	0	20,000	0	0	
Early Majority	12	12	3,333	0	0	0	23,333	16,667	
Marketing Totals				10,000	15,000	35,000	23,333	16,667	100,000

Appendix M: WinePeer Adoption Curves



WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Based on the Bass Model of Technology Adoption

m	p	q
400,000	0.12%	16.00%

t (Months)	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
m - N(t-1)	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	12.49%	24.97%	49.94%	99.88%	99.74%	99.58%	99.39%	99.18%	98.93%	98.64%	98.31%	97.92%
N(t-1)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.03%	0.06%	0.12%	0.26%	0.42%	0.61%	0.82%	1.07%	1.36%	1.69%	2.08%
# Innov		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.03%	0.06%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%
# Imitators		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.04%	0.07%	0.10%	0.13%	0.17%	0.21%	0.27%
Total Adds		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.03%	0.06%	0.12%	0.14%	0.16%	0.19%	0.22%	0.25%	0.29%	0.33%	0.38%

m - N(t-1)	400000	0	0	0	0	0	0	0	0	0	49940	99880	199760	399520	398964	398320	397574	396711	395713	394560	393228	391691
N(t-1)	0	0	0	0	0	0	0	0	0	0	60	120	240	480	1036	1680	2426	3289	4287	5440	6772	8309
# Innov		0	0	0	0	0	0	0	0	0	60	120	240	480	479	479	478	477	476	475	473	472
# Imitators		0	0	0	0	0	0	0	0	0	0	0	0	0	77	165	268	386	522	679	859	1065
Total Adds		0	0	0	0	0	0	0	0	0	60	120	240	480	556	644	746	863	998	1153	1332	1537

22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42
97.48%	96.97%	96.38%	95.71%	94.94%	94.05%	93.05%	91.90%	90.60%	89.13%	87.47%	85.61%	83.54%	81.24%	78.70%	75.93%	72.91%	69.66%	66.20%	62.54%	58.71%
2.52%	3.03%	3.62%	4.29%	5.06%	5.95%	6.95%	8.10%	9.40%	10.87%	12.53%	14.39%	16.46%	18.76%	21.30%	24.07%	27.09%	30.34%	33.80%	37.46%	41.29%
0.12%	0.12%	0.12%	0.12%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.10%	0.10%	0.10%	0.10%	0.09%	0.09%	0.09%	0.08%	0.08%	0.08%
0.33%	0.39%	0.47%	0.56%	0.66%	0.77%	0.89%	1.04%	1.19%	1.36%	1.55%	1.75%	1.97%	2.20%	2.44%	2.68%	2.92%	3.16%	3.38%	3.58%	3.75%
0.44%	0.51%	0.59%	0.67%	0.77%	0.88%	1.01%	1.15%	1.30%	1.47%	1.66%	1.86%	2.07%	2.30%	2.54%	2.78%	3.02%	3.25%	3.47%	3.66%	3.82%

389919	387879	385532	382839	379751	376220	372190	367603	362398	356512	349883	342449	334155	324953	314808	303703	291640	278649	264789	250151	234857
10081	12121	14468	17161	20249	23780	27810	32397	37602	43488	50117	57551	65845	75047	85192	96297	108360	121351	135211	149849	165143
470	468	465	463	459	456	451	447	441	435	428	420	411	401	390	378	364	350	334	318	300
1302	1572	1881	2231	2628	3076	3579	4140	4764	5451	6202	7014	7883	8801	9755	10728	11698	12641	13526	14321	14994
1772	2040	2346	2694	3087	3531	4030	4587	5205	5886	6629	7434	8294	9202	10145	11105	12063	12991	13860	14639	15294

43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
54.77%	50.74%	46.68%	42.64%	38.67%	34.83%	31.16%	27.69%	24.45%	21.47%	18.74%	16.28%	14.08%	12.13%	10.41%	8.91%	7.60%	6.46%
45.23%	49.26%	53.32%	57.36%	61.33%	65.17%	68.84%	72.31%	75.55%	78.53%	81.26%	83.72%	85.92%	87.87%	89.59%	91.09%	92.40%	93.54%
0.07%	0.07%	0.06%	0.06%	0.05%	0.05%	0.04%	0.04%	0.03%	0.03%	0.03%	0.02%	0.02%	0.02%	0.01%	0.01%	0.01%	0.01%
3.88%	3.96%	4.00%	3.98%	3.91%	3.79%	3.63%	3.43%	3.20%	2.96%	2.70%	2.44%	2.18%	1.94%	1.71%	1.49%	1.30%	1.12%
3.95%	4.03%	4.06%	4.04%	3.96%	3.84%	3.67%	3.47%	3.24%	2.99%	2.72%	2.46%	2.20%	1.95%	1.72%	1.50%	1.31%	1.13%

