

NEXTTACTICS

Turn someone else's inefficiency into your opportunity.

An agricultural business, winemaking is plagued with inefficiencies, which make it ripe for opportunists like Cameron Hughes. "If a winery has an eight-barrel lot, it may only use five barrels for its customers," Hughes says. As a négociant, he buys wineries' excess juice, which his winemakers combine to make limited-edition premium blends. He doesn't own any grapes, bottling machines, or trucks. He outsources the bottling and sells directly just to Costco, eliminating middlemen and multiple markups.

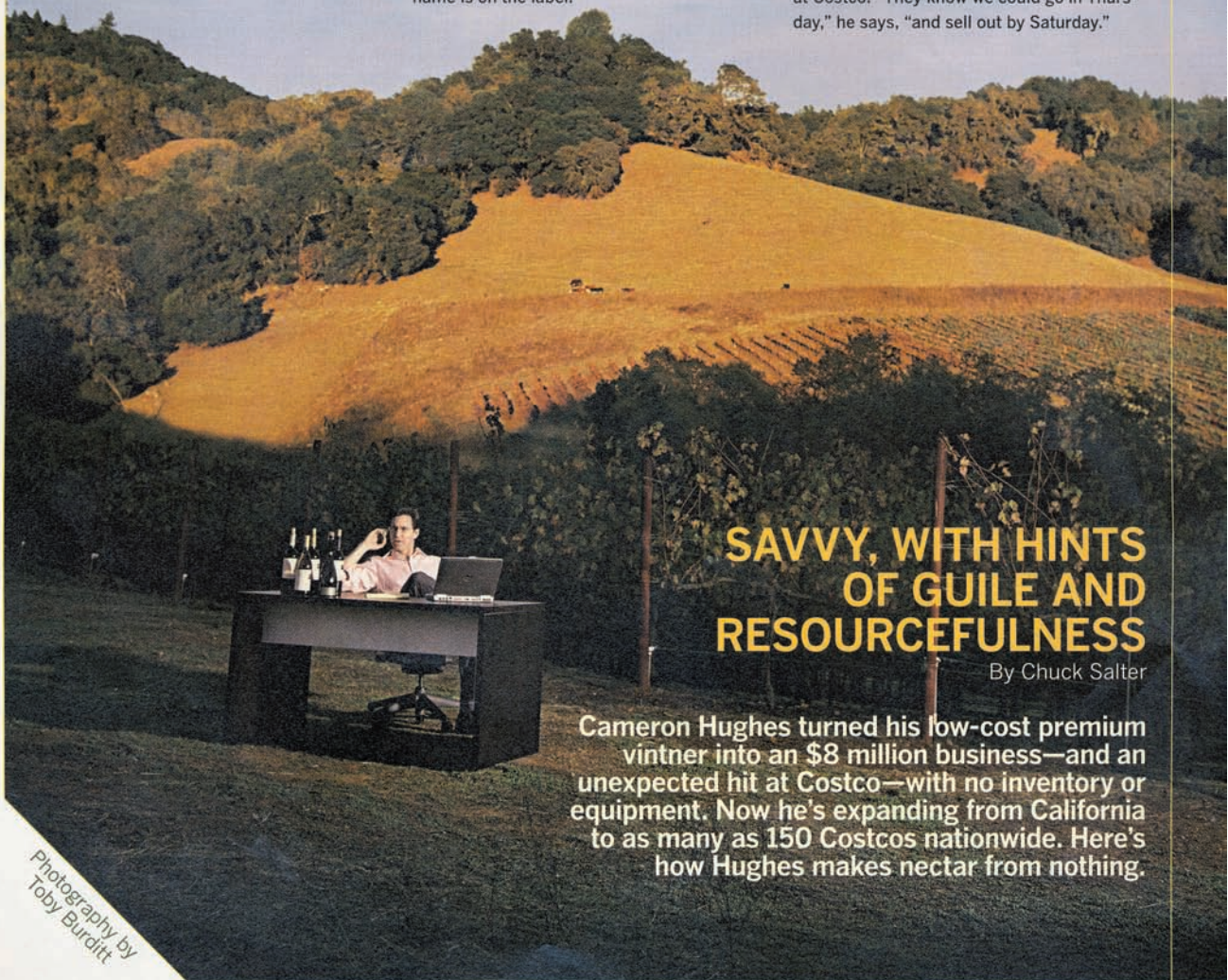
Give distributors a taste—and customers some face time.

Hughes: "It took me three months to get the Costco buyer on the phone. I said, 'This is a \$40 bottle, and we can sell it for \$9.99.' He laughed. I begged, 'Let me give you a sample, and if you don't buy it, I'll never call you again.' I sent half a bottle of Syrah, and the next day, he called and said, 'I'll take everything you got.'"

Says Steve Coburn, the former Costco buyer who bought that lot: "Cameron couldn't give out samples to customers. But he came into stores to meet them and talk about the wine. It's unusual to meet the person whose name is on the label."

Put your customers in an exclusive club.

Because of the vagaries of supply, Hughes creates a new product with every batch. Fortunately, product turnover is part of Costco's appeal. Customers relish the idea of uncovering a rare bargain. And Hughes promotes it. He assigns each batch—a few hundred cases to several thousand—a lot number (Lot 22, for example, is a 2005 Edna Valley chardonnay). Then he emails the 7,500 or so customers who have shared their addresses during in-store gigs and makes them insiders. He alerts them to upcoming lots, describes the flavor profile, and tells them how big the lot is—the sort of scoop that can create demand at Costco. "They know we could go in Thursday," he says, "and sell out by Saturday."



SAVVY, WITH HINTS OF GUILLE AND RESOURCEFULNESS

By Chuck Salter

Cameron Hughes turned his low-cost premium vintner into an \$8 million business—and an unexpected hit at Costco—with no inventory or equipment. Now he's expanding from California to as many as 150 Costcos nationwide. Here's how Hughes makes nectar from nothing.

Photography by
Toby Burditt