

The price of a bottle of wine in a restaurant is often a mystery. I find it confusing and wine is part of my business. Just how do restaurants price wine?

First there is some minimum cost to serve a bottle of wine that must be met. Glasses – washing, storing and breakage – need to be covered. And all sorts of overhead costs count for something. After that, it's a markup formula based on the owner's pricing philosophy.

So what are you paying for? Of course you are covering the wine and it's whole packaging and marketing program. Then there's the distributor, transportation and taxes plus import costs if it's not a domestic wine.

After that you are also paying for the expertise that got that particular wine on the restaurant's wine list. This brings real value to the equation.

There may be a sommelier. That's a person whose job is helping you select wines along with managing the restaurant's wine program

Then there's the cost of holding and storing the wine. That's the cost of the money to inventory it and the cost of the space to keep it.

Some wines are available only for a short period of time each year. If a restaurant wants that one, it has to be purchased in whatever quantity necessary and held.

It is not unusual for there to be only 15 or so cases available in Alabama of some wines. That's 180 bottles for the whole state.

There are a couple of wines on the list at Jimmy's where we are the only restaurant in Alabama where that wine can be purchased. We dealt with the importer to have those wines sent to us through an Alabama distributor.

Also some restaurants have "reserve" lists or bottles. That's usually something older or more special. If a wine is no longer available at wholesale, its selling price is based more on current value than purchase price.

Finally you are paying for part of the restaurant's cost of operation.

What's all that worth?

In metropolitan areas wine pricing is often a simple calculation: wholesale price times three. That's right - three. By the glass cost is worse. The bottle cost equals the glass price. Seems high doesn't it?

Well I think so too. For a wine I can purchase all year long and have it delivered that week, three times my cost seems excessive.

In our area some places do the same - three times their cost. For others the typical formula is different. You see costs doubled. Sometimes they're doubled plus a dollar. Some are higher. The lower cost wines may be marked up more as a percentage. Those hard to get ones may be too.

Some of the by the glass costs are more reasonable. It's more like 1.5 to 2 glasses equal the bottle cost. Others are more.

Another factor in all of this is the price paid and that varies. As an example let's look at this real situation. Last year I served a wine at a special dinner. I tasted it and thought it was interesting. I paid \$12.50 per bottle for six bottles. I charged \$20. My guests enjoyed the wine.

The next week I saw a stack of several cases at a local store. The sign read \$9.99. That's right. They were selling it for \$2.51 less than I paid for it at a wholesale price. And they bought it from the same distributor that I did - at the same time.

My research revealed that mine was the "bottle" price. The store bought five cases, which resulted in a reduction of \$3.50 per bottle. They paid \$9.00. There are myriad deals like that around that add even more confusion to restaurant wine pricing.

Most restaurants don't sell wine quickly enough to purchase it in quantity. Moreover they don't have the space to store it. Then there's the capital necessary to make it all happen.

There are 200 selections on the wine list at Jimmy's. If you purchased a bottle of every one of them including the reserve wines, it would add up to a little over \$16,000. Take out the reserve bottlings and you still get \$6,000. Remember that's one bottle of each.

How is pricing done at Jimmy's? On our regular list we double our cost and less as the cost of the bottle increases. There are few exceptions. Our minimum selling price is \$22. There are 70 selections on Jimmy's list under \$30.

How does all this play out in the marketplace? I compared a few wines locally as examples. It's hard to do because restaurants tend not to offer the same wines. I used full-service restaurants using proper stemware and with published wine lists.

Here are some examples of price ranges in Auburn-Opelika: Kendall-Jackson Chardonnay: \$23 - \$32, Renteria Pinot Noir: \$49 - \$60, Whitehaven Pinot Noir: \$39 - \$52, Erath Pinot Noir: \$28 - \$39, Gary Farrell Pinot Noir: \$55 - \$70, Moet White Star Champagne: \$49 - \$68 and Estancia Meritage: \$39 - \$53.

There are some big differences there for the same wines. So it can pay to shop and see what places may be more interested in your wine enjoyment rather than maximizing profitability. That "owner's pricing philosophy" principle has a strong effect. And the same is true with food.

The whole package is the most important thing. The food, beverage and ambiance you prefer are key. No question a restaurant that goes to the effort to offer a comprehensive wine list with a selection of quality, fairly-priced wines, will probably do a good job with the other stuff, too.