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Bringing Great Wine to the Masses: A Chat With Cameron Hughes

By Brad Prescott

You could call Cameron Hughes a liberator of great wine. Born and bred in the wine business, Hughes is wiping away the traditional—and grossly inefficient—customs that govern the wine industry by embracing his passion. That passion? Sourcing great wine under the Cameron Hughes label and selling it—at an affordable price—direct to the consumer. No middle men driving up the price. Just great wine sourced from the best suppliers on the planet and delivered to the consumer at an extreme value. IntoWine.com recently caught up with Cameron Hughes and chatted about his wine as well as his role as a “Ralph Nader for the wine consumer”.

You produce and market wine under what you describe as a “Lot” program. Tell us more about this:

I envisioned the Lot program as the best way to deliver exceptional value as a negociant or virtual wine company. The bulk market has many small lots of high-end wine that are most often back-blended into a larger quantity of lesser quality wine. The Lot program was designed to rescue these lots by assigning each particular wine a Lot # and then plugging them into an “in-and-out”, rock-bottom priced sales model all under one brand name, Cameron Hughes.

The key to the program is our close relationship with the world’s largest wine retailer, Costco. They buy the wines direct in CA and through clearing wholesalers in the rest of the US. Now, wines does not cost a lot to make (your average \$30 cab costs about \$5-6 to make) so by selling direct we are usually able to chop about 50-70% off what you would pay for the same juice under other labels.

Where do you find the super premium wine you use in your lots?

Wineries usually make more wine than they actually sell under their labels. The remaining wines, or blending components, that didn’t fit into their final blends are then placed on the bulk market and marketed to other wineries and negociants like myself. We will select and blend only super-premium like quality lots and we never “blend to extend” as many other negociants do because we are not concerned about making a particular blend last a whole year. As well, we don’t mark up our smaller lot pricing to create artificial scarcity because we have continuous and seemingly endless supply (at least for now).

Other wines we buy in “shiners” or bottles with no

labels on them and then have our own labels affixed. Wineries often bottle these wines up (to make their balance sheets look better for lenders – wine is far more valuable in the bottle as it is in bulk form) but never put labels on them so they have the flexibility to sell the wine under their label or sell the wines to guys like me. In Europe and Australia shiners are a far larger market than in the US. Some wines are made for us by growers, especially when the spot market for grapes is as weak as it is now.

When choosing wine for your latest lot, what criteria do you use to filter out the good wine from the bad?

It has to be good and it has to be stable. That said, at the end of the day the final blend has to have excellent structure and balance. I always say any wine with good structure and balance will be a good wine. The great thing about being a negociant is you have literally thousands of wine to choose from to achieve that end.

From a sales perspective, if it's great wine and it's marketable (such as cabernet or chardonnay) I'll buy whatever I can get my hands on. Lesser known wines, say Clare Valley Riesling for example, I am historically

continued...

more cautious towards regarding quantities; however, we have done a good job of creating the kind of trust it takes to sell a couple thousand cases of just about anything.

How do you plan your lots?

Right now I cannot keep up with Costco's demand so we are buying whatever great juice we can get our hands on. We recently completed the purchase of over 60,000 cases of various Napa appellation cabernets including Rutherford, Yountville, Diamond Mountain and Spring Mountain. To further fulfill our needs, we are branching out into the international buying scene and buying wines from Argentina, Australia (including some 75 yr and 100yr old vine Barossa shiraz's), New Zealand, Spain, Italy, France and Germany.

As well, there is some thought to seasonality, particularly with the New Zealand SB's and Spanish Rose's. other than that, we are buying whatever great juice we can get our hands on from Spanish reds to German whites.

Describe some lots that you would love to produce but, for whatever reason, haven't released yet?

So far, we have been able to identify from every region exactly what we were looking for two times over. That is, there is so much out there to choose from its like shooting fish in a barrel. The global oversupply of wine has created a situation where never before has there been so much good wine at such reasonable prices.

Of all the lots you have produced, describe the one you most wanted to keep all for yourself.

My favorites have been the Lot 13 2004 Dry Creek Cabernet, Lot 24 2005 Sonoma Syrah, and Lot 25 1998 Carneros Sparkling wine. Up coming, I cannot wait to

sell our Lot 34 Rutherford Cab, our Lot 37 Rose from Campo de Borja in Spain, and finally, what I think will be our best wine to date, the Lot 38 2005 Barossa Shiraz from 100 year old vines. Absolutely stunning wine, I couldn't believe it was available for purchase.

Your business model merges a passion for great wine with a rigid understanding of the economics that drive the wine business. Describe how this plays into the value add you provide to the consumer?

Wine does not cost a lot to make. As well, when you pay \$30 for a cabernet, it's not that the winery is ripping you off, it's just that the wine business is remarkably inefficient. I would go as far to say that the wine business is a broken business model insofar as it is strangled by archaic laws and distribution mechanisms. Innovation is tremendously difficult. The \$30 cab would cost far less were there not so many hands that have to touch it on the way to the retailer's store.

How did your experiences at the Wine Group and as an importer of wine help prepare you for running your own label?

The Wine Group is the leanest and meanest wine company out there. They sell millions of cases of wine per salesperson. They do it by providing the best wine in the box or bottle at the best price. This results in brands that pulled through by consumers versus brands that are pushed through by advertising and distribution muscle. When it comes to delivering value you have got to stay lean and mean.

As an importer I learned how much is actually costs to make wine. Here in the states the wine companies put up a sort of Chinese wall between production and sales so that the salespeople don't have an idea of what the

product costs to manufacture. If they found out they would constantly be asking for more discounts to help them hit their numbers. It's just that the wine business is tremendously inefficient with multiple hands coming into contact with a bottle of wine before it hits the consumer. By simplifying the model and selling direct or semi-direct, we are able to pass on significant savings in the area of 66% over what it would cost to buy the same wine under another label.

You are 6 years into it and sales are growing hand over fist. Looking back, what would you do differently if you knew then what you know today?

Nothing, you must suffer for your art.

Where can consumers buy your wine?

On our website or through Costco. The best way to track new releases and Costco distributions is to sign up for our email "alert list" at www.chwine.com.

Is the Costco distribution nationwide or in select locales?

We are currently in CA, AZ, TX, IL, FL, NC, SC, AL and will soon be in WA, OR, MI, MN, IN, VA, MA and others.

What is the most disturbing trend you see in the wine industry today?

Distributors paying off state legislators to act against the best interests of their constituents by banning the direct shipment of wine to consumers. Think Illinois.

Conversely, what is the most encouraging trend you see?

Courageous state legislators standing up to those interests and doing the right thing by allowing direct shipment to consumers. Think Florida, at least for now...