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# Vintage logistics concept still savored

*Shippers' association dedicated to wines and spirits completes 30 years of service.*

By CHRIS GILLIS

There are some U.S. wine and spirits importers who consider themselves the biggest in the business. But when their individual freight volumes are compared to other shippers' commodities they come up mightily short and often pay higher rates for ocean transportation services.

That's why 30 years ago a group of wine and spirit importers decided to combine their freight volumes under the banner of a shippers' association in order to obtain the best service and lowest freight rates from the ocean carriers.

But it hasn't stopped there. The Wine and Spirits Shippers Association has continued to evolve into a full-service logistics entity often serving in the capacity of traffic manager for many of its members.

"We've got some good rates, but frankly rates aren't the only thing that sustains an association," said Geoffrey N. Giovanetti, managing director of the WSSA, in a recent interview. "That may get them in the door, but it's the customer service that keeps them there."

Even with their limited volumes, many importers once prided themselves as feisty negotiators of carrier rates and services. The carriers, especially in the transatlantic, enjoyed the regular shipments these companies put on their ships throughout the year.

Jane Hoey, a 30-year-veteran of the liquor import business and logistics director of Somerville, Mass.-based M.S. Walker Co., said she had no interest in joining a shippers' association a decade ago. But since that

time, the carriers had lost touch with her business by disbanding their regional sales forces, consolidating their customer service operations, and focusing on large shippers' needs.

"The carriers have become nameless and faceless," Hoey said. "Earlier, I would have never believed it, but now I'm much more in the position to rely on WSSA."



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**Geoffrey N. Giovanetti**  
managing director,  
Wine and Spirits Shippers  
Association

Some of the broader reliance on WSSA's services is a matter of the increased logistics and market demands thrust upon the wine and spirits import industry.

"I used to do my own freight negotiations, but it got to the point where I simply ran out of time," said Jack Wallace, director of purchasing for Raleigh-N.C.-based Mutual Distributing. "I would have to hire two to three more people" to do the work that WSSA now provides for the company.

"With rising costs, the 9/11 effects, and documentation, it's important to get involved in an association that you can rely on," said Lou Healey, chief financial officer of Allied Beverage, New Jersey's largest beverage distributor, and president of WSSA.

"Even large firms like us need reliable coordination worldwide in terms of imports," he said. "We don't have the internal resources to put together a freight forwarding department."

**Staying Pure.** Shippers' associations have been around for more than a century, often pooling freight volumes to leverage their rate negotiating power with carriers. Today their representation ranges from shippers of niche products and markets, to international freight forwarders and non-vessel-operating common carriers.

Technically speaking, shippers' associations are unregulated entities. However, there are some guidelines for operations provided by the 1998 Ocean Shipping Reform Act and the Justice Department's Antitrust Division. Essentially, shippers' associations in the United States must be non-profit organizations managed by neutral third parties and not control more than 35 percent of a market.

Reston, Va.-based WSSA was formed by Case Pieterman in 1976 with 75 charter members, mostly in the spirits import business. Giovanetti, who previously served as manager of international transportation for FMC Corp., took over as managing director of the shippers' association in 1983.

Over time, many shippers' associations moved away from niche cargoes to diversified portfolios of members and commodities to build their freight volumes.

WSSA has largely remained

focused on shippers of alcoholic beverage imports. That's not to say the shippers' association hasn't dabbled in other types of freight and exports.

"We once took a shot at foodstuffs and worked with another association of completely unrelated products," Giovanetti said. "What we've found though is what we know best is wines and spirits."

Occasionally, WSSA will work with shippers with freight related to the alcoholic beverage industry, such as used bourbon barrels headed to Scotland's whisky industry and the return of beer kegs.

In the late 1980s, WSSA operated an NVO, but it didn't last long and the service was terminated. "I don't know if we moved a pound of freight," Giovanetti said.

While the WSSA does not permit forwarders within its ranks, it does admit some NVOs, because the 1984 Shipping Act and OSRA legally define NVOs as shippers.

Today, WSSA comprises about 500 members, mostly importers and distributors that supply retail and duty free outlets. The shippers' association manages about 20 liner carrier service contracts.

"We have some incredible loyalty, but we see a lot of mergers of brands," Giovanetti said. He explained that these mergers sometimes mean the loss of members and the addition of others.

