

STACKED DEFIED

STACKED WINES, LLC

WWW.STACKEDWINES.COM

JENNIFER ARONSON / MERAGE - GRADUATE

MIKE KAJDASZ / MERAGE - GRADUATE

JODI WYNN / MERAGE - GRADUATE

MATT ZIMMER / MERAGE - GRADUATE

MISSION

PROPOSITION

CUSTOMER

DISTRIBUTION

MARKET

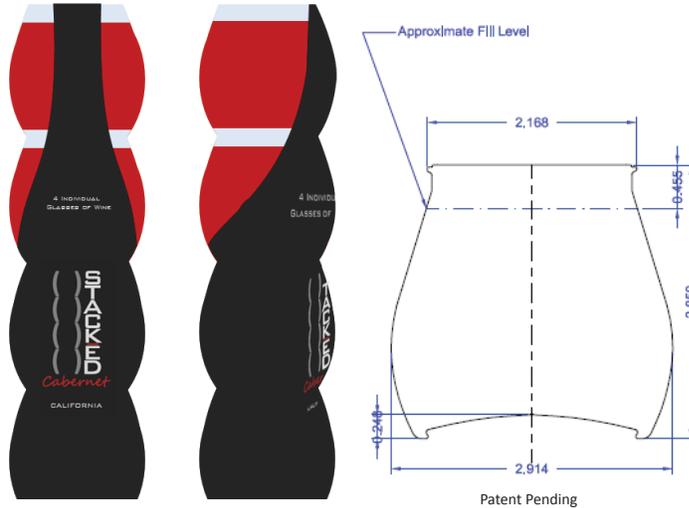
REVENUE

OPERATIONS

Mission Statement

To consistently and conveniently provide wine drinkers with an always-fresh glass.

Proposition



STACKED wine is a single serve wine product in revolutionary packaging: four vertically stacked stemless wine glasses. Each 187 ml glass is individually filled and sealed with a nylon lid, ensuring the freshness of every serving of quality wine. The clear plastic containers are designed to be vertically stacked into a 4-pack, which matches the overall volume (750 ml) and dimensions of a standard wine bottle. Multi-packs are held together with a shrink fit plastic sleeve that reveals a portion of the glasses, while silhouetting a wine bottle. Packages are also available in 2-packs and singles.

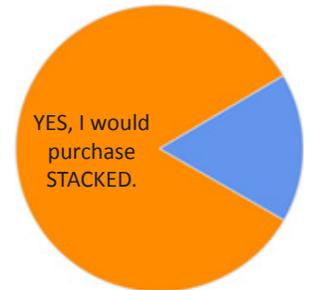
The Customer

In a survey of 129 alcohol drinkers, 83% stated they would purchase STACKED over typical single-serve wine offerings such as mini-wine bottles.

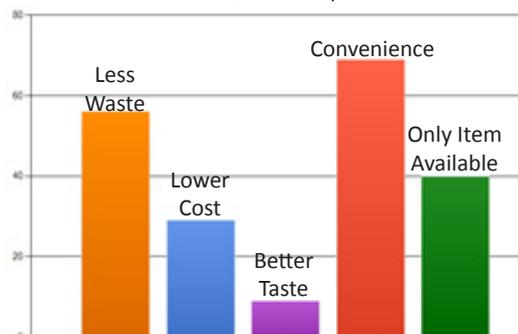
STACKED is valued over regular wine bottles for convenience and reduced waste (i.e. don't have to waste an entire bottle in order to enjoy a single glass). Due to this unique value proposition, the STACKED customer is defined by the situations in which they are likely to consume STACKED rather than demographics.

A recent survey indicates that potential customers would value STACKED most when on the go.

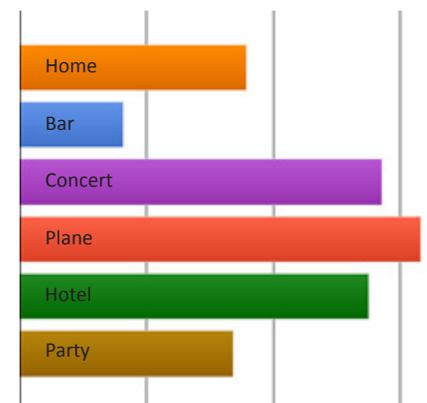
STACKED vs. Mini-wine Bottles



STACKED's Value Proposition



Situations Where STACKED Would Be Consumed



Like most single-serve wine, STACKED attracts wine drinkers in situations where a standard bottle or glass of wine is either not practical or not convenient. However, STACKED has added benefits that are valued for home consumption including reduced waste and preserving the freshness of each serving of wine, while offering a sophisticated package that resembles a stemless wine glass.



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The STACKED customer can be classified into the following categories:

- 1) Travelers – On a plane or in a hotel room. These customers are captive audiences with a limited product selection. They seek a single serving of wine in an efficient, yet sophisticated package.
- 2) Event Attendees – At concerts, sporting events, and theatres. Glass is typically banned from these arenas, but quality is still expected. Customers value speedy service and packaging that mitigates spilling.
- 3) Daily Indulgers – At home or on holiday. These customers have a glass or two of wine several times a week. These users value the freshness of each serving of wine and the quality of the wine.

Distribution

"Products in these unusual packages are selling like hot cakes!"

Dave Dolen
Operations Manager, Long Beach BevMo

"Alternative packaging is always interesting to us and the airlines. I think STACKED is a really interesting concept."

