Anatomy Of A Tasting Fee
February 25, 2014

In my President's Report at January's annual meeting, I mentioned the upward creep of tasting fees. In past years, our tasting fees were, $10-14; in 2013, the fees were consistently $14-15. Over the past several years, the Board kept tasting fees low, accepting losses on tastings, because we had a large cash reserve that needed to be reduced. But once that reserve was significantly reduced, the Board needed to be more exacting in how we calculated tasting fees. 2013 was the year reality hit. So, I thought I'd elaborate on this in a note to the whole membership. Basically, how do we set a tasting fee?

The three expenses that impact the tasting fee the most are: 1) the number of different wines tasted & their cost; 2) the number of attendees, and; 3) the room rent. Minor considerations are the banquet permit ($10) and supplies ($10-20), but they really don't play a role in calculating a tasting fee.

Our tastings are formatted as 2-oz pours of 5 wines. Occasionally, we offer 6 wines, when it makes sense. For example, at our decanting exercise in February, we tasted two wines prepped in 3 ways (6 "tastes"). Also, for the terroir tasting in May, we tasted 3 Chardonnays & 3 Cabernet Sauvignons from different regions of the state. So, in the examples that follow, I'll factor examples for 5 wines & for 6 wines.

The cost of the wines have the biggest impact. In the past, we've been able to negotiate significant discounts from wineries or stores. In today's economy, the best we can expect is the "case discount" of 10% (considering we aren't buying a case). Even a winery's "industry discount" isn't usually more than 10-15%. Since we are buying retail (as required by our banquet permit), we pay sales tax; from a winery in Eastern Washington, that may be 8%, but at a winery or store in the Seattle metro area, it will be 10%. So, any discount pretty much balances the sales tax. We try to take advantage of any specials & we definite price-shop. In some cases, we'll choose a lower tier wine from a winery's catalog (Gecko Cellars instead of Michael Florentino; Riveraerie instead of Bunnell Family Cellars; No. 9 instead of Swiftwater Cellars).

The reality, however, remains that if we want to keep the quality of our tastings up, we have to look at reds that range in price from $25 to $40, and whites that range from $18 to $25. When we plan a tasting, we try to include a white or rose that will help adjust the bottle average down, but it's tough to do that with a varietal tasting (Zinfandels, Petite Sirah). We've tried white-wine-only tastings, but those were nowhere near as popular as our red wine tastings. Also, our Featured Winery tastings tend to be wineries that have pricier wines.

In the past, our tastings had bottle averages of about $20 per bottle; more recently, that average has crept to $25 per bottle. If we were to conduct a tasting of Walla Walla or Woodinville winery wines, the average would probably be $35. In the examples that follow, I'll use averages of $25 & $35.

The number of attendees factors into how many bottles of each wine we open. Each bottle has 25 ounces, and with two-oz pours, we can serve 12 people (that's why our pourers are squinting at the wineglasses; they're looking at a line that represents 2 ounces). We generally have 35-45 attendees at our tastings. If we have 35-36 attendees, we can get by with three bottles. If we have 37 attendees, we have to open 4 bottles. That one more person represents a big jump in the cost of the tasting (5 more bottles of wine; one each of 5). If we want to avoid a loss on any tasting, we would calculate the tasting fee based on 37 people & 4 bottles of each wine; any attendance of 38-48 attendees, would generate a profit on the tasting, which would be applied to expected shortfalls in the Winter Gala and January Bonus Tasting. (This is the purpose of the Bonus Tasting; it's a members-only event, coupled with our Annual Meeting, subsidized by the profits from tastings held during the prior year.)

(Note: In practive however, we are regularly getting smaller attendance &, on the average, breaking even on our tastings. So we modified our calculations to build in a bit more carryover)*

The room rent is a fixed cost. Because we are a business member of the Museum (for $100 per year), we get a discount on the room. Our current cost per event is about $90. We have held tastings in other venues, for fees ranging from $100 to $150, but the Museum is a delight to work with, & the rent extremely reasonable. Having our events in one location is not only easier for the membership to remember, but also means our room rent is predictable.

How does this all play out in setting tasting fees? Here are some examples:

1) 4 bottles each of 5 wines @ $25 avg per bottle = $500, plus $90 room rent = $590, divided by 38 attendees = $15.50

2) 4 bottles each of 6 wines @ $25 avg per bottle = $600, plus $90 room rent = $690, divided by 38 attendees = $18.00
3) 4 bottles each of 5 wines @ $35 avg per bottle = $700, plus $90 room rent = $790, divided by 38 attendees = $21.00
4) 4 bottles each of 6 wines @ $35 avg per bottle = $840, plus $90 room rent = $930, divided by 38 attendees = $24.50

*In practice, we try to make a little bit at each tasting in order to generate funds to support the Winter Gala and the January Bonus Tasting. The latter is a members-only event, at which we hold our annual meeting & plan a tasting of "special" wines. While we usually try to cover the cost of our events thrugh the tasting fee, we keep the tasting fee low on on the Bonus Tasting to encourage members to attend & to reward them for their support through the year. So we "splurge" a bit.

So, to simplify the tasting fee calculations (& to ensure we stay in the black through the year), we've developed the following formula for calculating a tasting fee:

Bottle cost of the wines X 4 bottles each; plus $100 room & license; plus $100 GFA*; / 40 attendees = tasting fee.
(GFA: General Fund Accrual, a nicer way to say profit)

So, 5 wines @ $25 avg per bottle = $125; X 4 = $500; plus 100, plus 100 = 700; divided by 40 = $17.50

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