

Special Report

**LIV | EX**  
THE FINE WINE MARKET

# The Wine Business of Tomorrow:

3 innovative models to take you into the future



# Do we need a new model?

Changes in technology and consumer behaviour are encouraging new entrants to the wine trade and driving existing businesses to re-imagine their business models.

'Wine online' is a hot topic. Wherever you look, news about wine tech start-ups, digital wine apps, soaring online sales, virtual tastings, fairs, auctions (and even En Primeur campaigns), point to the level of technological disruption that the wine industry is undergoing. In the face of a global pandemic, innovation is everywhere, and a digital revolution is sweeping through traditional wine businesses.

They are having to react to what the customer has long been seeking. Other industries, such as fashion and retail, have long provided; the ability to purchase from home, a well-stocked and easy to navigate website, diverse choice just a click away, fast and secure payment and quick delivery to your doorstep.

According to the [US Future consumer index](#), online sales accounted for just a 10% share of the US market before the Covid-19 pandemic; today, it is over 45%. The shift happened not in months or years, but days and weeks. EY Americas Consumer Leader, Kathy Gramling predicts that this shift has created a 'forever transformed consumer'. Is this also true for wine?

We spoke to five industry experts who uniformly agreed that the pandemic had exacerbated underlying pressures and accelerated digital trends in the wine industry.



## Contributors:

- Richard Siddle, The Buyer
- Robert Joseph, Wine Consultant
- Nick Martin, Wine Owners
- James Miles, Liv-ex
- A CEO at a leading fine wine retailer



## A consumer forever transformed?

According to the [SVB \(Silicon Valley Bank\)](#), wine e-commerce rose from 2% to 10% in the United States between April and November 2020. Alcohol e-commerce sales worldwide have grown immensely, and it is estimated that by 2024, they will exceed \$40 billion.

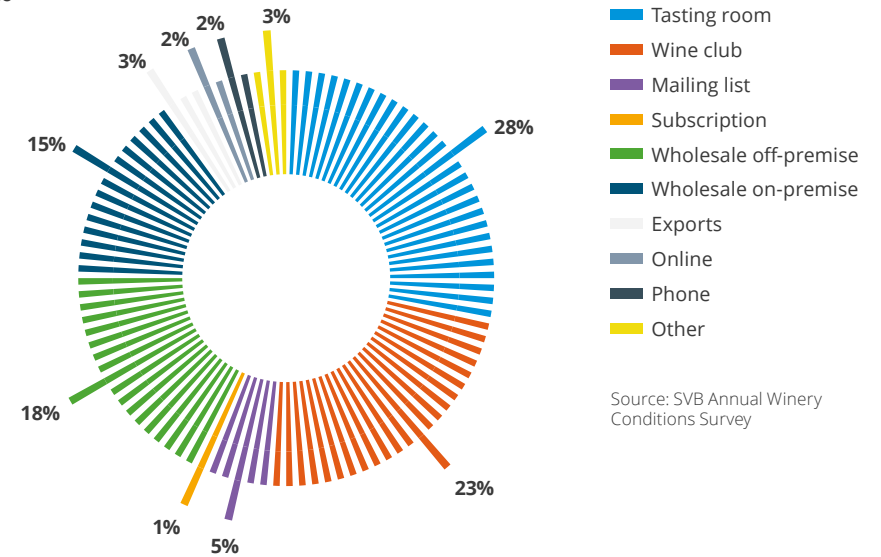
The Buyer's Richard Siddle told us: "The pandemic has got rid of people's anxiety about buying online. Wine buyers of all ages and generations now trust online – particularly so among older consumers who were previously the most reluctant."

Siddle noted further that, "customers were falling over themselves to find wine online in lockdown", adding that consumers today are, "incredibly digitally savvy. They know what they want and don't want. Their expectations have rocketed enormously." Amazon Prime is now "their benchmark", and they "don't understand if your business model does not compare."

The "let's get everything delivered to us" logic is not dissipating, with online wine sales predicted to rise further. Speaking for the [Wine Tech Insiders](#) podcast, Nick Martin from Wine Owners said that, "consumers will engage with anything that creates a perception of convenience."

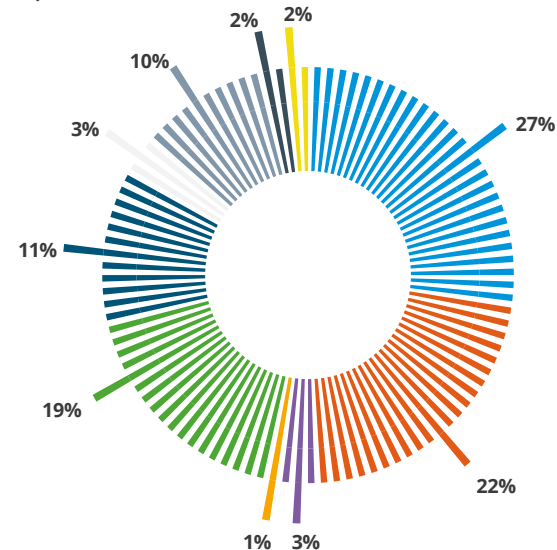
## Online sales grow from 2% to 10% at the average winery

April 1, 2020



Source: SVB Annual Winery Conditions Survey

November 1, 2020



Paul Mabray, CFO at Pixwine, predicted in a 2020 SVB [webinar](#) that “we’re entering the golden age of wine online... the start of something great.”


Many agree, expecting spikes in wine consumption, as postponed events and celebrations take place after global lockdowns. The post-war years saw a similar increase as people celebrated. Sales by value and volume have consistently touched record highs on Liv-ex in recent months. According to Robert Joseph, “we are at the beginning of a journey...this is the fax machine version of what we will have in the future.”

But while the consumer is already accustomed to buying online – the wine industry generally is not. “There is a great deal of room for innovation in digitisation”, a CEO at a leading fine wine retailer told us.

This has created an opportunity for wine businesses to re-think their business models, but digital transformation can be hard.

- How do wine businesses keep up while avoiding being overwhelmed?
- Where does an established wine business begin?
- Which technologies are available, and are best suited to specific businesses?
- How can current models be transformed and function online?

Here we attempt to answer these questions, re-imagining three common business models, by considering how technology can make them more efficient and more profitable.