219061	202943	186703	170550	154692	139328	124633	110755	97808	85868	74976	65138	56335	48523	41643	35624	30389	25860
180939	197057	213297	229450	245308	260672	275367	289245	302192	314132	325024	334862	343665	351477	358357	364376	369611	374140
282	263	244	224	205	186	167	150	133	117	103	90	78	68	58	50	43	36
15514	15855	15997	15929	15653	15179	14528	13728	12814	11823	10790	9748	8725	7744	6822	5969	5192	4493
15796	16118	16240	16153	15858	15365	14695	13877	12947	11940	10893	9838	8803	7812	6880	6019	5235	4529

Appendix N: Financial Assumptions

Key Assumptions

How many total potential adopters are there?	400,000
What % of free adopters will buy the paid application?	3%
What is the average click-through-rate for a PPC ad?	2%
How many times a month will a user use WinePeer?	4
How many bottles will a user look at before deciding on what they want?	5
What % of people will click on the "Where to Buy" button?	25%
What % of people will click on the "Buy Now" button <i>and</i> complete a transaction?	0.1%
What will the paid application cost?	\$1.99
What % will Apple (and other platforms) take off the top	30%
How much will WinePeer make for an average PPC ad click?	\$0.20
How much will WinePeer make for an average "Where to Buy" click?	\$0.20
How much do affiliates pay for an ecommerce sale?	8%
What will be the average price of an ecommerce sale?	\$40
How many potential data service subscribers are there?	1000
How much will WinePeer charge for data per month	\$95

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Months 1 to 12

LINE ITEMS	COMMENTS	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1
FREE PRODUCT ADOPTION														
Number of New Adopters		-	-	-	-	-	-	-	-	-	60	120	240	420
Cummulative Total Adopters		-	-	-	-	-	-	-	-	-	60	120	240	420
PAID APPLICATION														
Number of New Adopters		3%	-	-	-	-	-	-	-	-	2	4	7	
Cummulative Total Adopters		3%	-	-	-	-	-	-	-	-	2	4	7	
PPC CLICKS														
Total Impressions	Free app minus paid app (no ads on paid)	20	-	-	-	-	-	-	-	-	1,164	2,328	4,656	
Total Clicks	Based on an average CTR	2%	-	-	-	-	-	-	-	-	23	47	93	
AFFILIATE CLICKS														
Total Impressions		20	-	-	-	-	-	-	-	-	1,200	2,400	4,800	
"Where to Buy" Clicks		25%	-	-	-	-	-	-	-	-	75	150	300	
"Buy Now" Clicks		0.1%	-	-	-	-	-	-	-	-	0	1	1	
DATA SERVICES														
Number of Subscribers	Staggered 1 year, based on adoption model	1000	-	-	-	-	-	-	-	-	-	-	-	-
REVENUE														
PRICING														
Paid Application	Price for paid application less Apple fees	\$1.39	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 5	\$ 10	18
PPC Revenue	Average revenue per click	\$0.20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ 9	\$ 19	33
Affiliate "Where to Buy" fees	Average revenue per "WtB" click	\$0.20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Affiliate "Buy Now" fees	Average revenue per "BN" purchase	\$3.20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 2	\$ 4	-
Data Services	Average monthly subscription	\$95.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
TOTAL REVENUE		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ 16	\$ 32	57
% sales in cash														
% sales on account														
		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	6
		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	6

