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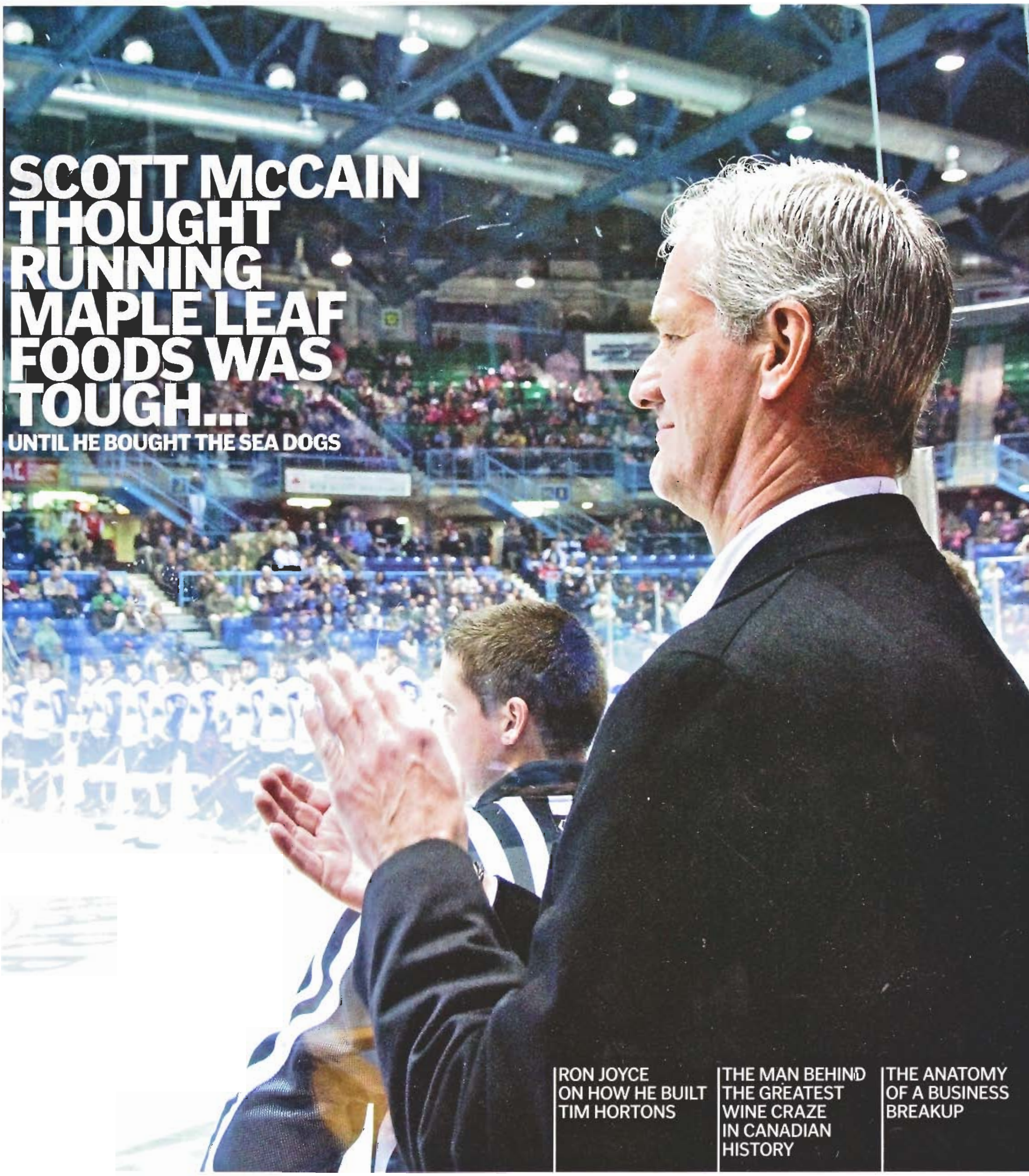

SCOTT McCAIN THOUGHT RUNNING MAPLE LEAF FOODS WAS TOUGH...