“There is a great deal of room for innovation in digitisation.”



# The stockholder model... re-imagined

Wine businesses operating this model source and physically store wine that they then offer to their customers. Stock is most commonly sourced from B2B suppliers. Stockholders can act as an agency or negotiant, buying each vintage directly from producers, representing and promoting their brands; a fairly stable model. But they can also act as fine wine traders, when sourcing wine from the secondary market, be it from distributors, importers, other merchants, or collectors. This offers fair prices and fast payment, while the model creates market liquidity by allowing merchants and collectors to monetise their wine quickly and efficiently. Buying channels are explored in more detail in [The changing nature of fine wine buying](#).

## Some pros and cons

For a long time, being a wine merchant has been synonymous with being a stockholder. A physical retail presence has been essential, with this model's biggest advantages and strengths being stock availability, knowing what you can get, fast payment and immediate collection or delivery.

However, it also poses some limitations. Firstly, this model is restricted by an availability to source and by available capital, meaning that customers are offered a limited set of products. If more diverse choice is available online, and can be easily obtained, a merchant without a digital presence is likely to lose customers.



Secondly, the model requires a lot of capital upfront as stockholders often need to pay for the wines prior to selling them. Usually, stockholders offer suppliers the option at broking at 10%, or sale for cash at 15-20% depending on the wine. Broking and getting a firm price back can also take a long time. Fast stock turnaround is thus essential.

**“Traders tend to be expensive and to be effective stockholders - as the name implies - they have to invest millions in working capital, sales and distribution.”**

– James Miles, Liv-ex

The need to sell smarter creates a need to better market existing stock. Robert Joseph identifies digital marketing and reaching a global audience of consumers as two of the biggest areas for innovation for the wine trade. Nick Martin argues that it is critical to go multi-channel: “In a post-digital world, your customer and your addressable market is anywhere and everywhere.” Martin stresses that going online, “is only part of the solution.” He sees technology as facilitating greater connectivity between businesses and their addressable market and creating more effective buying experiences for consumers.

In recent times, with the pandemic putting restrictions on physical retail, stockholder model wine businesses have had to rethink their entire business model, accelerating the adoption of technology.





To start with, however, a wine business first needs efficient stock and e-commerce systems in place that can be synced automatically.

**“How robust and relevant are wine businesses’ e-commerce and tech models? Do wine companies have the in-house skills to know how to target, reach, acquire and keep those customers in the future?”**

– Richard Siddle, The Buyer

## E-commerce systems – moving online

To start selling wine online, stockholders need to find the right platform. One way to get online quickly is via an established e-commerce website. This solution has been hugely popular among small businesses. It allows sellers to manage their wines, inventory, customers, orders, shipping, and fulfilment.

Depending on the budget, merchants can use an off-the-shelf solution like Shopify or Wix; two of the most popular e-commerce website builders. Wix is a website builder first and foremost, whereas Shopify is designed purely to help people set up their own online stores.

Although it is possible to set up an e-commerce website yourself, merchants should consider seeking best practice advice from a web design expert. They’ll be able to create a new site or adapt an existing one. Developers are experts in writing code, integrating software, and customizing the platform to specific business needs.



## Stock systems – keeping everything on track

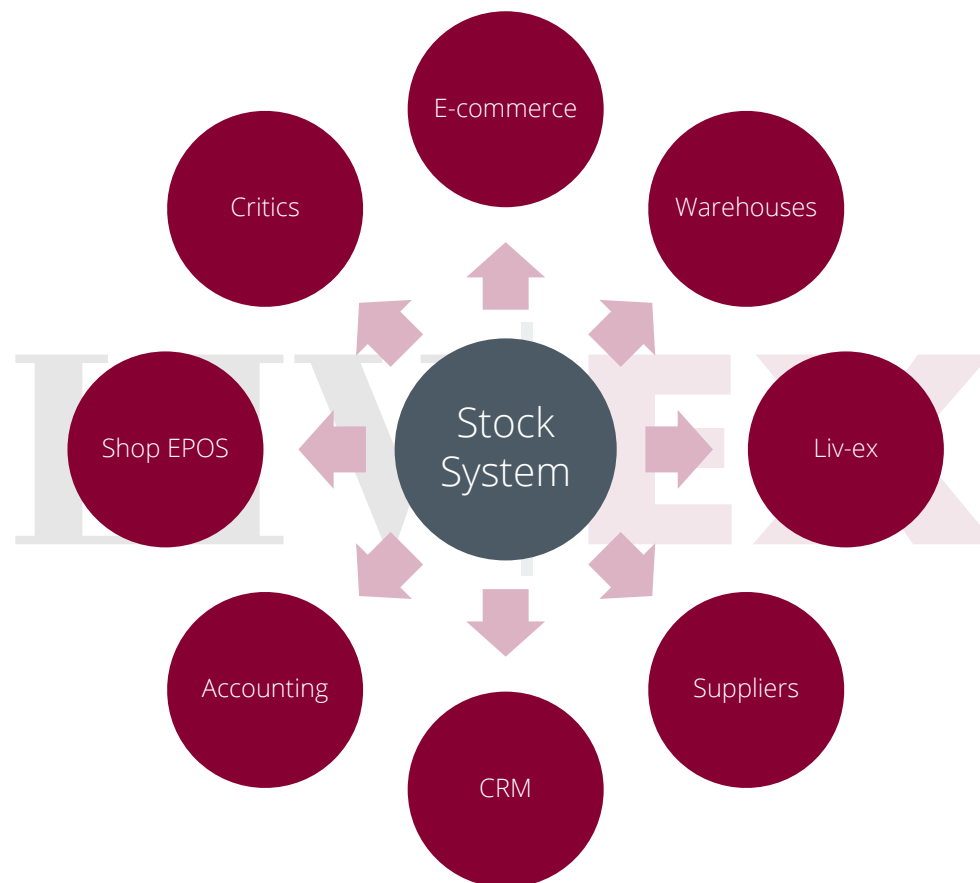
An e-commerce website can be synced with a stock system to keep it up to date. But stock (aka ERP) systems do a lot more. They integrate all business processes into a single system: finance, HR, manufacturing, supply chain, services and procurement. They can help with business improvements and customer excellence, as well as facilitate the multi-channel approach.