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

LINE ITEMS	COMMENTS	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1
ACCOUNTS RECEIVABLE COLLECTION														
% collected in month of sale		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	6
% collected in month following		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	3
% collected in second month following		23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	3
% not collected (bad debt expense)		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	0
SALES EXPENSE														
enter as a % of sales in the month		5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	1
ACTUAL REVENUE FROM CASH SALES														
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 8	\$ 16	
ACTUAL REVENUE FROM A/R														
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ 5	\$ 11	
SALES COGS														
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 1	\$ 2	
BAD DEBT														
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
PAYROLL BENEFITS AND TAXES														
FICA		0.062												
Medicare		0.0145												
Unemp		0.01												
Other Benefits	Enter %; Required = 0%; Min = 7%; Good = 10%	0.07												
Total Benefits and Taxes	Calculates as a % of salaries	0.1565												
INTEREST (annual rate in %)														
Operating Line of Credit		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-
Long-term-loan		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-
BALANCE SHEET ASSUMPTIONS														
Minimum cash		-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory: 1-5 months supply of inventory		-	-	-	-	-	-	-	-	-	-	-	-	-
ACCOUNTS PAYABLE														
% of current month's expenses paid next month		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	-
Balance paid in current month		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	12
Current month's inventory purchases		-	-	-	-	-	-	-	-	-	-	-	-	-
FUNDING														
Investments by owners		9,000	-	-	-	-	-	-	-	-	-	-	-	9,000
FFF funding		-	-	10,000	75,000	75,000	40,000	-	-	-	-	-	-	200,000
Angel round funding		-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans additions (payments)		-	-	-	-	-	-	-	-	-	-	-	-	-

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Months 13 to 24

LINE ITEMS	COMMENTS	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24	
FREE PRODUCT ADOPTION														
Number of New Adopters		480	556	644	746	863	998	1,153	1,332	1,537	1,772	2,040	2,346	
Cummulative Total Adopters		480	1,036	1,680	2,426	3,289	4,287	5,440	6,772	8,309	10,081	12,121	14,468	
PAID APPLICATION														
Number of New Adopters		3%	14	17	19	22	26	30	35	40	46	53	61	70
Cummulative Total Adopters		3%	14	31	50	73	99	129	163	203	249	302	364	434
PPC CLICKS														
Total Impressions	Free app minus paid app (no ads on paid)	20	9,312	20,101	32,597	47,063	63,803	83,163	105,539	131,381	161,200	195,575	235,155	280,670
Total Clicks	Based on an average CTR	2%	186	402	652	941	1,276	1,663	2,111	2,628	3,224	3,911	4,703	5,613
AFFILIATE CLICKS														
Total Impressions		20	9,600	20,723	33,605	48,519	65,776	85,735	108,803	135,444	166,186	201,623	242,428	289,350
"Where to Buy" Clicks		25%	600	1,295	2,100	3,032	4,111	5,358	6,800	8,465	10,387	12,601	15,152	18,084
"Buy Now" Clicks		0.1%	2	5	8	12	16	21	27	34	42	50	61	72
DATA SERVICES														
Number of Subscribers	Staggered 1 year, based on adoption model	1000	-	-	-	-	-	-	-	-	-	0	0	1
REVENUE														
PRICING														
Paid Application	Price for paid application less Apple fees	\$1.39	\$ 20	\$ 23	\$ 27	\$ 31	\$ 36	\$ 42	\$ 48	\$ 56	\$ 64	\$ 74	\$ 85	\$ 98
PPC Revenue	Average revenue per click	\$0.20	\$ 37	\$ 80	\$ 130	\$ 188	\$ 255	\$ 333	\$ 422	\$ 526	\$ 645	\$ 782	\$ 941	\$ 1,123
Affiliate "Where to Buy" fees	Average revenue per "WtB" click	\$0.20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,360	\$ 1,693	\$ 2,077	\$ 2,520	\$ 3,030	\$ 3,617
Affiliate "Buy Now" fees	Average revenue per "BN" purchase	\$3.20	\$ 8	\$ 17	\$ 27	\$ 39	\$ 53	\$ 69	\$ 87	\$ 108	\$ 133	\$ 161	\$ 194	\$ 231
Data Services	Average monthly subscription	\$95.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14	\$ 28	\$ 57
TOTAL REVENUE		\$ 65	\$ 120	\$ 184	\$ 258	\$ 344	\$ 443	\$ 1,917	\$ 2,383	\$ 2,919	\$ 3,552	\$ 4,279	\$ 5,126	
% sales in cash		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
% sales on account		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