UNTIL HE BOUGHT THE SEA DOGS

RON JOYCE ON HOW HE BUILT TIM HORTONS

THE MAN BEHIND THE GREATEST WINE CRAZE IN CANADIAN HISTORY

THE ANATOMY OF A BUSINESS BREAKUP

THE MAN WHO SPARKED THE FUZION EXPLOSION

ONTARIO WINE AGENT ALEX PATINIOS HAD NO IDEA THE UNKNOWN ARGENTINIAN BRAND WOULD TURN INTO A PHENOMENON UNPRECEDENTED IN THE LIQUOR BOARD'S HISTORY. NEITHER DID THE WINERY. NEITHER DID THE LCBO. WHICH MADE PILOTING THE CRAZE ONE HECK OF A WILD RIDE

At the close of 2009, when the Liquor Control Board of Ontario revealed its top sellers for the year, the No. 1 retail product wasn't Smirnoff vodka, Bacardi white rum or one of the other perennial bestsellers. It was a cheap red wine from a little-known Argentinean winery. For the first time in the provincial liquor board's 82-year history, a wine made the top of the charts—the only one, in fact, to ever crack the Top 5. And it brought in more dollars than the big spirits brands, even though they sell at more than four times the price and are backed by massive global marketing campaigns.

The wine's name is Fuzion. You may have heard of it. In recent years, the shiraz-malbec blend has colonized Canada like no vinous concoction before it, spreading west from Quebec where it first emerged as a hit. But it was in Ontario that the craze reached its fever pitch, with people driving hundreds of miles to catch new shipments, carting cases off of pallets, and fighting in the aisles for the last bottles on the shelves. The product's

BY JOANNA PACHNER | PHOTOGRAPHS BY MIKE FORD

ability to accomplish this without any marketing was as remarkable as the fact that the phenomenon seems to be limited to Canada; nowhere else has Fuzion seen this kind of popularity. The LCBO sold 419,000 cases of it last year—more than the total sales of all 13 Yellow Tail products, the Australian line that dominated the wine category before Fuzion. "It's the single-largest success story that LCBO has had to date," says Shari Mogk-Edwards, the liquor board's vice-president of merchandising.

In the midst of the craze, struggling to navigate—and capitalize on—the chaos, was a 41-year-old wine importer with a handful of employees. Alex Patinios had been doing decent business serving as the Ontario agent for a few dozen foreign wine brands, but he'd never been the middleman on a breakout hit, never mind this—a runaway sensation. And he almost missed it.

When his Toronto company, Dionysus Wines & Spirits Ltd., signed on to represent the producer, Familia Zuccardi, it was after initial reluctance. He didn't foresee—nor did anyone else, from his competitors to the provincial liquor monopoly—that a mix of consumer and economic trends would create the perfect window for Fuzion's launch. "It was a combination of Argentina's popularity, price point, economy and reviews," says Patinios. "We didn't plan for any of that."

It made the phenomenon that much harder to manage. Fuzion was sold out for months, threatening to undermine the new brand—and, for Patinios, to jeopardize his relationships with Argentina's second-largest winery and the LCBO, practically his sole customer. It took until last fall—almost a year and a half—for the Fuzion team to get a handle on and fully supply Ontario's demand. Now, Patinios faces a new, perhaps even tougher, phase: transforming the mob mentality that fed the wine's spectacular rise into a customer base he can guide toward Zuccardi's other—more lucrative—fare.

AN ENERGETIC, STOCKY MAN, PATINIOS HAS THE INGRATIATING CHARM AND OENOPHILIC PATTER THAT BRING TO MIND MILES FROM THE WINE MOVIE *SIDEWAYS*

Typically, there is a moment in every market fad when mere popularity tips into craze territory. Whether the trend can capture and build on that surge in demand determines if the trend ignites or fizzles. For Patinios and Fuzion, that moment came in early November 2008, roughly three months after the wine appeared on the shelves in Ontario. In mid-October, the LCBO had received 18,000 cases of Fuzion that were intended to supply the retailer through the December holiday rush. Instead, the entire shipment was sold out in a week and a half. So the LCBO ordered another 19,000 cases, with a proviso: Zuccardi had to ship them within one week or they wouldn't make it to the stores in time for Christmas.

