Mollydooker Wines: Supply Chain Analysis

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Jacob Mix, Marianne Gera, and Navreen Thandi prepared this case under the supervision of Dr. Wayne Howard in AGB 462 Applied Agribusiness Problems.

History

In July of 2011, four hundred and sixty two cases of the 2010 Mollydooker Velvet Glove shiraz plummeted more than fifteen feet to the ground. The fall was so high that the bottles punched right through the packaging, and many of the bottles shattered on impact. Sparky Marquis, owner and winemaker at Mollydooker, was heartbroken. “We just couldn’t believe it,” he said, “As you can imagine this wine is our pride and joy. To see it accidentally destroyed, and not consumed, has left us all a bit numb.”

A bottle of Velvet Glove shiraz is priced at $185 USD, which means that this was quite literally a million dollar accident. When the shipping crew opened the dropped container it resembled a murder scene with red everywhere, but according to Sparky, “It smelled phenomenal.”

Thankfully, Mollydooker was insured and the incident was widely covered offering the winery and their wines heaps of free publicity.

Mollydooker has had its fair share of ups and downs, including the aforementioned dock accident. It was founded in 2005, but its inception began long before then. The founders, husband and wife Sparky and Sarah Marquis, originally met at college years before. They married after school in 1991 and they possessed grand ambitions about what
they wanted to pursue. They wanted to be successful in making good wine and also establishing and developing their own business.

Sarah and Sparky initially got their start as winemakers at Fox Creek with Sarah’s parents. At Fox Creek, they dedicated their time to refining their skills as winemakers, and it paid off seeing as they won awards such as the McLaren Vale Bushing King and Queen Trophy for Best Wine in Show. Eventually, Sarah and Sparky decided to become bulk wine producers, because they had recently had their first child and they wanted more family time. They encouraged their friends to use the Marquis Vineyard Watering Programme in order to grow phenomenal fruit. They then made wines from those grapes in their friends’ wineries and were quite successful.

After two prosperous years of making lots of wine and lots of money, the pair asked Sparky’s mom and dad to join them in their winemaking ventures with the goal of making “the best bulk wine in Australia, so we can sell it easily.” Sparky’s parents were convinced, so they sold their winery to join the duo. Sadly, there was a shift in the market due to a massive surplus of grapes. Wines that had previously sold for $7 per liter were now only going for about $0.25 per liter. Sarah and Sparky promptly lost all of the money that they had made in the previous two years.

After this misfortune they went back to making premium bottled wine for their friends and also for their own joint venture Marquis Philips, which they started with Fox Creek’s U.S. importer Dan Philips. Once more, they were very successful in the form of rave reviews and even more awards. The Marquis Philips brand grew immensely, from 8,000 cases to 120,000 cases, in just four years. However, rather than continuing to grow, Sarah
and Sparky did not want to compromise the quality of their product so they decided to split with Dan and remain small scale.

It was 2005 when they founded Mollydooker. The name, Mollydooker, is Aussie slang for a left-handed person, and it was adopted because Sarah and Sparky and almost half of their staff are left-handed. As soon as they started the winery they were producing high quality wines such as Carnival of Love (a shiraz that received a score of 99 points from Wine Advocate in 2005) and Enchanted Path (a blend of shiraz and cabernet that received a score of 96 points from Wine Advocate in 2005). Due to the success of their wines they were able to purchase a vineyard and a winery in the heart of the McLaren Vale only eighteen months after starting their brand.

The Mollydooker vineyard is composed of 116 acres located in the McLaren Vale, which is a 45 minute drive from Adelaide, South Australia. The McLaren Vale is home to other popular wines such as D’Arenburg Dead Arm, Kay's Block Six Shiraz, and the Chapel Hill Reserve Shiraz. Shiraz grapes are what make up about half of the Mollydooker vineyard.

The Mollydooker winery, which is located on site at the vineyard, has a 1,500 tonne commercial license, and they currently operate at around 1,000 tonnes, which is producing 70,000 cases. The winery is outfitted to process small individual quantities of grapes. The winery contains huge storage areas for steel containers, oak barrels, and bottles of wine. The winery also has its own bottling line. iv

Mollydooker’s success can be attributed to a number of characteristics. Firstly, they are passionate about their motto, “We make wines that make people go WOW, through attention to detail and commitment to excellence!” Exhibit 1 displays Mollydooker’s
current wine catalogue. They really do care about creating the best product that they can, and they do this through growing their grapes with the Marquis Vineyard Watering Programme, which encourages the growth of wholesome vines that have balanced canopy growth. They also rate their wines on their Marquis Fruit Weight, which is a way of measuring the strength and the intensity of the wine. This commitment to their wines pays off as the sell out of their 70,000 cases almost every year.

**Wine Overview- World and Australia**

Winemaking has stuck with humanity since the dawn of civilization dating back to 6000 B.C.E., in the Middle East. As damaged grapes fermented after harvest, inquisitive farmers tasted the substance and enjoyed its effects. Eventually, these farmers began cultivating grapes and supervising fermentation. After much experimentation, the alcoholic beverage known as wine was born.

In ancient Greece, wine was considered a delicacy only to be consumed by the elite. However, during the Roman era it became popularized throughout society and went on to become an integral part of the Roman diet. As Rome began to export wine to the rest of Europe, surrounding production and quality began to compete with Rome itself. After the demise of the Roman Empire, wine continued being produced in the Byzantine Empire. However, winemaking and consumption was largely extinguished in areas of Northern Africa and the Middle East due to the spread of Islam, a religion that prohibits the consumption of alcohol. In Europe, winemaking excelled because it was an area of Christian faith, and wine was needed for religious rituals. Eventually wine made its way to China along the Silk Route by the eighth century.
In the New World, pioneers found that the native grapes were not fit for
winemaking. Eventually, a variety called Catawba grape was found in 1802 that sparked
the first successful winemaking operation in Ohio. However, California quickly
overshadowed Ohio in terms of the wine industry. Grape cultivation in Australia also began
around this time.

Since Australia has no native grape varieties suitable for winemaking, grape vines
were imported from Europe for wine production. Wine produced in Australia was usually
sent back to the United Kingdom. After early success, settlers began to develop vineyards in
various regions of Australia such as New South Wales, Tasmania, Western Australia,
Victoria, and Southern Australia. Though there was continued success, the discovery of
gold in Australia in the 1850s resulted in the temporary decrease of labor for vineyards. Yet
the growth in population resulted in an increase in operations to keep up with the demand.

In the year 1920, prohibition went into effect in the United States. America decided
to ban the production, transportation, and sale of any alcohol. During this time, many
American grape growers ripped out their vineyards and began farming orchards. However,
few vineyard growers continued to operate by marketing fresh or dried grapes. In 1933,
following the repeal of prohibition through the 21st amendment, American winemaking
reemerged in a very demoralized condition. Although some states such as Kansas and
Oklahoma, decided to stay dry, the rest of the U.S. flooded the wine market with quick and
poorly made wines. As America came out of the prohibition period they found themselves
at the bottom in terms of winemaking; equipment was outdated, there were no more
distribution channels, and the American name had been forgotten in the wine world.
As American winemakers began to experiment and take risks they were able to grow and make changes accordingly. With the help of foreign investors, American wine experienced a shift from the poorly made vintages right after the repeal of prohibition, to table wines that were able to compete with European wines. Eventually, American wine received worldwide recognition at the famous tasting of 1976 in Paris, where the California Chardonnay and Cabernet Sauvignon beat French wines. This earned America a reputable position in the wine world.

**International Wine Statistics**

Presently, wine is crafted all over the world. Wherever grapes can be grown, there is almost assuredly wine being made as well. The top wine-producing countries in the world include places such as France, Italy, Spain, the United States, Argentina, Australia, and Chile. Countries like China, the United States, and Chile have seen large increases in the amount of wine production in recent years. Meanwhile, other countries like Australia, Germany and Spain have seen a decline in that same period. **Exhibit 2** displays production trends for these countries and more.

Many of these countries also consume the most amount of wine, albeit in amounts that differ from production statistics. The United States drinks the most wine and it is also a market that is still growing as evidenced by a 14% increase in consumption from 2008 to 2011 (see **Exhibit 3**). The market for wine is also expanding in China, which saw an astronomical increase in consumption of virtually 60% during the same time frame. However, demand for wine in countries like Spain, Italy, Argentina has decreased from 2008 to 2011 by 17%, 12%, and 9% respectively. Even with these large drops in
consumption, worldwide production and enjoyment of wine has increased over this time period.

One interesting thing to note is the difference between production and consumption in these top countries. Exhibit 4 details the size of the shortages and surpluses. A shortage does not necessarily mean that they aren't consuming the wine, but rather they are getting it from outside of the country. France, Italy, and Spain are all top producers so it comes as no surprise that they have a large surplus of wine (1.97B, 1.95B, and 2.48B liters). The same goes for the United States’ shortage (.60B liters) because of its status as the number one consumer. Argentina and Australia both have surpluses that are about the same size (.57B liters), while Germany and China have shortages (1.03B and 1.50B liters). These differences in production and consumption highlight the need for worldwide imports and exports of wine.

The United States is a very appealing market for international wines, since it has been the largest wine consuming country in the world since 2010 with the totality of the wines sold in the states having an estimated retail value of $36.3 billion. Also, the inability to produce enough supply to meet its demand requires imports be brought in. The US wine industry is considered concentrated, with the biggest 50 firms constituting for more than 75% of the market revenue. That being said, wine imports provide serious competition for US winemakers. This is especially true because of the ever evolving tastes and preferences of wine drinkers.

**Industry overview-America**

Winemaking is assuredly a global industry with Australia and the United States making it in the top 10 wine producing regions of the world. In America, 90% of the wine
comes from California, which is home to the world’s largest wine producer, E. & J. Gallo Winery, which employs around 5,600 employees and has annual sales of over $900 million. The major grapes found in California include Cabernet Sauvignon and Chardonnay. Likewise, Australia is also known for their production of Chardonnay grapes, as well as the Shiraz variety. Australia is very reliant on the wine export market, however since the US dollar has weakened, it has begun expanding its market to various Asian countries.

**Mollydooker Operations**

Currently, the most popular wine regions in Australia are in the Southeast, where it tends to be cooler. Mollydooker is a southern winery located in McLaren Vale, Australia. They farm 116 acres of vineyards consisting of Shiraz, Cabernet, Merlot, Semillon, and Chardonnay. The intensity of the color and flavor of their wines can be contributed to the Marquis Vineyard Watering Programme, which helps achieve the highest Marquis Fruit Weight rather than high extraction, which is traditionally used for intense wines.

The fermentation process is the most important in winemaking. At Mollydooker, primary fermentation is known as the process where grape sugar is converted to alcohol. Three times a day, Mollydooker staff tastes the ferments and monitors yeast performance, color, and flavors. Although this is an expensive process, the Australian winery believes it is worth it because the wine posses the ability to mature two months earlier, which means they are able to release their wines earlier to consumers.

After the primary fermentation comes barrel fermentation, where the main goal is to decrease sugar levels at the desired rate. During this process, barrels are monitored on a daily basis to measure temperature and sugar levels. When fermentation is complete, and
all sugar has been converted to alcohol, the wine is transferred from the barrel to a tank with added oxygen. This step allows the full fruit flavor to shine through.

Eventually, the wine is transferred to oak barrels. Wine from each block of the vineyard is kept separate in order to develop the desired flavor. After this, the wine begins a secondary fermentation process where the malic acid is converted to lactic acid. During this phase, the wine is considered to be in its “ugly phase” due to its disjointed appearance. The wine is kept in one barrel for three months where it is sampled every two weeks.

After the secondary fermentation process is complete, it is removed from the oak and placed in a new barrel according to the type of wine. Unlike traditional processes, Mollydooker uses a “blanket of carbon dioxide” to protect their wine from foreign substances, since this is the time when the wine is most vulnerable. After the barrels are sorted, the wine is given time to age and reach maturity.

**Mollydooker Supply Chain**

Supply chain management is a key strategic factor and has a major impact on performance on a business when done effectively. Specifically, the wine supply chain is a very complex system due to several aspects: “the nature of the product (which forces the use of a mixed push/pull schema), the number of actors and relationships between them, the multi-tier systems in distribution cycle of some countries, the requirements of final customers, the continuous pressure of local and external competitors in the market and the legal constraints of distribution, among others.”

Every supply chain consists of several nodes also known as “actors” which make up the different links within the chain. **Exhibit 5** shows the actors of a generic wine supply chain, who are connected through “material flows” shown through continuous lines and
“information flows” shown through the dotted lines. Each actor is provided below with a list of responsibilities.

- **Wine Producer**: Actor responsible for receiving grapes, the elaboration, manufacture and/or blending of wine products. Receiving the weight of grapes, crushes, de-stems and presses the juice.

- **Filler/Packer**: Responsible for the reception, analysis, filling, packing, and dispatch of finished goods. They receive containers of bulk wine from the Wine Producer, and then the wine is filled into different kinds of packages.

- **Freight Forwarder**: This actor organizes the shipment planning, which is the process of choosing shipment frequencies and deciding for each shipment which orders should be assigned.

- **Freight operators**: They supply service for transporting goods from the Winery to the Importer or to other actors by air or sea shipping.

- **Importer**: Actor who buys goods from the Wine Producer and is responsible for the reception, storage, inventory management, and dispatch of finished goods.

- **Finished Goods Distributor**: This actor is responsible for reception, storage, inventory management and dispatch of finished goods as well as repackaging and relabeling as per specific customer requirements.

- **Wholesaler**: Receives pallets and cartons from the finished goods distributor and picks and dispatches goods to retail stores.

- **Retailer**: Retailer receives finished goods from the distributor and sells consumer units to the final consumer.
Like any product, in order for a Mollydooker wine to get to the consumer it must also follow a long supply chain. Mollydooker exports about 90-95% of their 70,000 case inventory from McLaren Vale in South Australia to the United States. So along with passing through a lot of links, or actors, in the supply chain, it is also travelling a long distance. Looking at Mollydooker specifically, the wine production, filler/packer, freight forwarder, freight operator, and importer actors are all taken care of by Mollydooker themselves, in South Australia. They are their own importer and bring the shipments of wine by sea to the port of Oakland. From the port, the wine is transported to a temperature controlled warehouse storage/wine service center. The current storage facility used is slightly over 17,000 square feet and has a net profit of over 10 million providing that its handling, storage, and delivery are quite successful.\textsuperscript{xiv}

From this wine storage facility, located only about thirty minutes north of the port in American Canyon, the wine gets divided and goes down two separate paths. The wine destined for retailers and restaurants follows the supply chain route provided in \textbf{Exhibit 5}, where it stays at the current storage facility and is stored in the temp controlled building until it is either picked up by or shipped to its specific distributors.\textsuperscript{xv}

Mollydooker has a handful of distributors specific to each state. Each distributor is in charge of managing their inventory and dispatching the wine to its exact retailers. The rest of the wine is meant for shipments directly to the consumer, but it is not as easy as it sounds. Most of the wine meant for consumers is transported to a fulfillment center, also located in American canyon.\textsuperscript{xvi} This fulfillment center is around four thousand square feet with about five employees where wine can only be stored short term just before it is shipped.\textsuperscript{xvii} It caters specifically to wine and distilled beverages from a limited amount of
companies. Any extra wine not being fulfilled in an order is sent to another temperature controlled wine warehouse and sits until needed.\textsuperscript{xviii}

Before arrival to the fulfillment house, Mollydooker sends all orders through Ship Compliant, a wine and spirits compliance software, which manages each order with up-to-date rules and regulations specific to each state.\textsuperscript{xix} For instance, if a person from South Carolina tries to order more than twelve bottles in one month, Ship Compliant would send an alert showing that the order cannot be fulfilled because in South Carolina there is a law limiting a person’s order to only twelve bottles a month. Once the compliance is managed the fulfillment staff receives the order and repackages the wine in temperature controlled shipping boxes inserting the correct wines for each order.

This wine is then shipped through FedEx. All wine must be stored around fifty-five degrees, but throughout most of the year the weather fluctuates between different areas creating problems for shipping. Due to these problems FedEx has provided a cold chain shipping which is a solution to fluctuating temperatures, but is also a costly way to ship. FedEx provides refrigerated trucks making wine shipments temperature-controlled from pickup to the FedEx hub, then ships orders via FedEx Priority Overnight directly to the customer the following day.\textsuperscript{xix} It is the fastest way to keep the wine at a decent temperature upon arrival to the consumer. If that is successful then Mollydooker has done their job and provides the customer with good wine with the desire to order more. \textbf{Exhibit 6} shows Mollydooker’s current supply chain process.

Unfortunately, the downside of direct to consumer shipments is that the costs of shipping ends up being too high because the fulfillment house can no longer use ground shipping and must use the two day overnight cold chain in order for the wine not to spoil in
the high temperatures. It is a stressful process to get the wine to where it needs to go in time because it is always on the move trying to provide a quick turnaround. Although with these weather holds creates more storage fees, higher shipping rates, and more time leaving the consumer waiting for their wine unable to make another order. So now the question holds, can Mollydooker shorten this process themselves by cutting out these middle links?

**Predicament**

Currently, Mollydooker is spending what they perceive to be too much money on their fulfillment house in the US. This is because they cover any remaining costs incurred after the consumer pays shipping. Since Mollydooker’s main problem is associated with the distribution of their products in America, the question remains if they should change the way they distribute their wine to US consumers. We have come up with three options for Mollydooker to pursue.

**Options**

As we researched new ways Mollydooker could redo the way they import their wine to the U.S. we found both positives and negatives with what they are currently doing. First off, since Mollydooker is their own importer, everything done before the wine is received, at the port of Oakland, is all under control already. So, we primarily emphasized our search on finding the optimal warehouses to use to store the wine creating a new route of shipment to distributors and consumers.

**Option #1: Choose a Different Fulfillment Center**

The first option we came up with was to continue importing from Australia to Wine Warehouse in American Canyon, CA. At this temperature controlled warehouse, some of
The wine would be picked up by or sent out to distributors so that they can further the distribution of the wine to retailers.

The other portion of wine would be sent to a different fulfillment house than Mollydooker is currently using. This fulfillment house is necessary because they have the employees and space to pack several hundreds of packages of wine to be shipped. “Proven increased efficiency, lowered packing and labor costs, and reduced shipping rates with UPS and FedEx are also reasons why so many fulfillment warehouses are opening in key wine regions.” These key factors are exactly why we are looking into a new fulfillment house for Mollydooker. We have found the one they currently use to be overpriced compared to the others. Along with pricing, we also compared the location, facility, inventory storage, compliance checking, order entry, and their returns and claims. The comparisons of three other fulfillment houses compared to the one Mollydooker is currently using is shown in Exhibit 7. After these fulfillment houses take care of the direct to consumer shipping, all other unshipped wine will be stored until needed at Valley Wine Warehouse, the other temperature controlled warehouse they currently use.