Wine merchants often use ERP systems for purchase or selling orders, invoices, and CRM managing suppliers and customers. By keeping everything in one place, merchants can reduce the risk of error such as double selling and keep track of transactions. They can also integrate their stock system with Liv-ex and pull data like prices or critic scores directly into their system – to then display on their website.

Example stock systems vary in complexity and cost. Low-cost solutions like Excel and Odoo offer basic features and limited customisations. Cloud-based, highly customised and feature-rich stock management systems are also available.

Occupying the middle ground are stock systems like [Bevica](#), which are modified to fit the needs of the industry. You can read a white paper on the Bevica ERP [here](#). Another option is [the Hub](#), which connects different inventory feeds that can include multiple sources of supply. Some businesses opt to get a stock system designed specifically for their needs, that can be based off a platform like [Microsoft Dynamics](#).

## Integrated inventory and business management



## Stock systems options





## LWIN - bridging the gap

Without a common language, inventory feeds, stock and e-commerce systems cannot connect and transfer information.

LWIN, the universal identifier for wine and spirits, is designed to be that common language. It assigns unique codes to over 89,000 different products and can act as a bridge between these systems. By providing universal codes, LWIN works behind the scenes for drinks businesses worldwide to make sure that all systems are speaking the same language about products.

The LWIN database is the world's biggest open-source database for wines and spirits. It contains detailed geographic, colour and classification information. The free system can be added into a merchant's stock system and website automatically, saving time on manual data entry. Because it's standardised and consistent, it can help with search and filter functions on an e-commerce website.

With LWIN in place, other opportunities open up for wine businesses.

## Keep the drinks information flowing with LWIN



## Selling stock with Liv-ex automation: A case study

Stockholders can also find a global audience for their wines seven days a week with Liv-ex's automation services. Using a handful of simple [APIs](#), they can advertise their stock to the largest pool of professional buyers and their customers automatically. To find out more about how it works, read our [Guide to Automation](#).

The case study below outlines how one business has transformed their model by using a simple form of Liv-ex automation when selling wine.

### Before

The anonymous merchant is a mid-sized European business that has automated to sell more stock through Liv-ex. The merchant had been a member of Liv-ex for a number of years, using the platform primarily as a sales channel. Its team found that Liv-ex was an efficient place to sell stock quickly and at a good price but wanted to reduce time and cost associated to listing wines. It needed a way to offer a high volume of stock quickly in order to maximise the opportunity.

## Offer your stock to thousands of buyers worldwide





## What they did?

The merchant opted for a simpler and cheaper form of automation. Rather than build a system that keeps all stock in sync with Liv-ex 24/7, they use APIs to upload their stock list to Liv-ex on demand. Tens or hundreds of wines can be listed for sale in seconds.

The combined efforts of a third-party developer and CTO brought this to fruition in around two weeks with an investment of less than €5,000.

## The results

The team are now able to list wine on Liv-ex quickly, normally syncing their stock list once each day. This has saved them considerable staff time, which they can now use on other tasks such as engaging customers. It also means that they can increase the number of wines listed, which has resulted in an increase in sales.

The simplicity of the system kept the development costs low. This allowed them to strike a balance between taking advantage of modern technology while investing a smaller amount that made sense for their business model.