"Think about it," says Patinios, punching numbers on a calculator: 19,000 cases times 12 bottles makes 228,000 bottles, each of which needed containers manufactured, labels printed, screw-tops made. This kind of order would usually take three months to process. But, says Patinios, "if we didn't have those bottles that Christmas, that's 228,000 bottles that wouldn't have gotten to customers who wouldn't have sampled Fuzion at that critical time. That could have killed our momentum."

An energetic, stocky man, Patinios has the ingratiating charm and oenophilic patter that bring to mind Miles from the wine movie *Sideways*. Seated in his airy boardroom—the top floor of a converted house in North Toronto that serves as the Dionysus headquarters—he clearly relishes relating the Fuzion tale. "Oh, it's a good story," he promises.

First, we must set the scene. That requires going back some 20 years to when Patinios and a friend, both business students at Wilfrid Laurier University, got the bright idea of importing wines from Cyprus. They knew nothing about the wine trade or Canadian liquor retailing, but the two Greek-Cypriots did know they couldn't get their favourite home brands in Canada. Patinios indulgently chides his younger self: "I was very naive and not very smart." The partners soon realized that even if they captured 100% of the Greek-wine market in Canada, they still wouldn't be able to live on the income. In fact, just 1% of the Italian-wine category would produce more sales than 100% of the Greek.

By 1995, the partner was gone and Patinios decided he had to change his business model or shut down. First, he opted to focus solely on Ontario, as every provincial liquor board has different tender rules and procedures, and, as a one-man operation, he couldn't afford the time or money to travel around the country. Besides, Ontario accounts for about 40% of Canadian wine consumption, and with 90% of all wine sales going through the LCBO, Patinios could focus on visiting the stores—which have discretion in what products from the LCBO list they carry—to promote his brands.

His other decision was to expand into a range of wines from different regions. Wine importing is a low-margin business and agencies need broad portfolios to profit from every segment of the market. After doing the rounds of global exporters, trade offices and wine associations, Patinios snagged a large New Zealand winery just as that country's wines were becoming trendy. Predicting and tapping trends is one of a wine agent's biggest challenges, as consumer tastes have changed dramatically over the years. In the early 1990s, white comprised 60% of Canadian wine sales, and red 40%; now, that's flipped. Australia (especially its shiraz) was huge for a decade, then Spain, Sicily and southern Italy broke out, and now it's all about Argentina. Grape varietals also go through cycles, with chardonnay, big in the 1990s, having gone flat while pinot grigio and sauvignon blanc are on the rise.

Since most established wineries already have import agents in place, getting new listings is about being available, with the right track record, when a supplier grows dissatisfied with its current representative. By the mid-2000s, Dionysus could boast of some significant successes. In 2003, it took on Citra, an Abruzzi-region brand that for 20 years had been the standard Italian-restaurant house wine but did little retail business. Over seven years, Dionysus turned it into the No. 1 Italian supplier to the LCBO, largely by investing in in-store marketing. The company staged a similar turnaround for Spain's small Castillo de Almansa winery. Within 18 months, it was the No. 1 Spanish red wine in Ontario, and remains so today—the only market in the world where Almansa leads its category.

So when Familia Zuccardi went looking for a new Ontario agent for Fuzion, Patinios seemed to have the right bona fides. Canada wasn't a big market for the company when it conceived Fuzion as an entry-level product for its Santa Julia line, its primary export brand. The idea was to sell Fuzion in Europe, but when the Société des alcools du Québéc (SAQ) put out a call in 2005 for a wine fitting Fuzion's profile, the winery submitted it for listing. Quebeckers were just glomming onto the malbec grape and the wine was cheap. Within a year, Fuzion was the best-selling red wine in Quebec.

While Zuccardi's business was booming in Quebec, Fuzion sales, handled by Philippe Dandurand Wines, had dropped to virtually zero in Ontario. Zuccardi export manager Jose Asensio says the agency had gone through management changes and lost focus, plus it showed little interest in Argentinean wines as a category. "Argentina is a hot country today, but a few years ago we had to work very hard along with the agents" to get wine into stores, he says.

