

ADELAIDE
cellarDOOR
QUALITY WINES DIRECT



ADELAIDE CELLAR DOOR
FRANCHISE SYSTEMS LTD

*“Bringing small wineries from South Australia to Asia
through innovation, industry expertise and specialisation”*

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THE ADELAIDE CELLAR DOOR ADVANTAGE

Adelaide Cellar Door is a unique online direct sales wine company.

It brings together premium South Australian wines from small boutique wineries direct to customers in Australia and across South East Asia.

The global wine industry and wine retailing is huge business. Our strategy is to be a market leader in a specific segment of the market - namely, cool climate, premium South Australian wines.

South Australia, like California in America, is the heart of the Australian Wine industry. 70% of Australia's premium wines come from South Australia. Districts such as Barossa Valley, McLaren Vale and Coonawarra are the foundation of high quality winemaking from Australia.

If you are the market leader in wines from these districts you are the market leader in the Premium Australian Wine category.

Over the last 20 years, the Australian wine industry has been the stand out performer in the global wine business. Australian wine exports are growing faster than any other wine exporting nation. On the basis of quality, price and varietal interest across all price points, the Australian wine industry is one of the most successful in the world.

Fine wine shops are increasingly being replaced by supermarkets selling 'commodity' wines made by large multi national beverage companies. Wine is not like soap powder or cereals, however. Wine lovers like variety and interesting flavours from different districts. The most interesting wines in the world are still made by family companies who concentrate on quality and the local terroir rather than running a public company.

Within Australia, New Zealand and America, the sale of wine direct to consumers from the winery via the Web is one of the fastest growth sectors. Good broadband internet services and secure online banking facilities have opened up an amazing opportunity for wine lovers to connect directly to the cellar doors of small wineries.

We have extensive tasting notes and information on each wine and winery on our site, and a toll free number so that customers can talk free to our trained staff in Australia.

We provide excellent information and customer service without incurring traditional wholesaling and retail overheads. Busy people can efficiently order wine at work or home at any time and have it delivered without the hassle of supermarket queues.

We have a unique relationship with the wineries we represent. We guarantee our wines, all of which are independently assessed for price and quality by a highly respected independent panel of Australian winemakers.

Our business is based upon building lasting relationships between small, premium wineries and wine lovers throughout South East Asia.

THE WINE INDUSTRY

Why does the ACDFS opportunity make sense?



Consider the following:

- ✓ Wine consumption in South East Asia is increasing at approximately 15% per year
- ✓ Australian wine is now approaching 40% of consumption in this region
- ✓ The Australian wine industry has been the stand out performer across the global wine business in the last twenty years
- ✓ Wine consumption in Asia per head is still well below that of other comparable countries – there is great opportunity for growth
- ✓ Online wine retailing is quite new in Asia. Convenience and price competition will encourage this retail channel as it has in other mature wine markets

THE WINE CONSUMER

- Well-off younger consumers are adapting to a wine culture well ahead of their parents.
- Wine consumers are increasingly looking for interesting, fruit driven wine styles from the new world wine producers.
- Disposable income and wine consumption are directly related. Increasing wealth in Asia is creating a thirst for knowledge and is drawing new consumers to wine at the expense of spirits and beer.

OUR COMPETITION

Who are our competitors and why is ACD successful?

- Supermarkets offer a wide variety of wines with varying degrees of quality, taste and value. They concentrate, however, on commodity brands made in large volumes by large companies. There is a whole world of interesting wine outside those on supermarket shelves. Supermarkets will not move into online wine retailing because they use wine to encourage people into their store.
- "High Street" fine wine liquor stores offer very good wine choices but operate with very high retail overheads. Fixed costs are high and these stores generally rely on supply from importers/wholesalers to consolidate their broad wine lists. This adds significant costs to their wine purchase prices.
- Under the ACD system the retailer/franchisee is also the importer. Coupled with efficient logistics, the franchisee's market spans a wide territory and is not just accessible to those who walk past their door.

Most of our retail wine competitors:

- Stock generic wines from the major international wineries competing solely on price
- Lack customer service and in-depth wine knowledge of the Australian category
- Sell wine with other products (supermarkets)
- Have high retail overheads (rental and staffing costs)
- Purchase wine through importers or wholesalers rather than direct from growers
- Rely only on walk-past or local traffic for customers
- Cannot wholesale and retail from within the same business.
- Don't have a direct relationship with the grape growers and wine makers



WINE SUPPLY

ACDFS has a unique relationship with boutique South Australian Wine producers through its association with South Australian Wine Group Pty Ltd (SAWG), based in Adelaide. South Australian Wine Group is a wine service company which consolidates the packaging, storage and marketing activities of a group of prominent South Australian wine produces and winemakers.

The Company now represents wineries with a production base of over 2,500 hectares of vines capable of producing approximately 15 million litres of wine across all premium south Australian wine districts.

ACDFS draws from wine put together by SAWG. An independent winemaking panel assesses wine quality and marketability on behalf of ACD franchisees.

This supply system is unique within the Australian Wine Industry and is one of the key strengths to the Adelaide Cellar Door Wine retailing system. Franchisees can import their wine supply from one company which consolidates export compliance and logistics.



ADVERTISING AND COMMUNICATION

At ACDFS we approach marketing from both a national and a local perspective. We have developed a base marketing plan which can be fine tuned to each different market.

These plans include website design, direct email programs, newsletters, wine tastings, sponsorships and public relations campaigns.

Franchisees have access to the marketing programs developed across the group. We have shared email programs and special deals which can be utilised across all markets.

