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RINGO H.W. CHIU/LABJ

Page 11: Paul Kalemkiarian Jr. at Original Wine of the Month Club's Monrovia shop.

Stamps of Authenticity

Original Wine of the Month Club looks to expand its mail-order service as new rivals enter the business.

By FRANCISCO VARA-ORTA Staff Reporter

It's judgment day every Tuesday at the Original Wine of the Month Club in Monrovia.

Paul Kalemkiarian Jr. and his staff taste 100 wines, 85 percent of which are usually rejected on the spot. The remainders are then further sampled for the rare chance to be distributed to the club's 15,000 members.

This Week: "It's just another day at the office," joked

COMPETITION

Kalemkiarian, whose wine tasting record is 162 in three and a half hours. "We spit out the bad ones for good, so you don't have to ever take a sip or be deceived by the fancy labels or expensive price tags that don't necessarily mean quality."

While wine clubs are popular throughout the country, the first commercial wine of the month club was founded here in Los Angeles in 1972 by Paul's father, Paul Kalemkiarian Sr., who trademarked the name.

The club mails members two wines every month for \$19.85 plus shipping costs and tax. And for those with more refined tastes, there are more expensive wines and membership tiers.

But as the popularity of wine in the United States has grown, the club has had to fend off more and more imitators. Recently, competitors with high name recognition and built-in customer bases, such as the Zagat guides, the New York Times and Wall Street Journal, have launched mail wine services.

That has led Kalemkiarian to explore ways to stay competitive. He's done everything from redesigning the club's Web site to expanding the number of states where it is licensed to sell. After Christmas, the club is even planning on offering wine-tasting classes at its Monrovia headquarters, where it has a small retail store.

Simon Sigel, a wine industry consultant in Shoreline, Wash., said that small clubs need to be creative as big brands move into the market.

"Wine is only growing in popularity throughout the U.S. and companies are looking to get in on that in anyway," said Sigel. "So that makes the smaller wine clubs feel pressure to compete with companies that don't know wine as well but have a lot of financial resources and name recognition behind them."

First sip

An immigrant from Egypt who graduated from USC, Paul Kalemkiarian Sr. was running a small string of pharmacies around Los Angeles in the early 1970s when he struck a deal to buy a drugstore and the liquor store next door in Rancho Palos Verdes. As he had a deep appreciation for wine, he upgraded the shop's selection, which helped business.

"I'd see my dad have to come out from the drugstore and rush over to people who needed advice on what to get," Kalemkiarian said. "He'd be there in his white pharmacist's smock giving advice to people on what to buy."

Soon, his father grew tired of interrupting his pharmacy work and decided to set up a display where he would recommend two wines every month, one red and one white. Customers started asking for deliveries, which Kalemkiarian made as a teenager until demand



RINGO H.W. CHIU/LABJ

Pouring It On: Paul Kalemkiarian Jr., Original Wine of the Month Club owner, at the company's Monrovia headquarters.

led to using UPS.

The father built the business touring county fairs, while Kalemkiarian has employed e-mail marketing since taking over in 1990. He also expanded the club's offerings to include gift baskets, opened the headquarters shop, and created two new member levels of \$29.95 and \$39.95 for premium wines – though that's below the ultra-premium category of wines that can cost hundreds of dollars per bottle.

The club's target audience is wine lovers on a budget who may not have the time to search out affordable gems at local shops. For example, in November, the base Classic Series membership shipped a 2006 Santa Ynez merlot from Firestone Vineyards, calling it a "great value." The highest level Limited Series membership shipped a 2007 pinot noir from Seven Terraces Winery in Marlborough, New Zealand. The newsletter noted that past pinots from the country were too expensive for the quality, but this one "knocked our socks off. On every level, especially the taste and price, it's a sweet deal."

Once the club has chosen a wine, it orders up to 12,000 bottles for the lowest level of membership and fewer for other tiers. The wines are stored in a 6,000-square-foot warehouse, placed into packages of two and mailed off with the newsletter.

Line Shack Winery in Paso Robles, one of 6,000 wineries in the United States, got a

Original Wine of the Month Club

HEADQUARTERS: Monrovia

FOUNDED: 1972

CORE BUSINESS: Mail-order wine delivery service

EMPLOYEES: 20 (down from 22 last year)

GOAL: To boost membership by 10 percent and reduce expenses by 15 percent while expanding sales into more states

THE NUMBERS: The club's membership has grown from 400 in the early 1980s to 15,000 today.

spot on the monthly roster in the past year for its 2006 cabernet sauvignon and 2007 sauvignon blanc.

"There are three factors we learned that we have to satisfy to get selected," said David Tonus, whose Salinas wines sales and marketing company, Pacific Wine Associates, brokered the deal. "First, pricing so the membership can afford it; second, quality; and third, variety, as they don't like to repeat themselves too consecutively. But it's great exposure to get picked."

But Kalemkiarian is facing his own challenges, with disposable income down and competition up, membership is off 5 percent.

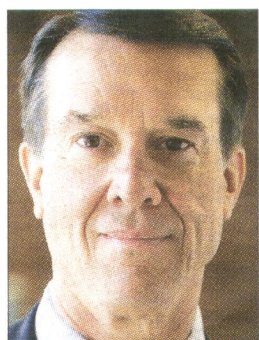
The club recently modernized its Web site, posting the entire 37-year archive of monthly club newsletters, which offer background on wine makers and wine, as well as tips on how to serve it.

The club also obtained licenses to ship to eight more states in the last month, bringing its total to 33. Distribution is one of the biggest challenges for the mail-order wine business because each state regulates and taxes wine differently.

And Kalemkiarian is not afraid to get tough when necessary. A Google search for "wine of the month club" brings up 19 million hits, but the Monrovia club is first. That's not coincidental. The company's attorney, citing the family's trademark, hammered out an agreement with Google, Yahoo and MSN to have the club lead such searches, not including sponsored ads.

Most fundamentally, the club hasn't lost its unpretentious style in what can be a pretentious business. The folksy, homespun newsletters feature pronunciation guides and highlight Kalemkiarian's hands-on approach. He even goes so far as to invite members to e-mail him with complaints, advice or in help finding rare wines – e-mails, Kalemkiarian said, he personally answers.

"My dad told me his success came in serving the customers well and not focusing on just making a profit," he said. "I feel the same way."



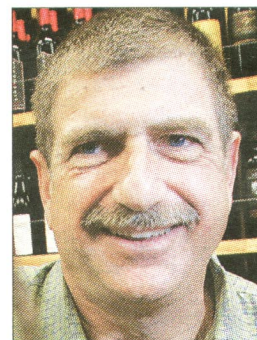
'In a funny way, you can accomplish more in a crisis than in steady-state periods.'

TED CRAVER JR.,
Edison International,
PAGE 14



'I really get off on winning projects. I think it's an addiction you get.'

JOSEPH CALVARESE,
LEO A DALY,
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'We spit out the bad ones for good.'

PAUL KALEMKIARIAN JR.,
Original Wine of the
Month Club,
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