The Quebec agent, Francois Le Brasseur of Elixirs Vins et Spiritueux, alerted Patinios that the winery was looking to make a switch. Dionysus, however, had just launched another Argentinean brand, and Patinios wasn't very interested. It was November 2006, and Argentina was still a tiny category, with sales a mere quarter of Chile's. It wasn't until Le Brasseur told him he'd sold 274,000 cases of Fuzion that year that Patinios's interest perked up. Still, he notes, "just because something sells well in Quebec doesn't mean it will elsewhere in Canada." A wine going gangbusters in Quebec might never move the needle in Ontario. Besides, Fuzion wasn't a big performer anywhere outside that province. Patinios might have passed had he not seen in Fuzion a promising entry point to the larger Zuccardi portfolio. Over a dinner meeting with Asensio, and later with Jose Zuccardi—a gentleman farmer who's been described as the "Robert Mondavi of Argentina"—Patinios presented his vision for how Zuccardi's various brands could fit into the LCBO universe.

Since Dandurand also represented Zuccardi in Western Canada, the winery didn't want to make a switch until it found a western agent too, so Patinios, by now eager for the business, went on the hunt. One West Coast agency said no outright. Another insisted on a three-year contract, which didn't sit well with Papa Zuccardi, a man who believes a handshake is his contract.

It wasn't until November 2007, a year after he first heard of Fuzion, that Patinios approached the LCBO as Zuccardi's Ontario representative. By that time, a few stars had started to align. First, Argentina's buzz was growing. Second,

THE MAKING OF A HIT

Getting a new, foreign wine brand into a Canadian consumer's hands is not easy. Although there are more than 50,000 wineries worldwide, Canadian wine agents typically only care about the five or six best producers within the various price ranges, regions and grape varietals. A winery may make a great product, but if its staff doesn't speak English or can't provide samples on time, few agents will take a chance on it. And agents have to pick carefully, because they typically can't represent competing brands in the same market band. They also prefer dealing with fewer, strong suppliers for ease of administration and the opportunity to leverage their investment in, say, a winery's low-end merlot by adding a chardonnay, a rose and higher-priced reserve offerings. So established agents carefully weigh the prospects of a wine's success in their markets before committing to a supplier. "You're trying to spot the trends before everybody else and you hope you have the right producer with the right product at the right price point," says Alex Patinios of Toronto's Dionysus Wines & Spirits Ltd.

The agent's task is getting that bottle onto the liquor board's shelves. In Ontario, there are hundreds of thousands of brands vying for about 7,000 slots on the LCBO's product list, and only a few hundred openings exist for new brands, explains wine-industry consultant Robert Ketchin. (Specialty listings, like Vintages in Ontario, are only one-time orders, though products may get re-ordered if they sell well.) To break through, says Ketchin, "you've got to come in with a brand that has an amazing track record in other markets or fabulous reviews from wine gurus. Otherwise, you don't even have a chance to get an audience." The LCBO won't even schedule a meeting unless the information supplied by the agent fits the criteria of what it's looking for. About 5% of new wines that score a meeting go on to a tasting and review by a panel. Then the liquor board wants assurance that the supplier will support the brand with advertising and in-store promotion, a budgetary commitment that carries increasing influence on whether a wine gets picked up. After that, the product goes through laboratories to check for contaminants and ensure it meets labelling and packaging standards.

Liquor boards also demand very competitive pricing. They have all the statistics and trend reports, "so you have to come with a very sharp pencil," says Ketchin. The supplier sets a price based on the production cost plus a marketing budget. Then the board adds a hefty mark-up and taxes. As a result, a bottle that costs the LCBO less than $5 will sell for $13 in-store. (The system works similarly in other provinces, though the taxes and mark-ups differ significantly.) Because some taxes are flat, the higher the product price, the lower the percentage mark-up. Agents collect a 10% commission on the price to the board.

If the wine successfully navigates the process—which takes six to 12 months—it gets a trial order or, for the lucky few, a permanent listing at the liquor board. But even that's not the end of the line. If, within a year, the brand fails to meet sales forecasts, it's yanked from the list. Back to square one.

