LIV|EX
THE FINE WINE MARKET

How LWIN helped to transform operations at LCB Vinothèque

Since 2015, a set of simple 11-digit codes has helped a fine wine warehouse dramatically increase efficiency – and has given access to accurate valuations for its clients.

What is Vinothèque?

Located in Burton upon Trent, Vinothèque is a warehousing solution for fine wine set in a 19th Century Grade II-listed building. Wine is stored in a perfectly controlled environment, maintained by a bespoke Mitsubishi energy efficient system. Mitsubishi have described this as "not only unique in Europe, but also the most advanced system for air control in a warehouse". Its 7,000 clients – both fine wine merchants and private collectors – are based in over 70 different countries worldwide and collectively store over half a million cases at the facility. It is the responsibility of Vinothèque to receive, store, move and ship these high-value wines safely and efficiently as they move in, around and out of the warehouse.

LCB Vinothèque

- Fine wine storage solution, part of LCB (London City Bond)
- In Burton-Upon-Trent, East Staffordshire
- 500,000 cases of fine wine in storage

98% of collectors requested information about current market values.

The first challenge: offering valuations

Towards the beginning of 2015, Vinothèque surveyed its customers with the aim of better understanding how their service could be improved. The results pointed towards a strong interest in understanding the current market values of wines being held in storage, something that 98% of respondents wanted to see.

This discovery coincided with an upgrade of Vinothèque's warehouse stock management system, Ontech Vision.

The second challenge: the problem with wine names

Inside the warehouse, stock arrives, sometimes changes ownership, and finally leaves after being sold or dispatched to the owners. At each of these stages, information about the wines passes between people and systems. Ensuring that this happens accurately and efficiently is essential in ensuring that operations run smoothly. Mistakes and uncertainty can, at best, be time-consuming and disruptive. At worst, they can be extremely expensive.

Fine wines have, historically, been referred to inconsistently across the supply chain. Producers and traders have prioritised, abbreviated or contracted different parts of wine names depending on what they feel is most important – or what makes the most sense to them. The same bottle might reasonably be described as "Grange" or "Penfolds Grange".

"When we are recording information about a wine, a colleague may key Château Lafite Rothschild, but another colleague may key 'Château Lafite'. It is the same wine, but it is easy to end up keying the name differently." - Jane Renwick, Director

People are often able to understand these wine names, though the inconsistency carries risk of error and miscommunication. It is impossible for computers to understand when names are keyed in differently. As a result there is no way to automatically transfer the information between systems.

Because of this, wine names needed to be manually re-keyed each time a case changed ownership. Although there are no records of the exact amount of times that the wine name would be keyed, one study conducted at London Metropolitan University suggested that wine names are re-keyed sixteen times on average as they move through the supply chain. Many of these re-keys happen when wines are within the warehousing system. It can be a tedious and time-consuming process – and every time the name is re-keyed, there is a risk that it is entered incorrectly.

An additional side-effect of the inconsistent naming was the difficulty in calculating the total quantities of each wine held by clients. Because a computer system interprets "Château Montrose" and "Montrose" as two different wines, a stock summary might have shown 12 cases of one and six of the other. Without a common language, a computer is unable to tell a customer that he or she really owns 18 cases of the same wine.

LWIN: speaking the same language

With wines being transported and traded from around the world, Liv-ex had previously experienced the same problems as Vinothèque. Its solution, the Liv-ex Wine Identification Number (LWIN), aims to standardise wine names in such a way that information can be transferred between different computer systems automatically. In 2011 Liv-ex made LWIN freely available under OpenData licence terms.

The concept of a unique identifier is not a new one. They are commonly introduced to remove ambiguity and increase confidence and efficiency in supply chains and exist for almost every product bought and sold today. For the book industry, there is the International Standard Book Number (ISBN); for property in the UK it is the Unique Property Reference Number (UPRN) or Topographic Identifier (TOID).

By identifying each wine with a unique number, it is possible to ensure that all parts of the supply chain – and all systems – are speaking the same language.

What is Liv-ex data?

Vinothèque advised its customers in a newsletter: "Liv-ex is the wine exchange through which much of the wine trade buy and sell wines, so they have their fingers right on the pulse showing up to the minute values and trends."

Liv-ex provides current and historic pricing data based on the trading activity of its merchant members. Its Market Price is considered to be the industry benchmark and is relied upon by wine funds, merchants and publications for producing accurate valuations and for displaying market information.

How Vinotheque incorporated LWIN

The introduction of LWIN was initiated by Vinotheque and brought about by a collaboration between the Vinotheque team, developers at Ontech Vision and Liv-ex.

The stock held in Vinotheque – a long list of wine names – was first matched to LWINs by Liv-ex. Ontech developers were able to incorporate these into their Vision warehousing software, and Vinotheque developed new processes for handling and monitoring stock going forward.