**Option #2: Lease Out Their Own Warehouse for Fulfillment Needs**

The second option we decided among was to continue importing from Australia to Wine Warehouse in American Canyon, CA. Where they would again send part of the shipment to distributors, and the other part to a new warehouse Mollydooker would lease out in a neighboring city close to the port of Oakland. At this storage facility the storing, packaging, and distribution of the wine directly to consumers would be taken care of. This would require leasing a new warehouse, leasing a forklift to move wine, hiring at least three staff members to manage the warehouse, and taking care of shipments throughout
the U.S. From an interview conducted with Dan Heinz the President of Stat Logistics which is a freight forwarder and third party logistics company, we were introduced to typical prices of warehouses and their necessities in Northern California. Firstly, we were looking for a temperature controlled warehouse, which records of pricing were difficult to find. Looking into a few surrounding cities he quoted us with current rates per square foot for temperature controlled warehouses. In Modesto rates are currently $0.40 / sq ft to lease, while in the bay area it is about $0.90 / sq ft to lease. The closer it is to the port of Oakland the higher the cost of the warehouse is going to be with rates possibly rising over $0.90 for crucial locations. With a warehouse further away the cost would decline, but the cost of transporting the wine to the warehouse would increase.

At the warehouse a forklift would be needed to move and handle the wine. Currently a brand new forklift is priced around $23,000 with a 5,000 lb capacity or it can be leased for $400/ month with maintenance and service provided. Along with the forklift the warehouse would need around three employees, potentially two people to work in the warehouse and one more to act as the manager. Employee rates run around $14.00 to $16.00 an hour along with the manager rates around $20.00 an hour. Not only would Mollydooker obtain much more responsibility, but also a lot more liability. So we asked ourselves, would this route truly be efficient?

**Option #3: Don’t Change**

The third and last option would be to stay the course and to not change what they are currently doing. Wine fulfillment is a necessary part of the Mollydooker supply chain. It acts as the last bridge between the consumer and the winery. Mollydooker enjoys a good
relationship with their current fulfillment house. One of the reasons Mollydooker has stuck it out so long with them is the great customer service.xxv

If Mollydooker were to switch fulfillment houses then they run the risk of receiving less than satisfactory customer service. This could be likely since the other fulfillment houses that we looked at are significantly larger than the one they currently use. This means they might not be as hands on and personal as the fulfillment house that they presently use.

Leasing their own warehouse would serve to potentially streamline their supply chain and also possibly cut costs, but it would also require a lot of upfront fixed costs. By staying with their current fulfillment house they eliminate a lot of liability and they also do not have to deal with the headache involved with vertically integrating. Fulfillment houses exist because they provide valuable services to companies exactly like Mollydooker. These services include storage, packaging, shipping, handling, and much more.xxvi

**Conclusion**

As we concluded our research and presented our findings we each disputed which route we thought would make the most sense for Mollydooker to enact. We decided to rule out option 2 right away. It wouldn’t be feasible for Mollydooker to lease out a temperature controlled warehouse along with forklifts and more employees because there isn’t enough wine needing to be stored to efficiently use the space. With about two shipments coming in a year, it just isn’t necessary to own their own warehouse for storage and fulfillment purposes.

So, we then sided for Option 3, which was to just keep doing what they are doing. As shown in Exhibit 7, some of the positives with using VinFillment were that they treat
Mollydooker differently than most of the wineries they work with and continue to say how much they love the company, their customer service is fantastic, they are very responsive to special requests, and they have a very low rate of orders that are mis-packed. We took all of these positive comments about VinFillment into consideration and we understand that VinFillment currently works well, but it is overpriced, which you again can see from the rates displayed in Exhibit 7. Therefore, we decided that Option 1 was the best decision for Mollydooker.

We recommend Mollydooker stay along the same path of their supply chain until it comes to the fulfillment house. From here we suggest Mollydooker no longer use Vinfillment as their fulfillment house, but use one of the other choices from Exhibit 7, specifically WineDirect. From our findings we have come to the conclusion that WineDirect is the better choice, it is much cheaper than VinFilment in almost every category and provides 100% inventory accuracy. Although it is much bigger than VinFillment and one can imagine how Mollydooker might get lost in the shuffle, their rates for shipping would save Mollydooker the money they are currently losing while also giving them the ability to ship to all states because Winedirect has a relationship with all shippers. All in all this seems like the best choice for Mollydooker.

We believe that Mollydooker should not have to take on the added stress and liability of taking this process on themselves, but rather handing the reigns over to a different fulfillment house. We approached this problem as a cost minimization problem trying to figure out how we could save Mollydooker the most money within their supply chain, and this is the route we advise. We wish them the best of luck and are very flattered
to have been given this opportunity to work with such an amazing company. Cheers to the future decision!
Exhibit 1: Mollydooker Wine Catalogue

The Violinist
~Verdelho~
This gorgeous Verdelho, our only white wine, has a lovely fragrant nose, creamy texture and long persistent fruit flavours. The Violinist is Sarah, who was made to play the violin right handed in school, so that she didn’t poke her neighbor in the eye with her bow.

The Scooter
~Merlot~
The Scooter is a charming wine with an aromatic lift of fresh plum, spice and chocolate, and a seamless structure. The Scooter is Sparky, who used to race 30 kilometres on a big tyre scooter.