LINE ITEMS	COMMENTS	Month 13	Month 14	Month 15	Month 16	Month 17	Month 18	Month 19	Month 20	Month 21	Month 22	Month 23	Month 24
ACCOUNTS RECEIVABLE COLLECTION													
% collected in month of sale		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
% collected in month following		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
% collected in second month following		23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
% not collected (bad debt expense)		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
SALES EXPENSE													
enter as a % of sales in the month		5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
ACTUAL REVENUE FROM CASH SALES													
		\$ 32	\$ 60	\$ 92	\$ 129	\$ 172	\$ 221	\$ 959	\$ 1,191	\$ 1,460	\$ 1,776	\$ 2,139	\$ 2,563
ACTUAL REVENUE FROM A/R													
		\$ 22	\$ 42	\$ 69	\$ 101	\$ 139	\$ 183	\$ 574	\$ 886	\$ 1,248	\$ 1,527	\$ 1,849	\$ 2,225
SALES COGS													
		\$ 3	\$ 6	\$ 9	\$ 13	\$ 17	\$ 22	\$ 96	\$ 119	\$ 146	\$ 178	\$ 214	\$ 256
BAD DEBT													
		\$ 0	\$ 0	\$ 1	\$ 1	\$ 2	\$ 4	\$ 5	\$ 7	\$ 9	\$ 38	\$ 48	\$ 58
PAYROLL BENEFITS AND TAXES													
FICA													
Medicare													
Unemp													
Other Benefits	Enter %; Required = 0%; Min = 7%; Good = 10%												
Total Benefits and Taxes	Calculates as a % of salaries												
INTEREST (annual rate in %)													
Operating Line of Credit		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Long-term-loan		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
BALANCE SHEET ASSUMPTIONS													
Minimum cash		-	-	-	-	-	-	-	-	-	-	-	-
Inventory: 1-5 months supply of inventory													
ACCOUNTS PAYABLE													
% of current month's expenses paid next month		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Balance paid in current month		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Current month's inventory purchases		-	-	-	-	-	-	-	-	-	-	-	-
FUNDING													
Investments by owners		-	-	-	-	-	-	-	-	-	-	-	-
FFF funding		-	-	-	-	-	-	-	-	-	-	-	-
Angel round funding		-	-	-	-	-	100,000	-	-	-	-	-	-
Long-term loans additions (payments)		-	-	-	-	-	-	-	-	-	-	-	-

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Months 25 to 36

LINE ITEMS	COMMENTS	Month 25	Month 26	Month 27	Month 28	Month 29	Month 30	Month 31	Month 32	Month 33	Month 34	Month 35	Month 36	
FREE PRODUCT ADOPTION														
Number of New Adopters		2,694	3,087	3,531	4,030	4,587	5,205	5,886	6,629	7,434	8,294	9,202	10,145	
Cummulative Total Adopters		17,161	20,249	23,780	27,810	32,397	37,602	43,488	50,117	57,551	65,845	75,047	85,192	
PAID APPLICATION														
Number of New Adopters		3%	81	93	106	121	138	156	177	199	223	249	276	304
Cummulative Total Adopters		3%	515	607	713	834	972	1,128	1,305	1,504	1,727	1,975	2,251	2,556
PPC CLICKS														
Total Impressions	Free app minus paid app (no ads on paid)	20	332,928	392,824	461,334	539,518	628,504	729,478	843,659	972,268	1,116,486	1,277,394	1,455,912	1,652,718
Total Clicks	Based on an average CTR	2%	6,659	7,856	9,227	10,790	12,570	14,590	16,873	19,445	22,330	25,548	29,118	33,054
AFFILIATE CLICKS														
Total Impressions		20	343,225	404,973	475,602	556,204	647,942	752,039	869,751	1,002,338	1,151,016	1,316,901	1,500,940	1,703,833
"Where to Buy" Clicks		25%	21,452	25,311	29,725	34,763	40,496	47,002	54,359	62,646	71,939	82,306	93,809	106,490
"Buy Now" Clicks		0.1%	86	101	119	139	162	188	217	251	288	329	375	426
DATA SERVICES														
Number of Subscribers	Staggered 1 year, based on adoption model	1000	1	3	4	6	8	11	14	17	21	25	30	36
REVENUE														
PRICING														
Paid Application	Price for paid application less Apple fees	\$1.39	\$ 113	\$ 129	\$ 148	\$ 168	\$ 192	\$ 218	\$ 246	\$ 277	\$ 311	\$ 347	\$ 385	\$ 424
PPC Revenue	Average revenue per click	\$0.20	\$ 1,332	\$ 1,571	\$ 1,845	\$ 2,158	\$ 2,514	\$ 2,918	\$ 3,375	\$ 3,889	\$ 4,466	\$ 5,110	\$ 5,824	\$ 6,611
Affiliate "Where to Buy" fees	Average revenue per "WtB" click	\$0.20	\$ 4,290	\$ 5,062	\$ 5,945	\$ 6,953	\$ 8,099	\$ 9,400	\$ 10,872	\$ 12,529	\$ 14,388	\$ 16,461	\$ 18,762	\$ 21,298
Affiliate "Buy Now" fees	Average revenue per "BN" purchase	\$3.20	\$ 275	\$ 324	\$ 380	\$ 445	\$ 518	\$ 602	\$ 696	\$ 802	\$ 921	\$ 1,054	\$ 1,201	\$ 1,363
Data Services	Average monthly subscription	\$95.00	\$ 114	\$ 246	\$ 399	\$ 576	\$ 781	\$ 1,018	\$ 1,292	\$ 1,608	\$ 1,973	\$ 2,394	\$ 2,879	\$ 3,436
TOTAL REVENUE		\$	6,123	\$ 7,333	\$ 8,717	\$ 10,300	\$ 12,104	\$ 14,156	\$ 16,480	\$ 19,106	\$ 22,059	\$ 25,365	\$ 29,050	\$ 33,132
% sales in cash		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
% sales on account		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