PATINIOS REMEMBERS OPENING *THE GLOBE AND MAIL*'S WINE COLUMN, WHOSE HEADLINE URGED READERS TO "RUN, DON'T WALK, TO TASTE THIS UNDER-$8 TREASURE." THE NEXT MORNING, THERE WASN'T A BOTTLE TO BE FOUND ANYWHERE IN THE PROVINCE

the Canadian dollar was approaching parity, and the media were pointedly asking why wine prices remained so high, with little worthwhile available under $10. So when Patinios requested a meeting, an LCBO buyer quickly responded. Like Dionysus, the LCBO doesn't closely track individual brands at SAQ, and the buyer at first didn't believe the claim that Fuzion was No. 1 in Quebec. In part, that was because—and this confounded Patinios—the previous agent had never submitted Fuzion for listing in Ontario.

Patinios and Zuccardi proposed the modest retail price of $7.75. (Grape blends typically command lower prices, plus, at the time, Argentina had a large, cheap supply of the malbec grape.) The LCBO beat that down further, to $7.45—one of the lowest price points for red wine at the retailer—but took a healthy trial order of 5,000 cases, based on the wine's popularity in Quebec and growing requests from consumers in bordering towns.

In late July of 2008, Fuzion finally appeared on LCBO shelves. In the roughly eight months it took the wine to wend its way through the system, a few more stars popped into alignment. The economy had begun to sag, shifting wine demand toward economy brands, and Argentina—and particularly malbec—was on a definite bubble. "People were looking for a new country and a new grape, anything but another Australian," says Robert Ketchin, a long-time wine industry consultant based in Collingwood, Ontario. "Yet, as a blend with shiraz, it was still familiar. And it was a frighteningly low price." The wine's clean, sophisticated packaging and a name consumers could easily pronounce and remember differentiated Fuzion from most South American alternatives. And then, says Patinios, "the media just fell in love." As part of the usual launch preparation, Patinios and Asensio had held tastings for key wine reviewers. Patinios remembers opening *The Globe and Mail* on a Saturday in mid-August and reading Beppi Crosariol's wine column, whose headline urged readers to "Run, don't walk, to taste this under-$8 treasure"—and then rereading it a dozen times, causing his wife to ask what was wrong. "The next morning," he says, "there wasn't a bottle to be found anywhere in the province."

The buying frenzy that followed is already retail legend, as rave reviews sent crowds to buy out the stock, producing more articles about the shopper madness and more shoppers intrigued about all the fuss. There were reports of a near riot in an Ottawa store as customers lunged for the last bottles. One wine writer published Patinios's e-mail for those seeking up-to-date reports on new Fuzion shipments. But it wasn't just a media spiral. "It was very viral," says LCBO's Mogk-Edwards. "People told two friends and so on. They were hoarding it, and that put our inventory team in a tailspin."

The LCBO's initial order was staggered over several shipments, aimed at gradually replenishing the stock. When the second container arrived, any stores that got new inventory were flooded with customer calls asking staff to hold bottles. Unable to keep up with empty shelves, stores began putting whole skids of Fuzion cases on the floor. And this is when that beaten-down retail price paid unexpected dividends. At $7.45 a bottle, a case worked out to less than $90. "No one had thought of a strategic retail case price," says Patinios.

Patinios was getting calls, too: from consumers, LCBO outlets and inventory managers, Zuccardi representatives. With stores almost constantly out of stock, figuring out how much to order—how much would be enough—was a major logistical challenge. "The more we brought, the more we sold," says Patinios. "Every six weeks, we'd plan and forecast, and every six weeks we'd move the numbers up." Zuccardi had a year's extra supply of the wine for Quebec, and it diverted that to feed Ontario's insatiable demand, but it took eight to 12 weeks to turn orders around. "I kind of kept pushing [the LCBO], because they kept putting up forecasts and I always thought they were two weeks behind the curve," says Patinios. "They could only go on what was actually selling, but we could see at store level how much pent-up demand there was." In October, Patinios had 30,000 cases of Fuzion heading for LCBO warehouses—an unheard-of amount for one retail item—and as soon as they hit the stores, they were gone.

Of course, Fuzion wasn't the only brand Dionysus represented, and every other winery wanted its share of the agency's attention as the all-important holiday period approached. By December, Patinios was coming in at 5:30 a.m. and pulled several all-nighters. Yet, while Fuzion was taking up swaths of his and his sales team's time, Dionysus wasn't seeing any money from it. It was Patinios's own fault: He had persuaded Zuccardi to extend LCBO's payment terms so the retailer would feel easier about ordering at the high end of its sales estimates. But since the agency doesn't get its 10% cut until the supplier gets paid, this effort to maintain the sales momentum meant that Dionysus didn't see a commission cheque until eight months after Fuzion's launch.