The Maitre D’
~Cabernet Sauvignon~
This is a classic Aussie Cabernet with an intense varietal nose and delicious ripe fruit. The Maitre D’ is Sparky, who put himself through winemaking college as a left handed Maitre D’.
Two Left Feet
~Shiraz/ Cabernet/ Merlot~
We love to share this wine with friends because it offers something for every red wine lover. It is a gorgeous and inviting blend of The Boxer, The Matre D’ and The Scooter, with incredible depth and complexity, and a perfect balance between the varieties. Two Left Feet is what Sparky seems to have when he tries to dance with Sarah.

The Boxer
~Shiraz~
WOW! The power of this wine is so enjoyable. It has a beautiful array of flavours - chocolate, fresh plum, and spice; and a smooth creamy finish. The very first person to taste this wine said "It’s a knockout!" so we named it the boxer.

Miss Molly
~Sparkling Shiraz~
A delightful bubbly! It has incredible depth and perfect balance because it is made from The Boxer Shiraz. Miss Molly is the Boxer's girlfriend, full of fun and sparkle.
**Gigglepot**  
~*Cabernet Sauvignon~*  
This elegant Cabernet is balanced in every way. It has layers and layers of sweet fruit rolling over dark chocolate and a rich, creamy palate. The Gigglepot is our daughter Holly, who couldn’t stop laughing about how she looked with these crazy black glasses on.

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**Blue Eyed Boy**  
~*Shiraz~*  
Janet, Sparky’s Mum, said, “Gorgeous! Oh my golly, it’s so rich and satiny. Just incredible.” We think that sums Blue Eyed Boy up very well. The Blue Eyed Boy is our son, Luke.

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**Enchanted Path**  
~*Shiraz/ Cabernet~*  
When our journey blends all that we love, this is our Enchanted Path. In the same way as we draw on our individual talents to enhance our winemaking, we blend our Carnival of Love and our very best parcel of Cabernet to create a wine that is elegant and seamless, with the highlights of both Shiraz and Cabernet. Enchanted Path celebrates our journey in life and winemaking.
Carnival of Love
~Shiraz~
Love would be a place where you desire no more. Everyone wants to come and no one ever wants to leave. Carnival of Love is the wine we tell all our friends about. To see the look on their faces after their first sip is priceless. It has elegance; complete, intense, seamless flavour spectrum; a sumptuous mouth feel and perfect balance. At 85-90% Fruit Weight it is a wine to go WOW about. This is as life should be: a Carnival of Love.

Velvet Glove
~Shiraz~
Velvet Glove has a phenomenal 95%+ Fruit Weight. When you experience it in your mouth it has an explosion of flavours, a rich, opulent, silky mouth feel and a length that seems to never end. To honour its stunning beauty and power, we seal it in a gorgeous bottle with a real velvet label printed in silver foil. We then place it in either a luxurious velvet bag or a beautifully designed gift box so that we can give you a joyful experience from beginning to end. It’s a wine that wraps your entire palate in a ‘Velvet Glove’ of amazing fruit flavours that seem to last forever.
**Exhibit 2:** International Production, 2008 and 2011 (thousands of liters)

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<th></th>
<th>2008</th>
<th>2011</th>
<th>% Change</th>
<th>% Total 2008</th>
<th>% Total 2011</th>
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<td>3,640,800</td>
<td>3,498,500</td>
<td>(3.91%)</td>
<td>14.05%</td>
<td>13.12%</td>
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<td>2,681,500</td>
<td>10.28%</td>
<td>9.39%</td>
<td>10.06%</td>
</tr>
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<tr>
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<td>(10.99%)</td>
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<td>4.13%</td>
</tr>
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<td>Chile</td>
<td>869,000</td>
<td>1,046,000</td>
<td>20.37%</td>
<td>3.35%</td>
<td>3.92%</td>
</tr>
<tr>
<td>Germany</td>
<td>1,036,300</td>
<td>961,000</td>
<td>(7.27%)</td>
<td>4.00%</td>
<td>3.61%</td>
</tr>
<tr>
<td>China</td>
<td>400,000</td>
<td>500,000</td>
<td>25.00%</td>
<td>1.54%</td>
<td>1.88%</td>
</tr>
<tr>
<td>Other</td>
<td>6,001,671</td>
<td>6,099,500</td>
<td>1.63%</td>
<td>23.17%</td>
<td>22.88%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25,904,889</td>
<td>26,656,100</td>
<td>2.90%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
### Exhibit 3: International Consumption, 2008 and 2011 (thousands of liters)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2011</th>
<th>% Change</th>
<th>% Total 2008</th>
<th>% Total 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>2,874,300</td>
<td>3,282,500</td>
<td>14.20%</td>
<td>12.18%</td>
<td>13.47%</td>
</tr>
<tr>
<td>France</td>
<td>2,973,300</td>
<td>2,993,600</td>
<td>0.68%</td>
<td>12.60%</td>
<td>12.29%</td>
</tr>
<tr>
<td>Italy</td>
<td>2,616,600</td>
<td>2,305,200</td>
<td>(11.90%)</td>
<td>11.09%</td>
<td>9.46%</td>
</tr>
<tr>
<td>Germany</td>
<td>2,013,500</td>
<td>1,990,000</td>
<td>(1.17%)</td>
<td>8.53%</td>
<td>8.17%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,245,400</td>
<td>1,280,000</td>
<td>2.78%</td>
<td>5.28%</td>
<td>5.25%</td>
</tr>
<tr>
<td>Spain</td>
<td>1,216,800</td>
<td>1,015,000</td>
<td>(16.58%)</td>
<td>5.16%</td>
<td>4.17%</td>
</tr>
<tr>
<td>Argentina</td>
<td>1,067,700</td>
<td>972,500</td>
<td>(8.92%)</td>
<td>4.52%</td>
<td>3.99%</td>
</tr>
<tr>
<td>China</td>
<td>528,140</td>
<td>838,400</td>
<td>58.75%</td>
<td>2.24%</td>
<td>3.44%</td>
</tr>
<tr>
<td>Australia</td>
<td>481,500</td>
<td>526,500</td>
<td>9.35%</td>
<td>2.04%</td>
<td>2.16%</td>
</tr>
<tr>
<td>Other</td>
<td>8,584,337</td>
<td>9,163,497</td>
<td>6.75%</td>
<td>36.37%</td>
<td>37.61%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23,601,577</td>
<td>24,367,197</td>
<td>3.24%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
**Exhibit 4: Difference of Wine Production and Consumption**