LINE ITEMS	COMMENTS	Month 25	Month 26	Month 27	Month 28	Month 29	Month 30	Month 31	Month 32	Month 33	Month 34	Month 35	Month 36
ACCOUNTS RECEIVABLE COLLECTION													
% collected in month of sale		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
% collected in month following		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
% collected in second month following		23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
% not collected (bad debt expense)		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
SALES EXPENSE	enter as a % of sales in the month	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
ACTUAL REVENUE FROM CASH SALES		\$ 5,310	\$ 6,376	\$ 7,600	\$ 9,016	\$ 10,632	\$ 12,473	\$ 14,563	\$ 16,929	\$ 19,596	\$ 22,592	\$ 25,940	\$ 29,662
ACTUAL REVENUE FROM A/R		\$ 2,655	\$ 3,188	\$ 3,800	\$ 4,508	\$ 5,316	\$ 6,236	\$ 7,282	\$ 8,464	\$ 9,798	\$ 11,296	\$ 12,970	\$ 14,831
SALES COGS		\$ 306	\$ 367	\$ 436	\$ 515	\$ 605	\$ 708	\$ 824	\$ 955	\$ 1,103	\$ 1,268	\$ 1,452	\$ 1,657
BAD DEBT		\$ 71	\$ 86	\$ 103	\$ 122	\$ 147	\$ 174	\$ 206	\$ 242	\$ 283	\$ 330	\$ 382	\$ 441
PAYROLL BENEFITS AND TAXES													
FICA													
Medicare													
Unemp													
Other Benefits	Enter %; Required = 0%; Min = 7%; Good = 10%												
Total Benefits and Taxes	Calculates as a % of salaries												
INTEREST (annual rate in %)													
Operating Line of Credit		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Long-term-loan		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
BALANCE SHEET ASSUMPTIONS													
Minimum cash		-	-	-	-	-	-	-	-	-	-	-	-
Inventory: 1-5 months supply of inventory													
ACCOUNTS PAYABLE													
% of current month's expenses paid next month		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Balance paid in current month		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Current month's inventory purchases		-	-	-	-	-	-	-	-	-	-	-	-
FUNDING													
Investments by owners		-	-	-	-	-	-	-	-	-	-	-	-
FFF funding		-	-	-	-	-	-	-	-	-	-	-	-
Angel round funding		-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans additions (payments)		-	-	-	-	-	-	-	-	-	-	-	-

