

10.14: Closing Company Case

Naked Wines

Buying a good bottle of wine can be hit or miss. A consumer can pay a lot and not enjoy the wine or pay a little and really love the wine. As with any product, the price of a bottle of wine includes both fixed and variable costs. Some of those expenses include the costs of production, the raw materials including grapes, barrels, bottles, utilities, and labor. Other costs include administrative overhead, sales, and marketing costs (Hanni, n.d.).

Of course, distribution must be factored into the price of a bottle of wine. With an indirect distribution channel, wine often passes from the winemaker to a distributor, a wholesaler, and a retailer. Macro-environmental factors such as nature can affect pricing by affecting the grape supply, adding to the overall cost.

In addition to the obvious cost factors, there are psychological factors such as branding, exclusivity, and rating points. Wine rating points are awarded based on input from industry experts and wine critics. Bottles with higher ratings can generally command a higher price. In addition, a bottle with greater notoriety and awards will also be able to sell for significantly more than more obscure wines or those just starting out.

Breaking into the wine-making business can be incredibly challenging. All business start-ups face steep hurdles in the beginning stages. Wine-making may well have more sunk costs than a typical start-up. With grapes taking years to grow and reach their peak and the labor for harvesting, juicing, and fermenting, entering the wine-making business can quickly burn through start-up cash (Todorov, 2022).

Getting money from a bank to start a business means business plans, initial investment, proven experience, and endless paperwork that takes up valuable time that could be spent tending the grapes. And making a name for yourself in the wine industry can take years. How do you get consumers to choose and buy your wine from the thousands of labels available?

Enter Naked Wines. The company was founded as a way to help small, independent winemakers break into the wine business. Started in 2008, Naked Wines had a mission to give consumers great wines at significantly reduced prices and help winemakers get the funding needed to start their business (Nakedwines.com, 2024).

Naked Wines thought it could break into the wine business by allowing consumers to join as investors. When a customer buys from Naked Wines, they become an investor. Each month, investors purchase wine at a reduced cost from Naked Wines, which, in turn, invests in the winemakers it represents.

While the pricing is an advantage, investing in the winemakers provides a bigger advantage. Each month, investors get to choose which wines are delivered to them. The wines are carefully curated based on their wine preference profile and the ratings they provide to the winemakers on previous purchases.

The Naked Wines business model allows the winemakers to have access to funding and market research while the investors have access to great wines. As Naked Wines continues to grow from an initial start in the United Kingdom to operations in the United States, it continues to add winemakers and investors. Small winemakers who would otherwise not have had an opportunity to grow their business have found success and community through Naked Wines.

Case Questions

1. What are the psychological factors that affect the pricing of wine?
2. Name the five critical Cs of pricing evident in the Naked Wines pricing model.
3. What elements of the external environment are most evident in the pricing of a bottle of wine?
4. How might you best define the pricing strategy for Naked Wines?

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