<table>
<thead>
<tr>
<th>Country</th>
<th>Surplus (Shortage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>(601,000)</td>
</tr>
<tr>
<td>France</td>
<td>1,969,700</td>
</tr>
<tr>
<td>Italy</td>
<td>1,952,800</td>
</tr>
<tr>
<td>Spain</td>
<td>2,483,500</td>
</tr>
<tr>
<td>Argentina</td>
<td>574,800</td>
</tr>
<tr>
<td>Australia</td>
<td>574,500</td>
</tr>
<tr>
<td>Germany</td>
<td>(1,029,000)</td>
</tr>
<tr>
<td>China</td>
<td>(1,490,000)</td>
</tr>
</tbody>
</table>
Exhibit 5: Generic Wine Supply Chain
Exhibit 6: Mollydooker Supply Chain
### Exhibit 7: Fulfillment House Comparison

<table>
<thead>
<tr>
<th></th>
<th>VinFillment</th>
<th>WineShipping</th>
<th>WineDirect</th>
<th>Pack N’ Ship</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Years in Business</strong></td>
<td>4 (previously Vintrust)</td>
<td>16</td>
<td>3 +</td>
<td>18</td>
</tr>
</tbody>
</table>
| **Warehouse Size**      | 43,000 SqFt | 150,000 SqFt | 280,000 SqFt | 4 centers in CA  
2 centers in NY  
1 in FL, IL, NV, OK |
| **Temp Controlled Warehouse** | Yes | Yes | Yes | Yes |
| **Bi-Coastal Fulfillment** | No | Yes | Yes | Temporarily not operating in NY - but have warehouses on the Central Coast |
| **Transportation of wine to East Coast facility** | n/a | $8.29/case (14 case min. 66f bottle) | $.80/bottle | 14c’s or less - $1/btl  
Partial Pallet(15-30cs) - $10/cs  
Full Pallet (31+cs) - $550/pallet |
| **Web service for Data Transport from ShipCompliant** | Yes | Yes | Yes | Yes |
| **FedEx** | Yes | Yes | Yes | Yes |
| **UPS** | Not available | Yes | Yes | Yes |
| **GSO** | Yes | Yes | Yes | Yes |
| **Merchandise Shipping** | Very expensive and based on price to ship one 750ml | Yes | Yes | Yes |
| **Shipping rates based on FedEx Ground for 12btls in Zone 4 (because East Coast facilities will be shipping to Zone 4 instead of Zone 8)** | $40.97 | $35.45 | $27.62 (plus current fuel charge)-SAVER rate-they pick the carrier | $36.68 - FedEx  
$35.28 - UPS |
| **PickUp & Delivery from our warehouses included** | Can be arranged but they do not have their own truck so they use a private service and charge accordingly - hasn’t been necessary so far | Yes | Yes | Yes |
| **Will Call Charge** | $15 per order + .20 per package | 4.35 to 9.25 based on number of bottles + .25 per label | $7 to 12.30 based on number of bottles | $0.29 to $0.38 per bottle based on the number of bottles |
| **Change/Cancellation Charge** | $10 (arbitrary) Listed in their rates but they said they don’t charge us | no extra charge-if they can accommodate they will | no extra charge-if they can accommodate they will | Changes to processed orders $2.00 |
| **Ice packs for warm weather shipping** | included in flat rate - lasts 48 hours-ice pack in contact with the wine | Plans to implement new Coolpack program in the Spring | New CoolPack packaging that lasts 72 hours: 2-4 btl shipper $3.50, 6-12 btl shipper $6.50 - Icepack not in direct contact with the wine | Temperature Control shipping runs weekly to all four gateways (NY, IL, FL, OK) and the cost is the same as ground shipping rates. Ice packs charge: 1-8 btl $4.50  
7-12 btl $6.50 |
<p>| <strong>Address Corrections</strong> | 12 Listed in their rates but they said they don’t charge us | Included | Included in flat rate | Already shipped pkgs - pass on courier fee plus $2 except for RTF |
| <strong>Pick &amp; Pack Charge</strong> | Included | Included | Included in flat rate | Included |
| <strong>Same day rush order charge</strong> | $50 (arbitrary) They give us 5 free rushes/month | No charge | No charge | After 10AM - $25 |
| <strong>Manual Order Entry Processing Charge</strong> | $25 (arbitrary) Listed in their rates but they said they don’t charge us | They do not manually enter orders | No charge but prefer other options | $5.00 |
| <strong>Flat Rate Pricing/incl Fuel Charge based on Standard Packaging</strong> | Yes | Yes | Yes | Yes |
