



Drinking for Dollars

Silicon Valley offers resources for a whole new generation of wine snobs.

■ By Chris Taylor

IDENTIFY THIS QUOTE: WHICH MUCKRAKING journalist came up with the business maxim “nobody ever went broke underestimating the intelligence of the American public”? I may as well just tell you the answer, since chances are you can find it the way I did, in 10 seconds or less, with the help of a search engine on your phone or laptop. It was H.L. Mencken.

Now that most of us are connected to a vast, invisible external brain brimming with solutions to our burning questions, Mencken’s early-20th-century rule needs revising. In the 21st century, I believe, few entrepreneurs will go broke *overestimating* the American public’s *desire for intelligence*.

Case in point: A crop of Silicon Valley entrepreneurs have launched mainstream, profit-generating Websites devoted to—wait for it—wine collecting. In Mencken’s day, good wine was the province of a tiny, well-educated urban elite. But in 2008 per-capita wine consumption in the U.S. surpassed that of beer for the first time. You can find pretty decent vintages at Costco.

The more you imbibe, the more curious you’re going to become about the differences between Californian and French, Chilean and Argentinean, cabernet and pinot, 2007 and 1997. And you’re increasingly likely to find answers to your questions online.

“People are much more educated about the basics now compared to four years ago when I started the company,” says Alyssa Rapp, CEO of a Palo Alto based wine connoisseurship site called Bottlenotes.com. “If you’re young, and it’s cheap to get wine from around the world, you’re going to experiment.” The under-40 crowd accounts for 80% of Rapp’s registered users.

Bottlenotes is like the Match.com and the Netflix of the wine business. It asks you a few questions about what tastes you like and builds a profile of your palate. For around \$60 a month, the site will then send

you bottles that your mouth will probably thank you for. It’s the perfect resource for inexperienced oenophiles who want to make their own journey into wine without a snobby sommelier at their elbow.

Sure, Rapp’s wine club business has been whacked by the recession. But she also created an email newsletter called the Daily Sip. And so many customers signed up for the newsletter that Bottlenotes now gets the majority of its revenue from selling advertising on the Sip—enough to support the company’s eight employees and attract a first round of venture funding. (It also helps that Rapp outsources her entire inventory of wine.)

Meanwhile Vinfoлио.com, founded in 2003, is rapidly becoming the eBay of wine, providing a marketplace for collectors to sell off their stock. More than 100,000 collectors have registered 12 million bottles, worth

a whopping \$2 billion, with the site, which takes a 15% commission from every sale. Vinfoлио also offers a free iPhone app that tells you the average price of any varietal you might see in the store.

And then there’s Gary Vaynerchuck, one of the most kinetic figures in the Web 2.0 ecosystem. Vaynerchuck doesn’t own a company, but his near-daily tasting videos at WineLibrary.com have become a cult hit in the past three years. The fact that New Jersey born Vaynerchuck looks and sounds like he belongs in *The Sopranos* tells you a lot about how this country is gentrifying itself.

I’m not saying you should enter the online wine business. Its state-by-state regulatory patchwork, a hangover from Prohibition, is enough to give anyone a headache and has held Amazon.com back from entering the space. I am saying that consumers are getting smarter (literally—average IQ is rising by three points every decade, according to numerous peer-reviewed studies). And entrepreneurs in many markets are finding clever, interactive ways to educate their customers online. As Rapp likes to say: “I’m not dumbing down. I’m smarting up.” So how can your company prove Mencken wrong today?

“My world view is that people are smart, they want to be educated, and technology can help.”



Alyssa Rapp

CEO
BOTTLENOTES

Founded: 2005

Customers: