

## RESTAURANTS

The on-premise trade has always been a key sector for the wine industry. From huge chains with hundreds of units that sell a handful of wines in massive quantities to white-tablecloth venues whose wine lists are dozens of pages long, the on-premise sector is frequently where most people taste a wine for the first time.

Almost all restaurants in the **United States** above the fast-food level carry wine, with a few exceptions such as locations in “dry” counties, operations too close to a church or school to get a license (local liquor laws differ), and those self-styled

**Top 10 U.S. Restaurants Chains with Wine Programs, 2007**

Rank among All Chains	Restaurant	Number of Units	Food & Beverage Sales (\$ Billions)
11	Applebee's Neighborhood Grill and Bar	1,930	4.70
12	Chili's Bar & Grill	1,146	3.73
16	T.G.I. Friday's	854	3.05
17	Outback Steakhouse	948	3.03
19	Olive Garden	582	2.62
20	Red Lobster	682	2.58
30	Ruby Tuesday	926	1.75
35	The Cheesecake Factory	131	1.25
53	Romano's Macaroni Grill	237	0.78
55	P.F. Chang's China Bistro	152	0.76

Source: *Restaurant & Institutions*, [www.rimag.com/info/CA6521551.html](http://www.rimag.com/info/CA6521551.html).

family restaurants that adhere to a post-**Prohibition** belief that wine does not belong at the table with children.

There were slightly more than a quarter-million on-premise outlets selling wine in the United States in 2006, according to the *Adams Wine Handbook 2007*. Collectively, they sold 63.8 million cases of wine, a six-million-case increase over the previous year and a figure that has been constantly on the rise since 1998. The on-premise sector has also been steadily increasing its share of total wine sales relative to off-premise **retailers**, according to Adams, reaching 50 percent of total wine dollar revenue in 2006.

According to the Washington, D.C.-based National Restaurant Association (NRA), wine continues to grow in popularity among all the full-service restaurant segments. The NRA's 2008 Restaurant Industry Forecast reported that 71 percent of fine-dining operators said their customers are ordering more wine by the glass than they were two years ago. Full-service operators across all segments also were more likely to indicate that domestic wine was growing in popularity compared with imported wine.

The NRA also conducted an Internet survey in October 2007 of 1,282 members of the American Culinary Foundation, asking them to rank food and beverage items as "hot," "passé," or "perennial favorite." **Organic wine** was ranked as hot by 60 percent of respondents, **red wine** by 43 percent, white wine by 37 percent, and **sparkling wine** by 27 percent. Only 17 percent of respondents ranked wine-and-food pairing and **sommeliers** as hot alcohol-related trends, one percentage point lower than beer-and-food pairing.

**Branding and the Cash Cow.** The on-premise sector is where producers and **importers** generally try to introduce their high-end or allocated **brands**. Both major and boutique wine brands are acutely aware of the importance of placing their brands in top-ranked and well-respected restaurants. Many **cult** and low-production wines are sold only in the on-premise arena and often by a specially trained, separate sales staff. The continued focus on restaurants is driven by a concern that top wines could lose prestige if sold in low-end retail shops and **supermarkets**.

Wine has historically been among the most lucrative sales categories for restaurants, with markups generally running two and a half to three times the wholesale cost of the bottle. The more expensive the wine, the gentler the markup typically is. Wines by the glass are usually priced at the wholesale price per bottle, or that plus a dollar, the idea being to recoup the purchase price on the first glass. By comparison, spirits markups are similarly high, if not higher, while food markups have tended to run lower. A successful high-end restaurant will generally make approximately one-third of its **profits** from its beverage program, which includes wine, spirits, perhaps beer, and sometimes nonalcoholic drinks. Many restaurants and bars, due both to big markups and savvy wine buying, can attribute an even greater percentage of their revenues to their beverage programs.

The old system of markups is gradually changing with the influx of new restaurants aimed at wine lovers that offer a greater selection of well-priced wines. They are also offering innovative **promotions** on off-nights—for example, half-price on wines under a certain price, or a glass-and-a-half-size "carafe" pour—that help them sell more wine at a more advantageous price.

### Top 10 Independent U.S. Restaurants for Wine Sales, 2007

Restaurant	Location	Food & Beverage Sales (\$ Millions)
Tao Las Vegas	Las Vegas	66.6
Tavern on the Green	New York	37.6
Joe's Stone Crab	Miami	29.7
Smith & Wollensky	New York	28.7
Tao Asian Bistro	New York	26.8
Old Ebbitt Grill	Washington, D.C.	21.5
Gibsons Bar & Steakhouse	Chicago	20.8
Fulton's Crab House	Lake Buena Vista, Florida	20.7
SW Steakhouse	Las Vegas	20.5
Bob Chinn's Crab House	Wheeling, Illinois	20.4

Source: *Restaurant & Institutions*, [www.rimag.com/article/CA6554058.html](http://www.rimag.com/article/CA6554058.html).