| <strong>Sparkling/Heavy Btl Charge</strong> | not listed | $.50 to 2.75 per pkg | Rates are based on weight of bottles | no extra charge |</p>
<table>
<thead>
<tr>
<th><strong>VinFillment</strong></th>
<th><strong>WineShipping</strong></th>
<th><strong>WineDirect</strong></th>
<th><strong>Pack N’ Ship</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insurance Value per package</strong></td>
<td>$100-addl insurance can be purchased on an order by order basis</td>
<td>$100-addl insurance can be purchased on an order by order basis</td>
<td>$100-addl insurance can be purchased on an order by order basis</td>
</tr>
<tr>
<td><strong>Barcode system for inventory</strong></td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Collateral</strong></td>
<td>Included in rates</td>
<td>Included in rates</td>
<td>Included in flat rate</td>
</tr>
<tr>
<td><strong>Gift Cards and Client supplied inserts</strong></td>
<td>no charge</td>
<td>no charge</td>
<td>$2.50 per pkg</td>
</tr>
<tr>
<td><strong>Inventory Accuracy</strong></td>
<td>99.90%</td>
<td>99.90%</td>
<td>100.00%</td>
</tr>
<tr>
<td><strong>Returns handled on order by order basis</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Specialty Inventory Reports</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Short Term Storage Included</strong></td>
<td>All storage is charged the same as below - they do differentiate between short term and idle storage</td>
<td>up to 90 days</td>
<td>up to 2mos. incl</td>
</tr>
<tr>
<td><strong>Idle Storage Charge</strong></td>
<td>≥112acs/sku - $0.37 per case per month</td>
<td>No add'l charge but they are not a bonded storage facility.</td>
<td>.30 per case per month</td>
</tr>
<tr>
<td><strong>Inbound/Outbound Product Handling</strong></td>
<td>≤112acs/sku - $0.51 per case per month Minimum $55/month</td>
<td>No add'l charge</td>
<td>No charge for inbound. Outbound charge - $1.50 to $9.00/case</td>
</tr>
<tr>
<td><strong>YearRound Temp Controlled Shipping available</strong></td>
<td>Not available year round</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>24/7 Real time visibility to orders</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Added notes</strong></td>
<td>1. They treat us diligently than most of the wineries they work with and continue to say how much they love us. 2. Their customer service is fantastic and they are very responsive to our special requests and needs. 3. They have a very low rate of orders that are mispacked - we saw it during the LOG promo but otherwise it is very rare and they assume responsibility quickly and rectify the problem immediately.</td>
<td>1. Largest DTC shipper of wine in the UPS network for over 500 wineries 2. First Fulfillment house to offer temperature controlled shipping</td>
<td>1. Rates are based on SAVIER rates and must meet min orders per year (WD picks the shipping level and carrier) 2. Avg zone of ea shipment will be reduced from Zone 8 to Zone 4, avg savings of $6.50 per shipment 3. Order system picks best carrier and warehouse location for ea order-reduce time to market by 2-3 days 4. Market leader in fulfillment and technology. DTC is their sole focus. Large scale clients such as Constellation, Diageo, and Boisset, however, most of our customers average on par with us.</td>
</tr>
</tbody>
</table>


xv Moran, Annette. Personal interview. 30 May 2014.

xvi Moran, Annette. Personal interview. 30 May 2014.


xviii Moran, Annette. Personal interview. 30 May 2014.

xix Moran, Annette. Personal interview. 30 May 2014.
Moran, Annette. Personal interview. 30 May 2014.


Heinz, Dan. Personal interview. 30 May 2014.

Heinz, Dan. Personal interview. 30 May 2014.

Heinz, Dan. Personal interview. 30 May 2014.

Moran, Annette. Personal interview. 30 May 2014.


Moran, Annette. Personal interview. 14 May 2014.

Moran, Annette. Personal interview. 14 May 2014.