With LWINs inside their new system, it was also possible for Vinotheque to connect with Liv-ex to find the current Market Prices of the stock that they hold. With this, it became possible to add valuations to customer inventories.

Before LWIN

Penfolds, Grange

? Penfolds

Grange

?

After LWIN

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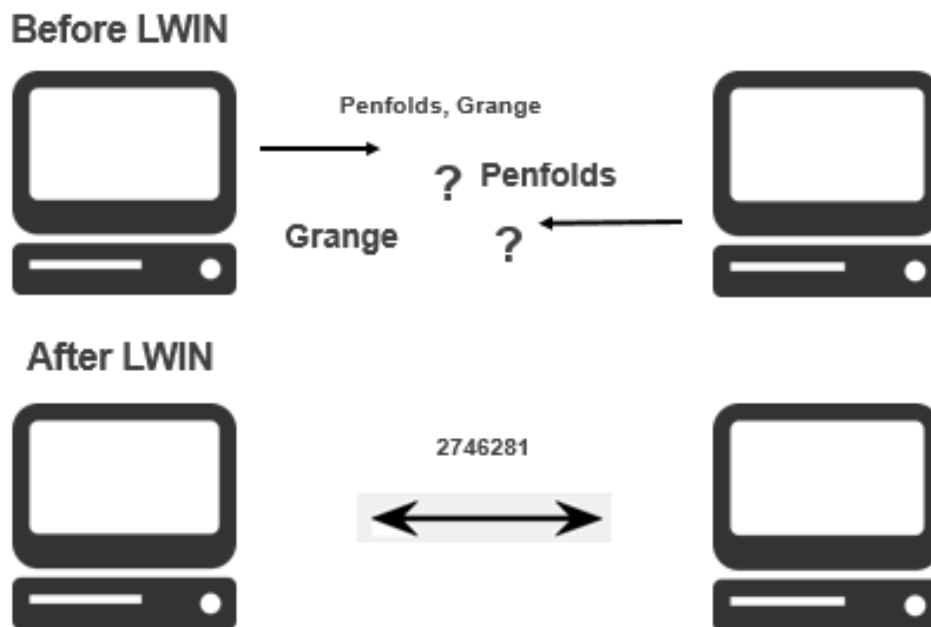
The results: LWIN

After introducing LWIN to their systems, the team at LCB Vinothèque reported a significant increase in internal efficiency. It removed the need to rekey wine names as information passed between different systems – because the pieces of software were all speaking the same language.

The consistency in the wine names also had a number of additional benefits. With "Château Montrose" and "Montrose" now being counted as the same product, it became easier for the customer to identify the exact amount of each wine owned by them – no more instances of the same wine appearing on the same report twice with different names.

This benefit extended to customer invoices. A list of LWINs on a customer invoice would be unhelpful – but each LWIN is also associated with a standardised wine name that can be displayed on inventories. "The wine descriptions on our customers' inventories are now completely consistent – it looks far more professional", says Jane Renwick.

"The wine names on our client inventories are now completely consistent – it looks much more professional"

- Jane Renwick, General Manager

The results: for merchants

Several of Vinothèque suppliers – fine wine merchants – had already adopted LWIN into their systems. With the new system in place, these merchants were able to connect directly to Vinothèque and share information on the movement of stock without needing to re-key wine names at different stages.

The results: for collectors

With LWIN in its database, Vinothèque is now able to connect directly to Liv-ex to produce valuation reports on the wines in its storage system.

This is a benefit that they feel is important to their private collector customers. Thanks to receiving valuations from Liv-ex – an independent source –

LWIN: benefits

Improved effeciency

- No re-keying
- Systems communicate automatically
- Efficient stock valuation
- No time-consuming errors

Better for customers

- Send valuations
- Increase transparency
- Improve invoices

they are now better informed about the value of their wines, and are better placed to make buying and selling decisions. As Sales Director, David Hogg explains: "This offers transparency to our customers."

The ability to produce valuations is also beneficial internally. Hogg adds: "Not only does valuation support our customers but enables us to produce accurate up-to-date valuations of the stock we are storing".

Moving forward

As a result of LWIN, the team at Vinothèque has reported improved communications with their customers that use the unique identifiers. Because of the common language, information is exchanged more efficiently and, crucially, with greater accuracy. The hope for the future is that LWIN is adopted by more players in the world of fine wine, so that exchanges of information can become more efficient across the board.

With plenty of positive feedback from customers, the team at Vinothèque are now looking at new ways to offer 'on-demand' valuation reports to their customers. They are in the early stages of designing an online portal that will enable customers to log on and check the current values of their wines at any point in time.

As for how the new offering of valuations will impact their business in the long term, Director, Jane Renwick says "It's early days", adding: "it is an excellent enhancement to the services we currently offer and a function requested by 98% of our private customers as an aid to assist them in monitoring their fine wine investment".