The mix of total restaurant wine sales, which used to rely heavily on by-the-glass sales, is steadily shifting to greater bottle sales in most types of establishments as **consumers** are drinking more, appreciating value, and being permitted to take home unfinished bottles in more and more states. On the other hand, most bars still reap the bulk of their sales from mixed drinks.

Allowing customers to bring their own wine can also generate a profit. Corkage fees—the charge for opening, providing stemware, and serving a patron's bottle—can range from \$5 to \$50, depending on the restaurant and the market. Some restaurants offer a no-corkage BYOB night to fill seats and increase revenue on traditionally slow nights such as Sunday or Monday. Most fine restaurants discourage customers from bringing their own wines, with exceptions being made for regular customers and those who bring, and share, exceptional bottles. Restaurants in wine-producing areas such as **California** and the Pacific Northwest tend to be more accepting of customers bringing their own wines.

**Wine Lists.** All restaurants need to offer some well-known brands, varietals, and regions on their lists. Most sommeliers will then build out their list to support their favorite producers, work with their chefs' foods, and suit their price range. Some high-end restaurants seek out wines that they can carry exclusively, or buy only from **wineries** or importers with whom they have a relationship. This is why working the field continues to be essential for producers, importers, and **distributors**.

Chain restaurants, like hotels, may want to have all or a majority of their wine lists be identical in all markets. Sourcing wine for multiple locations in numerous states can be challenging, however. In the United States, all importers and producers are required to sell their products through a wholesaler, and no one wholesaler is yet a national presence. Although much **consolidation** is occurring, the country's largest distributor is in only slightly more than half the states. Each individual state functions as a separate division, so while the same company might

carry a brand in multiple states, it is likely that the chain will have to deal with several different distributors of that brand to service all of its locations.

Food and beverage directors looking to create uniform wine lists, or core lists of brands that all outlets are mandated to carry, in multiple states have to choose from brands that are available nationally. Because relatively few brands are large enough to have distribution in so many states, this makes it quite difficult for small, low-production wines to gain access to a list at chain and even some smaller multiunit restaurants.

*Buyers and Their Challenges.* Large chain restaurants generally have a corporate buyer who has a strong sense of what wines sell in the chain's outlets, knows what is distributed locally, and has established relationships with key wholesale partners. These buyers are primarily looking for nationally available brands, value, reliable delivery, and supplier support.

Smaller establishments, such as boutique hotels, may have an on-premise food and beverage manager and a sommelier, both of whom will have a say in choosing the wines for the list. They are often looking for unique wines to distinguish their establishment, a dependable wholesaler that will sell and deliver regularly in small quantities, and attention to service and detail.

At a single-unit restaurant, the general manager or chef may be responsible for the wine purchasing. In a small operation where everyone wears so many hats, the wine buyer may look to a small group of trusted local wholesalers and producers who understand the restaurant's style and food and can make suggestions that will fit well even if the buyer cannot taste through them all.

Restaurants of any size continue to face a number of business hurdles related to wine. Every professional in the restaurant business wants to make sure the wine being served was stored, delivered, and maintained in **temperature-controlled** conditions. Yet not all wholesalers have refrigerated delivery trucks, and not all restaurants have sufficient appropriate storage areas. Storage alone, climate controlled or not, is often a challenge for smaller operations.

Keeping by-the-glass wines fresh is also a continual challenge. Many restaurants gas or Vacu Vin their open bottles at the end of the day, and it is also common to record the date the bottle was opened.

Finally, personnel and training are potentially troublesome areas. Inexperienced servers, who are often not even of legal **drinking age**, may be unable to identify oxidative notes on wines or even **corked** wines. In the United States, they also tend not to view working in a restaurant as a full-time career, which can lead to frequent staff turnover. *See also* Hospitality Industry; Personnel; Wine Education.

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### *Further Reading*

- Cheers.* [www.adamsbevgroup.com/magazines.asp](http://www.adamsbevgroup.com/magazines.asp).
- National Restaurant Association. [www.restaurant.com](http://www.restaurant.com).
- Nation's Restaurant News.* [www.nrn.com](http://www.nrn.com).
- Restaurants & Institutions.* [www.rimag.com](http://www.rimag.com).
- Santé.* [www.santemagazine.com](http://www.santemagazine.com).