The ACDFS Team is committed to maintaining personal relationships with each franchisee, employee and vendor associated with ACDFS.

Ongoing

- ✓ Website data-basing and loyalty card emails
- ✓ Local business cross promotions
- ✓ The *ACDFS* website
- ✓ Local paper advertising (Life Style segments)
- ✓ Website promotional specials
- ✓ Supply of articles and promotional material
- ✓ Seasonal specials, with winter and summer "hero" products

FUNDRAISING

One of our most popular marketing activities is our fundraising program. Schools/organisations communicate to their members that they are running a wine fundraiser. Members logon to the website and register their interest in the particular fundraiser by selecting the name of the organisation they wish to sponsor from a Membership drop down box. This then records all sales for that particular fundraiser and we pay the organisation an agreed percentage on each case of wine bought by members.

When the fundraiser is over the members stay on the mailing list.

SUPPORT & TRAINING

We offer a turnkey operation and will assist you every step of the way to cultivate your business.

- Once a site has been selected, our initial and ongoing support covers website development, inventory, full operational training, and opening preparations.
- For an extra competitive edge, we even provide our franchisees with a wine education course and the opportunity for hands-on training in Australia.

Our training program begins with the enthusiastic and experienced ACDFS training team. Your training will include:

- An overview of the wine industry
- On-site wine tasting
- Lessons regarding marketing and advertising, website operations, merchandising and customer service procedures
- Instruction regarding inventory, general business procedures and management techniques

Your initial training will take place at our Adelaide office where you will become proficient in all phases of operating your store. The importance of proper training cannot be overemphasized - it is essential for your success. The ACDFS staff and your area developer will assist you with your set up, on-site training, and opening. We will continue to support you throughout your ACDFS franchise ownership.

Once you have been through the ACDFS application process and have been qualified by an ACDFS Franchise Consultant, we will invite you to join us to discuss the next step.

This will give you an opportunity to get to know the people that you will be working with in this exciting business. You will meet the officers and staff, discover the company's history, find out about the ACDFS concept and how it evolved, and what we expect for the future.

We will discuss in detail:

- The ACDFS mission
- Our competitive edge in the marketplace, buying power and exclusive products
- Investment and financing available
- Training and ongoing support and our advertising and marketing strategy for the present and the future



FAQS

Does ACDFS offer direct financing?

The business requires little capital. Most of the start up costs are variable costs. Wine inventory can be built up over time and the initial franchise fees and web development expenses are not high.

Do I purchase inventory from ACDFS?

All of the inventory must be purchased through ACDFS approved wineries. ACDFS has a unique relationship with South Australian Wine Group Pty Ltd which arranges and consolidates wine shipments from Australia. This is to ensure the brand maintains its reputation for quality wine and that, right across Asia, our customers learn to trust our brand. ACDFS will negotiate the availability and wholesale prices of our approved wine list for your inventory. Wine accessories and other various related products for your store's inventory will be purchased with ACDFS's approval.

Can I add products to my inventory?

Yes! New wines and other products will be reviewed on a continuous basis. There is, however, a procedure to be followed that allows a franchisee to submit new ideas for consideration. You must have ACDFS approval before placing any item in inventory.

What is the term of the franchise agreement?

The initial term is five years, after which the agreement may be renewed for additional five year term. Renewal is subject to our approval, current franchise terms and conditions, and renewal fees, which are less than the initial franchise fee.

What is the charge for ongoing royalty fees?

The royalty fee is five percent (5%) of your monthly gross sales, and is exclusive of any sales tax and documented refunds.

Do I receive training from ACDFS?

Yes! Franchise operators must attend and successfully complete the training program provided by ACDFS.

What continuing operational guidance will I receive?

- The ACDFS Franchise Operations Manual to help you with day-to-day operations
- Guidance and resources for your promotional, operational and other business needs
- Field support from a dedicated franchise field representative
- Ongoing purchasing services
- Inventory management training
- Financial services
- Technical assistance

What about advertising?

Franchise operators contribute 2.5% of their gross sales to the ACDFS advertising and promotion fund. We use this fund to develop the Adelaide Cellar Door brand in your territory and across the region.

Can I sell my ACDFS franchise?

Yes. Like any other business, you can sell your franchise to a buyer approved by the company. There is a transfer fee for administrative, legal and training expenses to effect the transfer.

How much can I expect to earn?

Your earnings capability will depend on a number of factors, such as your location, the amount of time you spend in marketing, your business and retail acumen, as well as market conditions. Naturally, as in any business venture, there is no guarantee of your success or profitability. We do, however, give you the benefit of a well-organised system and a concept refined by our many years of experience.

I would like to study your franchise agreement. Will you send me one?

Once you have a personal meeting with a member of our franchising staff, we will be happy to provide you with a copy of the franchise agreement.

OWNING YOUR OWN ACD FRANCHISE

The next steps...

1. Preliminary Meeting. Meet with us to discuss the running of an ACD Franchise and to raise any questions you may have over and above those outlined on the website and information pack.
2. Fill in an application form, which includes your experience, who will be managing the business, and tells us a bit more about you as a new owner of an ACD Franchise.
3. Financial Meeting: In this meeting full financial details of the business will be shown to you, at which point you will need to sign a confidentiality agreement. Preparation of your franchise agreement will commence.
4. Final Meeting: In this meeting any and all questions can be raised in relation to the business and any questions that may have been raised by your accountant or solicitors.
5. Obtaining local liquor licences and statutory approvals.
6. Discussion of marketing and launch plans for your new ACD website.
7. Training for one week in the Adelaide.