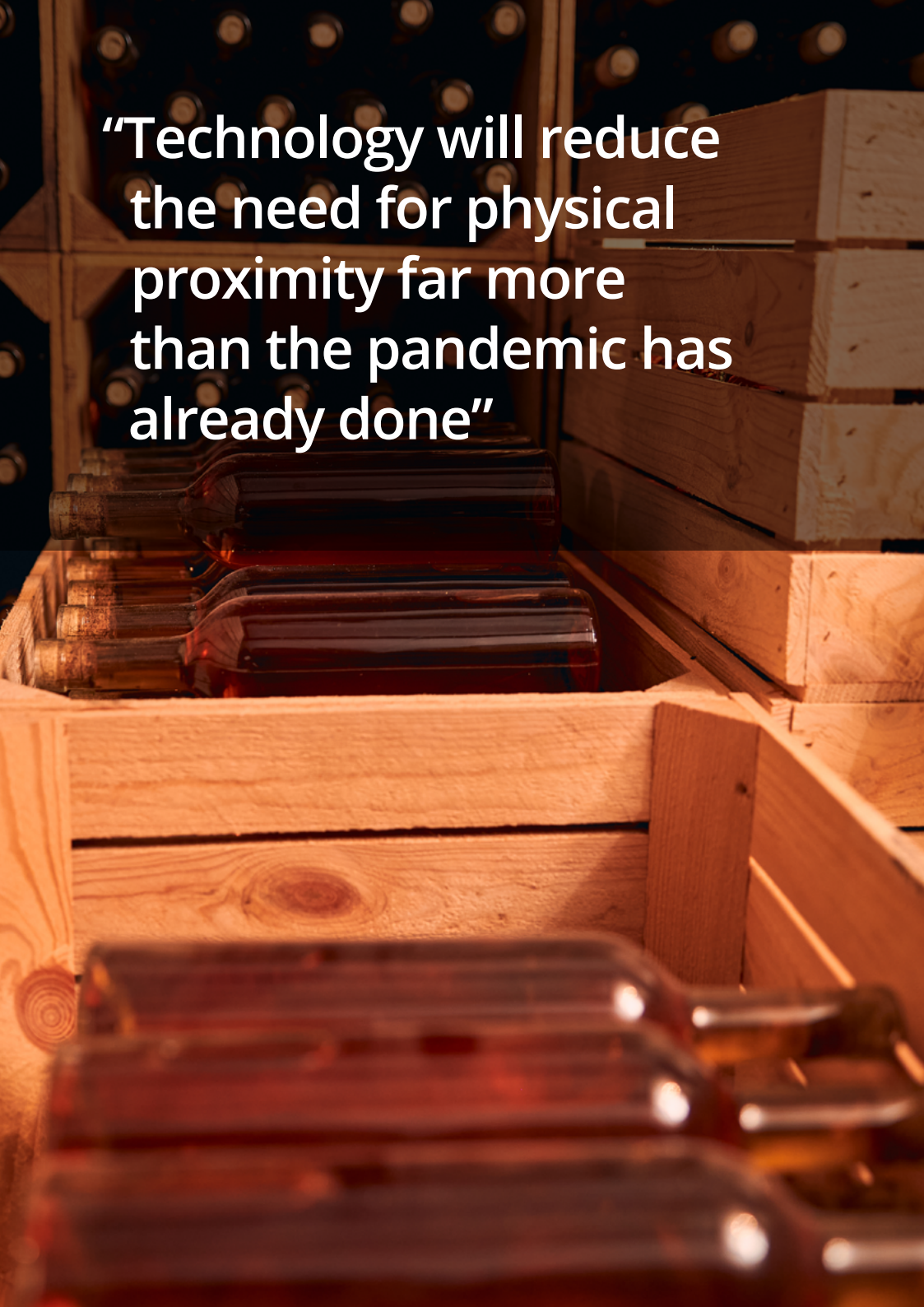


## How is stockholding changing thanks to technology?

According to the [SVB State of the US Wine Industry Report 2021](#), “retailers with existing online sales strategies will have a strong year.”

It continues: “Wine proved again that it is recession-resistant. While many stocked up on everyday wines at the supermarket, consumers also rapidly switched to online options, either because their selections weren’t available in grocery stores or because doorstep delivery was viewed as safer. Many consumers will continue online wine buying in a post-Covid world.”

For traditional stockholders, technology has made it easier to offer their selection online, create a sustainable sales channel and reach a wider audience than a physical presence would typically allow them. As the examples above illustrate, modern solutions have enabled them to cut intensive and costly labour and turn stock over faster. ERP systems keep everything well-maintained in one place. Merchants who used to list their stock on a spreadsheet can move these processes into the Cloud and run their business from home. E-commerce means their business can survive and prosper online. Robert Joseph thought that, “technology will reduce the need for physical proximity far more than the pandemic has already done”, enabling us to do even more, in smarter and more efficient ways.



**“Technology will reduce the need for physical proximity far more than the pandemic has already done”**



For customers, the business of the future delivers on all fronts: the convenience of buying online, stock availability, easy price comparison, discounts and free delivery. The rise of Amazon transformed the consumer and set the bar high for the wine trade too. Logging into a well-stocked, up-to-date website or a mobile app, purchasing wine within minutes, and getting it delivered quickly is now the norm. As Richard Siddle put it, “next day delivery is now all about same day. If you can’t deliver by next day, then you won’t be delivering at all.” Robert Joseph also commented on this shift, noting that we have seen the introduction of home delivery, which many businesses in mainland Europe had not fully developed pre-pandemic.

Merchants operating the stockholding model have an advantage here, as immediate availability and quick delivery are growing in importance. With the right technology, it is now easier than ever to deliver this experience.

**“Levelling up is facilitated by technology and without moving forward, you are kind of moving backwards... as everyone else is moving forward or at least a sizeable portion is moving forward.”**

– Nick Martin, Wine Owners





# Virtual stockholding... re-imagined

Unlike the stockholding model, which can be capital intensive and requires purchasing wine in advance, the virtual stockholding model operates as low cost and low to no inventory. There is low requirement for working capital and wine is often sold before purchase. Nowadays, some businesses have, “consciously chosen not to tie money in stock but spend part of that money on sales and marketing and provide a better and more efficient sales machine that helps the sector to be a bit more frictionless”, according to Nick Martin.

This model provides the ability to offer a huge choice of wines at fair prices. The virtual stockholder can offer as many wines as possible and attract buyers who would otherwise find it hard to source the wines they want from local retailers. According to [Wine Owners'](#) recent article on the changing face of wine retailing, historically, “consumers wouldn't have perceived a low stockholder as having as much knowledge as a traditional merchant” but lately, “technology has shifted that perception.” In the UK, the model was championed in the 1990s on a broking principle, whereby a merchant would offer and deliver wine sourced by a third party.



Historically, one of the biggest challenges of the low stockholding model has been related to the relative lack of control over the stock, and complex logistics, including longer lead times ahead of delivery. Wine storage and shipping can be slow and complicated, and moving glass around comes with the risk of damage and an inability to supply wine can let customers down. High administrative expenses are needed for the successful operation of this model.

## The marketplace model for virtual stockholders

Liv-ex has long endeavoured to remove much of the bureaucratic friction and lack of stock transparency, proving itself a suitable solution for businesses operating or looking to adapt their virtual stockholding strategy.

“Liv-ex is a one-stop shop”, according to Brunswick Fine Wine & Spirits. Purchasing from a global marketplace removes the need to source wines from multiple places, and their condition is guaranteed and checked internally. Standardised contracts mean buyers know exactly what to expect when their wine is delivered. The most-used contract (Standard-in-bond, or SIB) states that wine is in perfect condition, in bond, and available within two weeks. Virtual stockholders can purchase wines from sellers on the other side of the world at the click of a button, with Liv-ex sorting everything from purchasing through to providing storage and logistics.



For one UK fine wine buyer, the Liv-ex trading platform offers, “transparency, cost below market, reliable logistics and payment” while providing a, “comprehensive view of market prices with good market depth information.”

According to [Wine Owners](#), “from nowhere else can you source as much virtual stock with the pricing transparency of comparing offer prices to last trades and using that data and other parameters to filter down to a manageable list.”

APIs have made all this easier still. With the help of a handful of APIs, virtual stockholders can offer Liv-ex stock on their own e-commerce websites and add their desired margin. The case study below illustrates the power of automation in practice.

**“Automation and analysis is the new driving force for wine online”**

– Richard Siddle, The Buyer

## Expanding your virtual offering: A case study

An anonymous Liv-ex member operated on a hybrid model (low stockholding) and was fully set up for online selling, even before automating. Their website listed around 1,000 items for sale but they found it incredibly laborious to maintain.

“Every single product had to be manually posted. It was a lot of work even though it was an e-commerce environment”, its founder told us. They wanted to find a way to sell more wine, more efficiently.

## Offer guaranteed stock on your website using Liv-ex APIs





## What they did

The merchant built a WooCommerce plugin for WordPress, a website creation tool. WooCommerce is not a complex application, but with some lightweight development work is capable of supporting Liv-ex trading automation.

