

Better with age

UK wine and spirits merchant Berry Brothers & Rudd has survived 300 years in the business by evolving and is set to continue growing in the next 300



Tara Loader Wilkinson

Editor-in-Chief, Wealth-X
Editor-at-Large, Billionaire

SINCE the reign of King George III, Berry Brothers & Rudd, the UK wine and spirits merchant, has stocked the British Royal Family's wine cellars.

So naturally my initial question to Simon Berry, seventh generation member and chairman of the centuries-old family-run firm, is what is the Queen's favourite tippie?

"If I told you that, I would have to kill you," he quips, with a readiness that suggests it is not the first time he has been asked that question.

"But seriously, we supply the Royal Household and it is mainly for banqueting. So the wine we supply has to be good enough for guests to think, 'that's jolly nice wine' but not so nice that the British tabloids get wind of it."

Tall, silver-haired Mr Berry, with his twinkling blue eyes and sense of humour drier than a gin martini, is an ideal ambassador for the brand. Since he came on board over 30 years ago, the 300-year-old company has scooped many awards for its innovation. He was behind the launch of Berry Bros & Rudd's Duty Free wine shops at Heathrow's Terminals 3 and 4 – the first instances of a specialist wine merchant operating such outlets in the world. He masterminded the award-winning online shop – www.bbr.com – in 1994 (another first in the wine world), as well as the company blog which the group's eight Masters of Wine regularly contribute to.

Ten years ago he launched the Berry Brothers Broking Exchange (BBX), an online wine trading platform which allows customers to trade their wine while it is safely stored in bonded warehouses in Basingstoke. This part of the business will be key to the company's future, reckons Mr Berry.

"As a 317-year-old company people think we are very traditional. But it's not true – the reason why we survived 300 years is because we never stopped changing," he explains. In fact, when it first opened its doors in 1690's Mayfair, Berry Bros sold tea and coffee.

Today, the lion's share of revenues comes from wine, said Mr Berry, surprisingly for the first time in history. When he first joined, the affordable Cutty Sark Whisky brand made up 90 per cent of turnover and 100 per cent of the group's profit. It was a precarious position, with the lower end of the market becoming increasingly competitive, as large alcohol conglomerates such as Diageo and Pernod Ricard grew stronger.

So Mr Berry took a risk. In 2010, they sold the Cutty Sark business that was generating £60 million of revenues at the time.

Initially, it looked disastrous on the balance sheet, and meant booking a £7.7 million pre-tax loss for the first time in history, followed by a £5.5 million loss last year. But it was a necessary step to revamp a business that was in danger of becoming irrelevant, explains Mr Berry.

"As far as the losses were concerned, it was sort of planned. We needed to take an active step to keep the brand relevant and preserve shareholder value in a difficult market," says Mr Berry.

Mr Berry's vision to move upscale, invest in technology, grow consumer markets for wine in the UK and Asia and create a balance between fine wine and premium spirits distribution, appears to be paying off. Despite the losses in the previous two years, sales rose by 8 per cent in the 12 months to March 31, 2014 to £149.7 million (\$302.7 million), according to filings on Companies House.

"We figured if we wanted to make these changes to all these brands we would make a loss in the first year or two, but we could turn it around for shareholders in five or six years. And we did break even this year," he says.

And there have been other headwinds to battle with, including three appalling years for Bordeaux vintages that saw sales plummet from over £60 million in 2010 to less than £3 million in 2013. And then there was the not insubstantial matter of the lawsuit with a former distributor in Hong Kong, which remains ongoing.

"It has been disruptive; we basically had to rebuild our Hong Kong customer database from scratch," admits Mr Berry. Since last year, his 33-year-old nephew Geordie Willis has overseen a growing team in Hong Kong, and today Asia constitutes around 30 per cent of the group's revenues and is growing in importance, says Mr Berry.

"It hasn't been the easiest few years," he chuckles stoically. "But the whole point of a company like ours is that we're in it for the long term and you have to plan for every eventuality. That's also how the wine trade works. You're making wine that probably won't be drunk for 50 years, so likewise the business should have a long-term horizon."

What is he looking forward to in 2015?

Mr Berry wants to globalise, and sees growth in China, Tokyo and Singapore. He hopes to acquire more warehouse space in Basingstoke to increase the capacity of the highly successful BBX platform, and invest in its IT. And he plans to balance the wine and spirits divisions to a more-or-less 50-50 split, to mitigate future disastrous wine harvests.

For instance, the King's Ginger Liqueur brand was invented as a medicine to be taken by King Edward VII in 1903 during his morning excursions. No one could have predicted that 110 years later, its biggest market would be San Francisco, where it has been a huge hit in the city's cocktail bars, says Mr Berry. The classic No 3 London Dry Gin, which tastes strongly of juni-



PHOTO: BERRY BROTHERS & RUDD

per, pine and lavender, has also been a storming success, particularly in Japan.

But whatever the strategy, Mr Berry says it all comes down to creating long-term value for his family company. He says: "The highlight of my job is guiding the business towards its next 300 years." **W**

Wealth-X is the source of intelligence on the ultra wealthy, with the world's largest collection of curated research on UHNW individuals

MR BERRY

'You're making wine that probably won't be drunk for 50 years, so likewise the business should have a long-term horizon.'