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Months 37 to 48

LINE ITEMS	COMMENTS	Month 37	Month 38	Month 39	Month 40	Month 41	Month 42	Month 43	Month 44	Month 45	Month 46	Month 47	Month 48	
FREE PRODUCT ADOPTION														
Number of New Adopters		11,105	12,063	12,991	13,860	14,639	15,294	15,796	16,118	16,240	16,153	15,858	15,365	
Cummulative Total Adopters		96,297	108,360	121,351	135,211	149,849	165,143	180,939	197,057	213,297	229,450	245,308	260,672	
PAID APPLICATION														
Number of New Adopters		3%	333	362	390	416	439	459	474	484	487	485	476	461
Cummulative Total Adopters		3%	2,889	3,251	3,641	4,056	4,495	4,954	5,428	5,912	6,399	6,884	7,359	7,820
PPC CLICKS														
Total Impressions	Free app minus paid app (no ads on paid)	20	1,868,162	2,102,179	2,354,200	2,623,086	2,907,076	3,203,783	3,510,222	3,822,902	4,137,960	4,451,334	4,758,974	5,057,046
Total Clicks	Based on an average CTR	2%	37,363	42,044	47,084	52,462	58,142	64,076	70,204	76,458	82,759	89,027	95,179	101,141
AFFILIATE CLICKS														
Total Impressions		20	1,925,940	2,167,195	2,427,011	2,704,212	2,996,986	3,302,869	3,618,786	3,941,137	4,265,938	4,589,004	4,906,159	5,213,449
"Where to Buy" Clicks		25%	120,371	135,450	151,688	169,013	187,312	206,429	226,174	246,321	266,621	286,813	306,635	325,841
"Buy Now" Clicks		0.1%	481	542	607	676	749	826	905	985	1,066	1,147	1,227	1,303
DATA SERVICES														
Number of Subscribers	Staggered 1 year, based on adoption model	1000	43	51	59	70	81	94	109	125	144	165	188	213
REVENUE														
PRICING														
Paid Application	Price for paid application less Apple fees	\$1.39	\$ 464	\$ 504	\$ 543	\$ 579	\$ 612	\$ 639	\$ 660	\$ 674	\$ 679	\$ 675	\$ 663	\$ 642
PPC Revenue	Average revenue per click	\$0.20	\$ 7,473	\$ 8,409	\$ 9,417	\$ 10,492	\$ 11,628	\$ 12,815	\$ 14,041	\$ 15,292	\$ 16,552	\$ 17,805	\$ 19,036	\$ 20,228
Affiliate "Where to Buy" fees	Average revenue per "WtB" click	\$0.20	\$ 24,074	\$ 27,090	\$ 30,338	\$ 33,803	\$ 37,462	\$ 41,286	\$ 45,235	\$ 49,264	\$ 53,324	\$ 57,363	\$ 61,327	\$ 65,168
Affiliate "Buy Now" fees	Average revenue per "BN" purchase	\$3.20	\$ 1,541	\$ 1,734	\$ 1,942	\$ 2,163	\$ 2,398	\$ 2,642	\$ 2,895	\$ 3,153	\$ 3,413	\$ 3,671	\$ 3,925	\$ 4,171
Data Services	Average monthly subscription	\$95.00	\$ 4,076	\$ 4,809	\$ 5,648	\$ 6,605	\$ 7,694	\$ 8,930	\$ 10,328	\$ 11,903	\$ 13,668	\$ 15,638	\$ 17,824	\$ 20,233
TOTAL REVENUE			\$ 37,628	\$ 42,546	\$ 47,887	\$ 53,643	\$ 59,794	\$ 66,313	\$ 73,159	\$ 80,285	\$ 87,636	\$ 95,152	\$ 102,774	\$ 110,442
% sales in cash		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
% sales on account		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