The member takes offer prices from Liv-ex and automatically adds a margin based on variables like region and vintage, plus transaction and shipping fees.

The wines from Liv-ex are then displayed alongside other stock, with the delivery time specified. Customers can then purchase them directly from the website.

## The impact - More sales, lower costs, decreased risk

The merchant has enjoyed several benefits of trading automation: increased sales, lower risk, improved cash flow and reduced admin. The number of items listed for sale on its website has increased from 1,000 to 10,000. With customers enjoying more choice, sales grew by 25% in 2019.

All of this happens easily. "We're connected to Liv-ex 24/7. We wake up in the morning, pour some coffee, check our sales and find that someone from the other side of the country has purchased thousands of dollars of wine while we were sleeping", the company's founder said. He estimates that staff time has reduced by around a third while sales have grown.

"...someone from the other side of the country has purchased thousands of dollars of wine while we were sleeping"

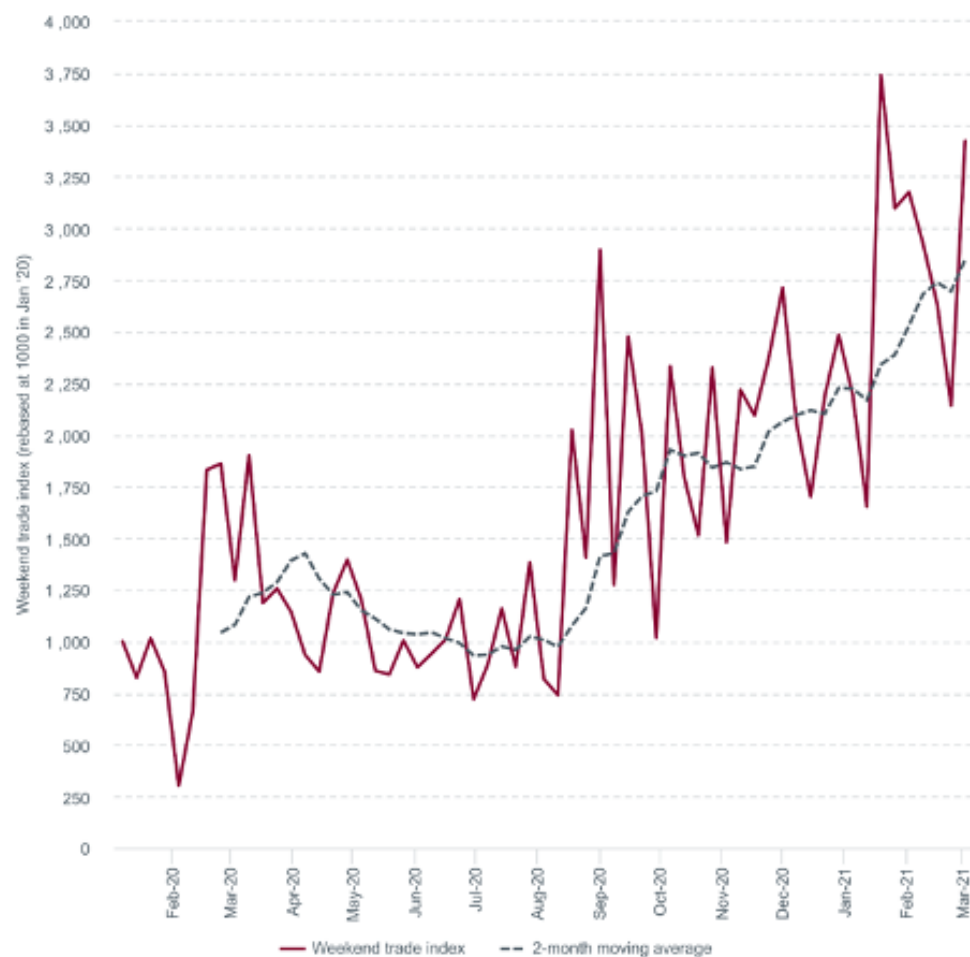


Although its offering has increased dramatically, its inventory has dropped by 80% in four years, meaning that the business is taking significantly less risk. With customers paying online to secure the stock before the merchant is invoiced by Liv-ex, cash flow has improved too.

Now that automation has been built, the merchant will continue to enjoy these multiple benefits over the long term.

Did you know that automation facilitates trading outside working hours? Weekend trade has gathered considerable momentum since the summer of 2020 and continues apace in 2021. Putting stock live for the weekend ensures your stock remains at work while you rest. Find out more [here](#).

## Weekend trading on the rise



## Automating your logistics with APIs

Virtual stockholders can enjoy another benefit of automation: logistics APIs. With these, it is possible to automate deliveries at a time when, “consumers are adapted to online shopping and at-home delivery” ([SVB 2021 report](#)).

Arranging deliveries for clients can be time consuming – and if you are scheduling several per day, the time quickly adds up. But if your wine is stored in the Liv-ex warehouse, you can arrange deliveries with a single click.

Some members have added delivery options to their stock management systems. All they have to do is click a button when a client requests wine, and all the relevant information is sent to Liv-ex automatically – including the delivery address. This removes the need to retype wine and customer data, turning a repetitive 15-minute task in to one that takes seconds.

Merchants can also add a delivery option to their website, allowing their customers to request deliveries themselves. After the merchant or the customer selects the delivery option online, this is automatically forwarded on to Liv-ex, which handles the delivery.

## Deliver to your customers using Liv-ex





## How does virtual stockholding look in the future?

“Aside from Covid, there has been a theme towards a much richer mix of stockholders and low inventory business models. This trend is partly led by platforms, particularly third-party platforms that effectively provide a sales and marketing channel to businesses that perhaps didn’t exist in a way that enabled to connect to them in real-time.”

– Nick Martin, Wine Owners

The virtual stockholding model is increasingly reliant on technology and benefits from the digital revolution in several ways: expanded offering, guaranteed supply, quicker and safer deliveries.

Recent years have seen a spike in the establishment of online platforms that advertise and list wines for sale, connecting wineries and merchants to a growing community, as Nick Martin’s quote highlights. Such models offer an expanded choice of wines that they don’t hold, connecting buyers and sellers, and often innovating the online shopping and delivery experience.