Shany Cruz
VP of Acquisition, Intervine Wines

There are four key distribution channels for STACKED: airlines, hotels, venues and retailers. STACKED intends to launch its product via airlines. Brand loyalty for the wine they are served is weak for airline patrons. Passengers ask for red or white wine, but seldom request specific labels. Relative to the end consumer, substituting a new brand on an airline is easy.

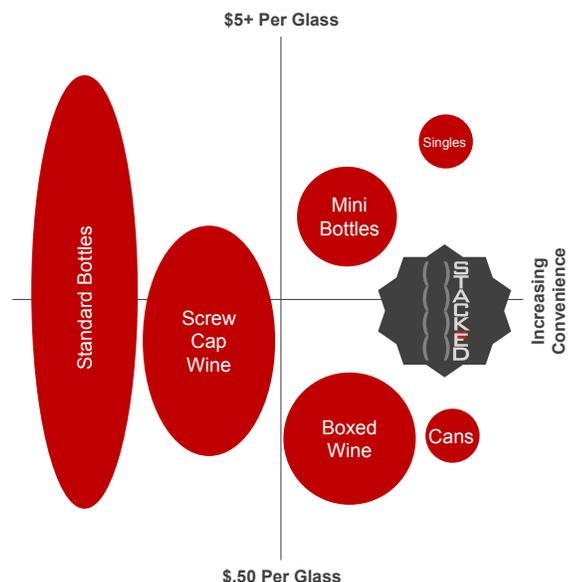
The value proposition of STACKED aligns with the airlines' purchasing criteria. According to Managing Director of Onboard & Cabin Services for US Airways, Stephen Kingsley, the primary purchasing criteria for economy class wine is price. In addition, due to the logistics of moving wine on and off a plane, as well as the risk posed by turbulence in flight, air carriers value plastic packaging over glass.

STACKED is currently in negotiations with Intervine Wines, a full service wine management company that brokers wine for US Airways, American Airlines, Virgin America, among other air carriers. The future growth plan intends to sell direct-to-consumer via big box retailers such as Costco, BevMo, and grocery chains, as well as small retailers such as liquor stores and hotel gift shops. Distribution will be handled through a national distributor such as Southern Wine & Spirits.

The marketing platform to build the STACKED brand amongst households will include an aggressive social media campaign, sponsoring events in local areas, and selling at sports arenas via a contract with Aramark Food Services or Levy Restaurants, which STACKED is currently in communication with.

Market Analysis

Wine as a segment has experienced strong growth over the past year. Within the category wine prices and volume are up 1.3% and 4.6% respectively. Over the past five years the wine industry has experienced a 2.7% growth rate per year. By 2014 the United States wine market is forecasted to have a value of \$31 billion, an increase of 14.4% since 2009. Single serve wine currently holds approximately 2% market share of the still wine market, but outpaces the industry's growth rate at roughly 10% per year. At this rate, the single serve market will have annual revenue of \$825 million by 2014. STACKED is positioned in a white space in the market, offering the highest convenience without sacrificing quality.



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The wine market is a well-established industry, however it has remained relatively open to small, niche players. The competitive landscape of the US wine market is a fragmented, with three major players accounting for 23.8% of total industry volume: Constellation Brands Inc., E. & J. Gallo Winery, and W.J. Deutsch & Sons, Ltd. Each of these competitors offers a 187 ml mini wine bottle, but has yet to venture into the ready-to-drink category.

STACKED's most direct competitor in the US market space is Copa Di Vino, which makes a high end, single serve glass, although lacks the stacking ability. The company was started in 2009 and began selling its product in early 2010. Copa's forecast predicts \$75 million in revenue and \$10 million in profits by 2016.

STACKED has targeted the airline industry as its entry point into the market. Airlines represent a market with high turnover and low brand loyalty. In 2010, US Airways carried nearly 60 million passengers on its flights and purchased 22,000 cases of single-serve wine, which equates to over 1 million 187 ml bottles. It is estimated that the US airlines single serve wine industry equates to 300,000 cases per year, or \$21 million. STACKED has identified five airlines that are at the forefront of airline industry trends and appreciate hip products. At a price point of \$1.50 per glass to the airlines STACKED estimates a target revenue of \$2.6 million and 1.01 million potential customer impressions.

Airline	Approximate Yearly Passengers	Potential revenue @\$1.50 per glass
Jet Blue	24,000,000	\$633,000
Skywest	40,000,000	\$1,000,000
Alaska	23,000,000	\$600,000
Hawaiian	8,500,000	\$225,000
Virgin Atlantic	5,500,000	\$145,000

Revenue Model

The revenue model for STACKED is a basic product sales model. As discussed previously the three customer classes (travelers, event attendees, and daily indulgers) are reached via different distribution channels and thus cash flows will vary by market.

A recent customer survey reveals that customers would target \$10 as the ideal price they would pay for a four pack, placing each individual glass for retail stores at a market price of \$2.50. STACKED has identified that different distribution methods demand different market prices (i.e. \$1.50 per glass for airlines) and will need to have the ability to adjust margins to meet market expectations. Preliminary production numbers show that STACKED can expect a 30 % gross margin on a case (12 bottles) of its 4-pack product. This analysis includes a 30% gross margin at the retail level, as well as appropriate charges for distribution.

Operations Model

Production of STACKED will be outsourced so as to minimize up front capital investment. This includes manufacturing of bottles, lids, labels, and filling the wine. STACKED will focus its operation on sales, marketing and distribution. STACKED will rely on both an internal marketing force as well as external distributors to push the product. Sales will generally occur through distributors and brokers (airlines and hotels) or direct to retailers (grocery and convenience stores). Additionally, selling at arenas and entertainment venues will allow STACKED to sell direct to consumers, generating on the spot market research and high quality advertising.



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