The inability to accurately peg Ontario's demand did lead to foregone sales and frustrated consumers, but Fuzion was an unprecedented phenomenon. Quebec hadn't experienced that kind of frenzy and rarely saw stock-outs. Even if Patinios had managed to forecast the sales accurately, he faced an inherently conservative buyer afraid of overstocking and a supplier that needed time to manufacture the product. "As we look back," says Asensio, "it was an amazing job by everyone in adjusting forecasting and inventory on a new wine, to hit the sales volume we did."

Zuccardi had always intended to turn Fuzion into a multiproduct brand. A chardonnay-chenin white and a rosé proved successful in Quebec, but the unique mania for the red in Ontario made it hard to predict the response there. Unlike with the original Fuzion, Zuccardi didn't have extra stock it could push into the market. Going into the 2009 harvest, the winery needed to know how much grape to grow. In February 2009, the LCBO projected that 50,000 cases of the chardonnay-chenin blend would suffice. Patinios, based on Quebec sales and other metrics, pegged the demand at 225,000 cases. Asensio needed a number, fast. If Patinios went with his analysis and was wrong, Zuccardi would be stuck with some 175,000 cases of unsold white wine. Say goodbye to that relationship.

Patinios followed his gut. He was right. Fuzion white proved to be another big hit, but it didn't go out of stock. The rosé, released that same spring, set a record in its category, selling more than twice what the LCBO originally ordered. Then, in early October, Fuzion Alta, a higher-price malbec, came out. Would consumers go for a Fuzion that cost $10? They did. In droves.

Even as new releases landed, sales of the original Fuzion red showed no sign of tapering off. Events like last spring's widely publicized blind tasting of "recession reds" under $10, which put Fuzion on top, helped to keep the brand in the news, and a year after release, the LCBO was still selling over a thousand cases a day. It wasn't until last September that the Ontario team finally got a handle on inventory: That was the first time all LCBO warehouses had Fuzion in stock for the entire month.

Considering Fuzion's wild success, it's startling to realize how limited its impact has been on Patinios's business. It certainly helped carry Dionysus through a tough recession that pushed many other agencies—especially those focused on high-end wines—to the brink. Patinios has hired three additional salespeople and is looking to upgrade to a new office. But his company can only grow so big, as wine agents typically can't represent competing brands. Once Dionysus has a client in every major market band—defined by region, price point and wine style—growing revenue means boosting sales of existing brands, replacing them with more popular ones, or expanding into a new provincial market (something Patinios has no plans to do right now). It's telling that, with 12 employees, Dionysus is the second-biggest wine agency in Ontario.

In some ways, Fuzion has created challenges for Patinios. For one thing, while the wine's success has benefited the entire Argentinean category, as consumers introduced to the country's product try other brands, it's also caused worries that Fuzion's low price will "economize" the region. That's what Yellow Tail did 10 years ago when it came on the market at $3 to $5 below most Australian brands. "It took the Australian industry hard by taking away a lot of the margin," says Ketchin. "This is the challenge that Argentina will have." And it may become a concern for Patinios as he focuses more on Zuccardi's higher-priced offerings.

For a wine agent, the meteoric success of one brand has a downside. "Other suppliers don't like that Fuzion is playing such a big role in our company," Patinios admits, as they worry that their products aren't getting enough attention. Dionysus now acts for 100 wineries worldwide (including those original Greek ones, which today represent only 2% of the firm's revenue) and, as Patinios learned early, long-term viability requires having a balanced range of brands and the ability to take on new opportunities—like low-alcohol wines, the new trend in the U.K.

But he gets a chuckle from the notion that Fuzion would set him up for life. Even with record-breaking volumes, such a low-priced product puts his commission at around 20 cents a bottle. About the only indulgence he's allowed himself is booking a family trip to Argentina this spring. Jose Zuccardi's assistant is helping him arrange an itinerary. This logistical challenge he's happy to delegate.