One such model is Vivino, which acts as an online wine marketplace and a wine app. The app scans wine labels and provides details about that wine such as user and expert ratings, price and the nearest store where it can be purchased or ordered directly on your phone. According to [Vivino's CEO Chris Tsakalakis](#), "the internet provides wine drinkers with the means to filter through a huge inventory of wines and better understand the amount of choice on offer."

According to a recent [Vivino press release](#), the marketplace is investing in innovations, as it raises \$155 Million in Series D Funding. The release states: "As online wine sales rapidly increase, new funding will support Vivino's expansion and investment into smarter, more personalised AI."

Another innovative wine business model is the Boston-based alcohol e-commerce marketplace Drizly which was recently cast into the spotlight due to being acquired by the tech-giant Uber in a cash-and-stock deal valued at \$1.1 billion.

Drizly is a two-sided market that connects end users (drinkers) and retailers (local liquor stores that deliver) through a website/app. It monetises via a monthly membership fee to stores, rather than a cut of sales or a fee to consumers.

Uber's [news release](#) stated that, "Drizly's booze-on-demand services will eventually be integrated into the 'Uber Eats' mobile application." In the release, Uber CEO Dara Khosrowshahi said: "Wherever you want to go and whatever you need to get, our goal at Uber is to make people's lives a little bit easier. That's why we've been branching into new categories like groceries, prescriptions and, now, alcohol."





Khorsrowshahi called the deal a “win-win”, as Uber will access alcohol delivery services while Drizly will reach millions of Uber users. Even though awareness of the Drizly app has grown during the coronavirus pandemic, the alcohol delivery business is still “nascent.”

The wine business model of the future still has opportunities to grasp when it comes to wine delivery, online sales and communicating about the product. And for Robert Joseph, the investment into new and more modern technology is a testimony of the future potential of ‘wine online’. Nick Martin also added that “we will see a lot more platforms evolve over time... It feels logical that there is going to be a trend in businesses that excel in sales and marketing and businesses that excel in buying and sourcing.”

Different business models now have the tools that can enable them to innovate. And while the wine trade might never be fully digital, wine businesses can choose to embrace what technology has to offer.



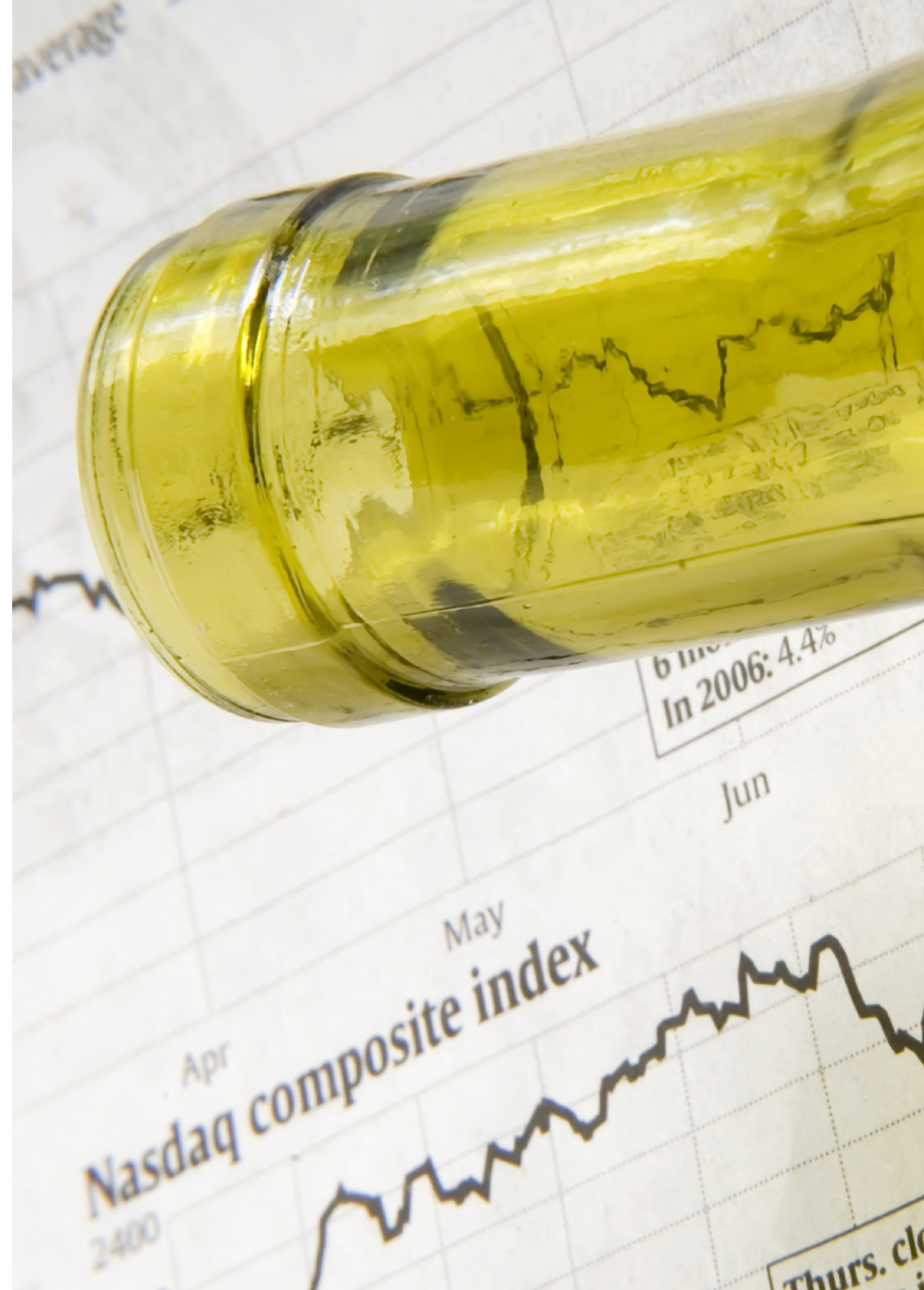


# Wine investment... re-imagined

Investing in fine wine has long been considered a lucrative strategy. As an alternative asset, fine wine has historically shown little correlation to mainstream markets. Compared to classic financial markets, fine wine provides diversification benefits that can reduce the overall risk of an investor's portfolio. Not only that, wine offer stability amid turbulence.