LINE ITEMS	COMMENTS	Month 37	Month 38	Month 39	Month 40	Month 41	Month 42	Month 43	Month 44	Month 45	Month 46	Month 47	Month 48
ACCOUNTS RECEIVABLE COLLECTION													
% collected in month of sale		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
% collected in month following		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
% collected in second month following		23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
% not collected (bad debt expense)		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
SALES EXPENSE													
enter as a % of sales in the month		5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
ACTUAL REVENUE FROM CASH SALES													
		\$ 33,696	\$ 38,300	\$ 43,234	\$ 48,578	\$ 54,322	\$ 60,443	\$ 66,910	\$ 73,684	\$ 80,716	\$ 87,951	\$ 95,331	\$ 102,800
ACTUAL REVENUE FROM A/R													
		\$ 16,848	\$ 19,150	\$ 21,617	\$ 24,289	\$ 27,161	\$ 30,221	\$ 33,455	\$ 36,842	\$ 40,358	\$ 43,975	\$ 47,666	\$ 51,400
SALES COGS													
		\$ 1,881	\$ 2,127	\$ 2,394	\$ 2,682	\$ 2,990	\$ 3,316	\$ 3,658	\$ 4,014	\$ 4,382	\$ 4,758	\$ 5,139	\$ 5,522
BAD DEBT													
		\$ 507	\$ 581	\$ 663	\$ 753	\$ 851	\$ 958	\$ 1,073	\$ 1,196	\$ 1,326	\$ 1,463	\$ 1,606	\$ 1,753
PAYROLL BENEFITS AND TAXES													
FICA													
Medicare													
Unemp													
Other Benefits	Enter %; Required = 0%; Min = 7%; Good = 10%												
Total Benefits and Taxes	Calculates as a % of salaries												
INTEREST (annual rate in %)													
Operating Line of Credit		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Long-term-loan		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
BALANCE SHEET ASSUMPTIONS													
Minimum cash		-	-	-	-	-	-	-	-	-	-	-	-
Inventory: 1-5 months supply of inventory													
ACCOUNTS PAYABLE													
% of current month's expenses paid next month		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Balance paid in current month		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Current month's inventory purchases		-	-	-	-	-	-	-	-	-	-	-	-
FUNDING													
Investments by owners		-	-	-	-	-	-	-	-	-	-	-	-
FFF funding		-	-	-	-	-	-	-	-	-	-	-	-
Angel round funding		-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans additions (payments)		-	-	-	-	-	-	-	-	-	-	-	-

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

Months 49 to 60

LINE ITEMS	COMMENTS	Month 49	Month 50	Month 51	Month 52	Month 53	Month 54	Month 55	Month 56	Month 57	Month 58	Month 59	Month 60	
FREE PRODUCT ADOPTION														
Number of New Adopters		14,695	13,877	12,947	11,940	10,893	9,838	8,803	7,812	6,880	6,019	5,235	4,529	
Cummulative Total Adopters		275,367	289,245	302,192	314,132	325,024	334,862	343,665	351,477	358,357	364,376	369,611	374,140	
PAID APPLICATION														
Number of New Adopters		3%	441	416	388	358	327	295	264	234	206	181	157	136
Cummulative Total Adopters		3%	8,261	8,677	9,066	9,424	9,751	10,046	10,310	10,544	10,751	10,931	11,088	11,224
PPC CLICKS														
Total Impressions	Free app minus paid app (no ads on paid)	20	5,342,124	5,611,347	5,862,520	6,094,158	6,305,474	6,496,322	6,667,102	6,818,650	6,952,124	7,068,897	7,170,455	7,258,323
Total Clicks	Based on an average CTR	2%	106,842	112,227	117,250	121,883	126,109	129,926	133,342	136,373	139,042	141,378	143,409	145,166
AFFILIATE CLICKS														
Total Impressions		20	5,507,344	5,784,893	6,043,835	6,282,637	6,500,489	6,697,239	6,873,301	7,029,536	7,167,139	7,287,523	7,392,221	7,482,807
"Where to Buy" Clicks		25%	344,209	361,556	377,740	392,665	406,281	418,577	429,581	439,346	447,946	455,470	462,014	467,675
"Buy Now" Clicks		0.1%	1,377	1,446	1,511	1,571	1,625	1,674	1,718	1,757	1,792	1,822	1,848	1,871
DATA SERVICES														
Number of Subscribers	Staggered 1 year, based on adoption model	1000	241	271	303	338	375	413	452	493	533	574	613	652
REVENUE														
PRICING														
Paid Application	Price for paid application less Apple fees	\$1.39	\$ 614	\$ 580	\$ 541	\$ 499	\$ 455	\$ 411	\$ 368	\$ 326	\$ 288	\$ 252	\$ 219	\$ 189
PPC Revenue	Average revenue per click	\$0.20	\$ 21,368	\$ 22,445	\$ 23,450	\$ 24,377	\$ 25,222	\$ 25,985	\$ 26,668	\$ 27,275	\$ 27,808	\$ 28,276	\$ 28,682	\$ 29,033
Affiliate "Where to Buy" fees	Average revenue per "WtB" click	\$0.20	\$ 68,842	\$ 72,311	\$ 75,548	\$ 78,533	\$ 81,256	\$ 83,715	\$ 85,916	\$ 87,869	\$ 89,589	\$ 91,094	\$ 92,403	\$ 93,535
Affiliate "Buy Now" fees	Average revenue per "BN" purchase	\$3.20	\$ 4,406	\$ 4,628	\$ 4,835	\$ 5,026	\$ 5,200	\$ 5,358	\$ 5,499	\$ 5,624	\$ 5,734	\$ 5,830	\$ 5,914	\$ 5,986
Data Services	Average monthly subscription	\$95.00	\$ 22,871	\$ 25,735	\$ 28,821	\$ 32,113	\$ 35,589	\$ 39,222	\$ 42,973	\$ 46,801	\$ 50,658	\$ 54,494	\$ 58,261	\$ 61,910
TOTAL REVENUE			\$ 118,101	\$ 125,700	\$ 133,195	\$ 140,547	\$ 147,723	\$ 154,691	\$ 161,424	\$ 167,895	\$ 174,077	\$ 179,946	\$ 185,478	\$ 190,654
% sales in cash		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
% sales on account		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%

WINEPEER – A PRE-LAUNCH STRATEGIC ANALYSIS

LINE ITEMS	COMMENTS	Month 49	Month 50	Month 51	Month 52	Month 53	Month 54	Month 55	Month 56	Month 57	Month 58	Month 59	Month 60
ACCOUNTS RECEIVABLE COLLECTION													
% collected in month of sale		50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
% collected in month following		25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
% collected in second month following		23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
% not collected (bad debt expense)		2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
SALES EXPENSE	enter as a % of sales in the month	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
ACTUAL REVENUE FROM CASH SALES		\$ 110,146	\$ 117,777	\$ 125,186	\$ 132,483	\$ 139,633	\$ 146,602	\$ 153,361	\$ 159,882	\$ 166,140	\$ 172,108	\$ 177,763	\$ 183,084
ACTUAL REVENUE FROM A/R		\$ 55,073	\$ 58,888	\$ 62,593	\$ 66,242	\$ 69,817	\$ 73,301	\$ 76,681	\$ 79,941	\$ 83,070	\$ 86,054	\$ 88,881	\$ 91,542
SALES COGS		\$ 5,905	\$ 6,285	\$ 6,660	\$ 7,027	\$ 7,386	\$ 7,735	\$ 8,071	\$ 8,395	\$ 8,704	\$ 8,997	\$ 9,274	\$ 9,533
BAD DEBT		\$ 1,903	\$ 2,055	\$ 2,209	\$ 2,362	\$ 2,514	\$ 2,664	\$ 2,811	\$ 2,954	\$ 3,094	\$ 3,228	\$ 3,358	\$ 3,482
PAYROLL BENEFITS AND TAXES													
FICA													
Medicare													
Unemp													
Other Benefits	Enter %; Required = 0%; Min = 7%; Good = 10%												
Total Benefits and Taxes	Calculates as a % of salaries												
INTEREST (annual rate in %)													
Operating Line of Credit		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Long-term-loan		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
BALANCE SHEET ASSUMPTIONS													
Minimum cash		-	-	-	-	-	-	-	-	-	-	-	-
Inventory: 1-5 months supply of inventory													
ACCOUNTS PAYABLE													
% of current month's expenses paid next month		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Balance paid in current month		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Current month's inventory purchases		-	-	-	-	-	-	-	-	-	-	-	-
FUNDING													
Investments by owners		-	-	-	-	-	-	-	-	-	-	-	-
FFF funding		-	-	-	-	-	-	-	-	-	-	-	-
Angel round funding		-	-	-	-	-	-	-	-	-	-	-	-
Long-term loans additions (payments)		-	-	-	-	-	-	-	-	-	-	-	-

<< End >>