New York-based Constellation Wines, for example, has rapidly become the largest wine seller in the world, shipping more than 72 million cases a year. According to the company's Web site, it owns six companies, five of which are wine producers and one that operates as an international trading company. WSSA works with parts of Constellation.

WSSA also works with numerous new-to-market importers of wines and spirits.



Lou Healey  
chief financial officer,  
Allied Beverage

***"With rising costs, the 9/11 effects, and documentation, it's important to get involved in an association that you can rely on."***

These companies may only order between five and 10 containers of product a year. "We make them feel that we're sensitive to their needs," Giovanetti said.

WSSA, together with the importers and distributors, has helped some liquor labels become popular among U.S. consumers, such as Ketel One vodka from Holland, Fat Bastard wine from France, and Australia's Yellow Tail wines.

When some overseas producers become big in the U.S. market they begin to take control of the freight transportation at origin, instead of allowing it to be managed by the U.S. importers. WSSA, for instance, worked with importers of Yellow Tail until the winemaker's U.S. volumes reached about 2,000 containers a year. Today, Yellow Tail ships nearly 8,000 containers of wine to the United States and manages its own freight logistics.

Competition from forwarders occasionally impacts WSSA's membership as well. JF Hillebrand Group, based in Mainz Hechtsheim, Germany, is one of the strongest players in the industry. The company has specialized in the transportation management of wines and spirits since 1844. Today Hillebrand has about 850 employees scattered among 45 offices worldwide. WSSA worked with Hillebrand in Europe until 1999.

**Full Service.** With the dynamics of the alcoholic beverages industry changing, WSSA members like M.S. Walker find themselves more dependent on the services that the shippers' association has to offer, especially in forwarding-type services such as electronic track and tracing of freight.

"They've jumped in to fill this gap," Hoey said.

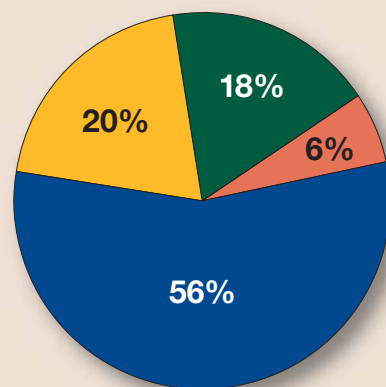
"To get the carriers attention, we needed to be actively involved in the routing process," Giovanetti said.

To provide these types of services, WSSA has partnered with Albatrans. The Scandicci, Italy-based forwarder has offices in most of the key wine and spirits producing markets overseas. In Germany, Albatrans works for WSSA through a joint venture with forwarder G.L. Kayser.

When service breakdowns do occur, WSSA's staff is able to quickly resolve problems to keep the freight moving, Giovanetti said.

WSSA also works closely with members that require trucking once their shipments arrive in the United States. Transport of alcoholic beverages in the United States requires specially licensed truckers. "This narrows the truck availability quite a bit, but we haven't found it to be a problem," Giovanetti said.

**2006 imports by region**



Regions	Share
North Europe	56%
South Europe	20%
Australia/New Zealand/South Africa	18%
South America	6%

Source: Wine and Spirits Shippers Association.

Each year, WSSA helps its members take advantage of the available refrigerated capacity during U.S. citrus market's off-season. WSSA started the program about 1980 at the Florida port of Jacksonville. The program has since shifted away from Jacksonville to other Southeast ports, such as Savannah, Ga., and Charleston, S.C. WSSA launched a similar program several years ago in Oakland, Calif., for Australian and New Zealand wine shipments.

The program is generally active from mid-November through mid-February, and involves about 50 WSSA members and about 1,000 containerloads. Reefers provide constant temperature for alcoholic beverages, such as wine, that are susceptible to freezing. Many reefer boxes used in the program are destined to the Upper Midwest where the winter temperatures may be especially extreme.

While these additional services have brought value to WSSA's members, the shippers' association has not been distracted from its core mission, which is to secure the best rates and services from liner carriers. With the increased container capacity from the introduction of larger ships, rates may continue to soften to the advantage of shippers.

"We don't want to squeeze out every penny of the carriers' rates. We know the services aren't free. But by the same token we need to be true to our constituency," Giovanetti said. "We may see some rate reductions and at the worst some stability."