Last year, fine wine, as measured by the performance of the Liv-ex 100 and the Liv-ex 1000 indices, performed better than the London Stock Exchange FTSE 100 and the German benchmark Dax, a proof of the market's robustness during challenging times. Wine investment can be a particularly profitable business model when the market is rising, according to Liv-ex's Co-founder and MD James Miles.

While experts we spoke to questioned whether fine wine would ever appeal to traditional investors who are interested in investment more than the product itself (i.e. fine wine remains a passion investment and a portfolio diversifier, "a discretionary fringe of a core investment strategy" - Nick Martin), there are ways in which it can benefit from technology that other business models have used.



## Challenges and opportunities

While premium wines have existed for centuries, the formal and organised sale and resale of the best wines for profit became a more established phenomenon in the late 1970s and early 1980s. The noughties saw a spike in the emergence of regularised wine investment funds. According to a 2009 article by the [Guardian](#), a case of 1982 Lafite Rothschild was the best investment of the period. At the time, many were keen to get behind the trend and grasp the opportunities presented by alternative investments. But things weren't so simple. [Regulatory constraints](#) and laws on buying, owning, storing and distributing wine made the establishment of a fund complicated and onerous. Managing the model has long been linked to high costs due to regulatory and high paid staffing requirements.

Investors have also been faced with a bureaucratic and costly process. Filling in paper-based regulatory forms is often required, as well as paying management fees of 1.5% to 2.5% and a performance fee of up to 20%. A [study](#) conducted by Dr Philippe Masset and Dr Jean-Philippe Weisskopf of the École Hôtelière de Lausanne for the University of Applied Sciences Western Switzerland (HES-SO) highlights some of the inefficiencies surrounding wine investment funds - as we propose solutions.



## Automatic price valuations

One issue the study points out is accurate valuations. Wine funds are obliged to appoint an official valuer; still, valuing a portfolio of wines can be a costly, lengthy and manual process. Infrequently traded wines can be difficult to value precisely without historic pricing data. Even then, experience is required to know which price points can be trusted, particularly for old and rare wines. Prices could be from brokers without the stock to sell. Many funds appoint Liv-ex as their official valuer because of our historical, transactional [mid-price data](#).

Web-based tools like [Liv-ex's Wine Matcher](#) allow professionals to take wine lists and quickly add valuation information using actual prices transacted on the fine wine market. To produce a valuation, one needs an Excel document with the wine names and quantities. Simply upload this to Wine Matcher, and a few minutes later, it will be ready to download with the price information added.

Price valuations can also be automatically brought into a system. APIs remove the need for any manual intervention. Liv-ex's pricing APIs bring prices into to an ERP or similar system and display them alongside your other product information for a wine. This is available in multiple currencies. With automation services, price data can be accessed alongside stock information in one place. Find out more about APIs, [here](#).

## Key influences of wine prices



### Market Strength

The fine wine market experiences cycles



### Critic Scores

Higher scores often mean higher prices



### Region

Some regions can command higher prices



### Producer Popularity

Popular brands can cost more



### Scarcity

Rare wines come at a premium



### Tax Status

Has duty and tax been paid or is it in bond?



### Commission

Expect professional buyers to take commission



### Age / Vintage

Older wines and top vintages command premiums



### Classification

The wine's position in the regional hierarchy



### Conditions

Damaged bottles reduce prices



## Scientific investment: data, algorithms and robots

To extract value and spot the best possible opportunities, fund managers need to be able to make quick decisions and sell off wines in a timely fashion. [The HES-SO study](#) found that most fund managers have not been able to enter or exit the market at the right time. The implications of this can be severe. High dealing costs, low liquidity and holding costs such as insurance and storage can erode returns in flat or falling markets.

Relying on controversial and subjective opinions [can be problematic and biased](#). But advances in machine learning and AI allow for algorithms and robots to spot opportunities and make purchasing and selling decisions. According to James Miles, “bots have two big advantages over humans - speed and cost. They have the ability to process large amounts of data and issue instructions very quickly and can work 24 hours a day.” A wealth of data is now available at your fingertips – with the right integration, it can be used to its full potential. Using historic data, algorithms can objectively identify opportunities, analysing exposure and investment potential, and automatically adjust bids based on these criteria.

**“Bots have been used to great effect in other more sophisticated financial, commodity and betting markets to drive down the cost of trading and increase liquidity. It is inevitable that they will do the same in wine.”**

– James Miles, Liv-ex



## More investment opportunities: broadening and liquidity

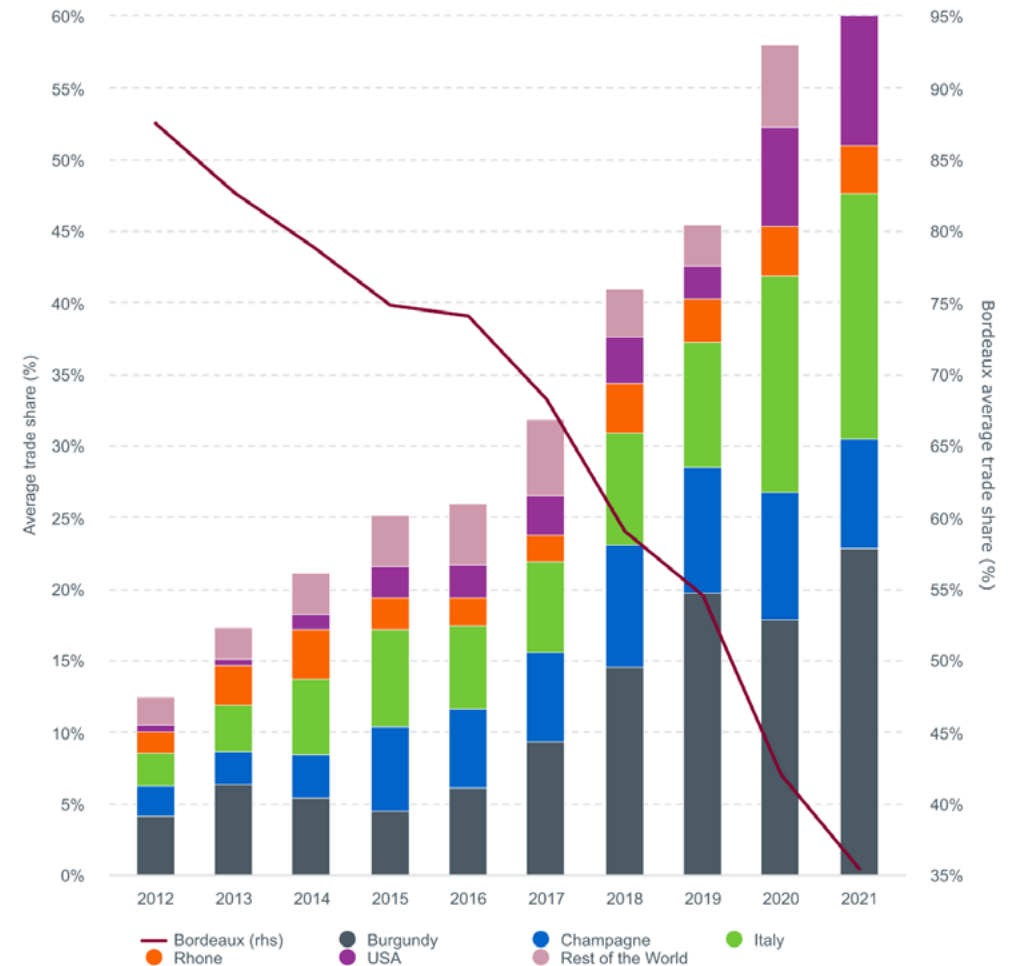
Traditionally, wine investment platforms have bought a small pool of wines, predominantly from Bordeaux. While the region still attracts the greatest liquidity, this strategy poses limitations. Buying a small fraction of the market can inflate prices and create bubbles, leading to market crashes. End-investors have previously had little transparency or say as to how their portfolio is managed. But today tools exist to give them more control.

The fine wine market has also broadened considerably over the last decade. Investment opportunities exist beyond Bordeaux First Growths, and can be found in Champagne, Italy, the USA and elsewhere. If the investable market was dominated by Bordeaux in 2010 (96% of market share by value), it is now broader and deeper than ever before. The market boasts over £80m of live opportunities across 16,000 different products. Investors can take advantage of all these opportunities based on their own preference and budget. This can be done fully online, by setting up their own preferences, upon which a system can identify the best investment opportunities.

**“We are seeing a certain amount of democratisation and therefore broadening of the interest”**

– Nick Martin, Wine Owners

## The broadening of the market





## How is wine investment changing thanks to technology?

Wine investment is already being re-imagined. Newcomers, from technology, data or finance backgrounds are bringing knowledge from elsewhere. As Nick Martin put it, “there are people who are now making it easier to get into fine wine.” Technology has been the real game changer here.

Wine investment can be done online with less capital than before; it’s can be done fully online – at the click of a button – and can involve significantly less money to get started. It is no longer solely for the ultra-wealthy. New companies are democratising wine investment. Will a [Robinhood](#) disrupt the fine wine investment market?

The wine investment that is here to stay lets you invest in wine at a click, track your cellar and liquidate your stock at any time, providing a user-friendly experience online. Setting your investment style preferences means investors have full control over their portfolio. More choice means they can invest in wines that they like – and track their values from an app. Computer modelling means that the value of a wine portfolio is no longer dependent on subjective opinion. The wine investment of the future can be two things: more scientific and more accessible.

**“People are looking for every day as well as long-term wine investments. What you can be doing for me every week online. Not just what I can buy from you once or twice a year”**

– Richard Siddle , The Buyer





# Concluding thoughts

Innovation in the wine industry is happening in all areas. Technology is allowing businesses to build narratives more easily around wine. Customers can compare critics with peer reviews, read a producer's story, and receive offers based on their tastes. But we have only just begun. A wider pool of data is out there that works behind the scenes and facilitates processes we as consumers otherwise take for granted.

Can the wine trade ever be fully digital? Experts we spoke to doubt it. From a sociocultural perspective, the wine industry ultimately relies on human connections. But there is no denying that hybrid models are working, and that technology is still underutilised in the trade. Industry insiders were vocal in their opinion that wine businesses can choose to operate fully digitally, saving themselves time and cost, and making their models more sustainable in the future.

Innovation's ultimate purpose is to bring wine closer to the consumer. To enable greater connectivity and transparency in the wine world. Both shopping and investment are becoming more intuitive; a trend that experts agree will continue. While the essence of the wine trade will remain, the wine business of tomorrow, whatever its size, looks more connected and more efficient than that of yesterday.



Liv-ex is the global marketplace for the wine trade. It has over 500 members from start-ups to established merchants and supplies them with the data, trading and logistics services they need, to price, buy and sell wine more efficiently.

Liv-ex was founded in 2000 by James Miles and Justin Gibbs. It started with a group of 10 founding members in London, and a vision to make fine wine trading more transparent, efficient and safe.

Liv-ex publishes the actual prices at which wines are transacted. Its platform contains over £81m of firm buying and selling opportunities in over 16,000 wines. All are available to trade in real-time. Liv-ex conceived the Standard-in-Bond (SIB) contract to assure stock condition, delivery and faster payment and provide cost-effective logistics and storage solutions. Its APIs can automate much of this to further improve its merchant members' gross profits.

For more information visit [www.liv-ex.com](https://www.liv-ex.com)<sup>1</sup> or [get in touch today](mailto:nicola@liv-ex.com)<sup>2</sup>.

This article is provided for informational purposes only and does not amount to financial advice or advice as to the value or likely future values of any of the wines it discusses. If you are valuing wine in the US, you will need to consider that Market Prices are based primarily on European stockists and adjust for local conditions. You are advised to carry insurance when providing valuations in certain circumstances, such as for divorces, financing and loss adjusting. The market price should not be used to value wines in any financial instrument such as a fund. The opinions expressed are subject to change without notice. Neither Liv-ex Ltd nor any of the authors or editors of this newsletter accept any liability for the accuracy of its contents.

<sup>1</sup> <https://www.liv-ex.com>

<sup>2</sup> Email [nicola@liv-ex.com](mailto:nicola@liv-ex.com)