

CASE STUDY 13

WINE BRAND 'YELLOW TAIL'

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Unheard of just a few years ago, Casella Wine's Yellow Tail brand has defied all expectations and become Australia's fastest growing wine brand in the USA. Currently, about one in every three bottles of Australian wine sold in the USA carries the Yellow Tail label. This fact is all the more remarkable when it is realised the brand was only launched onto the US market in July 2001. The winery's managing director John Casella puts the brand's phenomenal success down to an eye-catching label and to wine that is good quality for the price. The wine has a fruity easy-drinking style that has found obvious favour among US wine drinkers. Not only has the winery been rewarded through skyrocketing sales but also by claiming several Australian export awards. The future seems bright for Yellow Tail, with expectations of some five million cases (45 million litres) of the wine leaving for the USA in 2004.

Casella Wines began modestly when in 1969 Filippo and Maria Casella established a winery on their property near Griffith in the Riverina district of New South Wales. Run by family members in the early years, the business prospered to the extent that five people could be employed by 1995. But that was before the advent of Yellow Tail. The winery now employs well over 300 people and supports a variety of local causes.

Until recently the family-owned Casella Wines had no branded product of its own, selling its production to larger wineries, often in bulk. In 2000 John Casella, determined to pursue export markets more proactively, aimed his sights at the large US wine market. But he needed a label and the kind of packaging that would catch the consumer's eye in what is a very crowded marketplace. He found exactly what he was looking for through a company called Just Add Wine, the brainchild of Adelaide graphic designer Barbara Harkness. The company provides complete packaging designs for winemakers 'off the shelf' and sold the Yellow Tail design to Casella in 2001. John Casella saw the brand as a perfect vehicle for entry into the US market. The brand features a label with the image of a stylised kangaroo in earthy colours of orange, red and gold. Aboriginal in inspiration, the label has a whimsical, almost child-like appeal. The name Yellow Tail in fact refers to the yellow-footed rock wallaby, and the Australiana theme was expected to have particular resonance with the US consumer. Casella used the brand to package several varieties for the US market including Chardonnay, Shiraz and Cabernet Sauvignon. The winery budgeted for sales of 25 000 cases in the first year. Half a million cases were actually sold—the Yellow Tail phenomenon had begun.

The USA is large market with a population of some 285 million, but compared with Australia the wine market is still relatively immature. Yearly per capita consumption is just 7.3 litres compared to Australia's 20 litres, and it is estimated that 19 million Americans drink 86% of all wine consumed in the USA. The US wine market is a complex one. Wine imports pay an import duty and a federal excise tax, but additional taxes are levied at the state level, and these vary from state to state. Further, regulations regarding the sale and distribution of wine also vary from state to state. Only a licensed importer may import wine. The USA has a three-tier system of wine distribution, with the importer dealing with a distributor, who then sells to the retailer or restaurateur and finally to the consumer. Most distributors are state based, and importers must appoint a separate distributor in each state they wish to enter. Most wine is sold through supermarkets and liquor stores. Sales over the Web have not taken off as once predicted and command only a small percentage of sales. Most advertising and promotion occurs through activities such as public relations, tastings, sales support and so on. Some wine advertising appears in specialist food and wine magazines, but general advertising (especially television) is too costly for all but the largest companies. Wine labels must receive approval from the Bureau

of Alcohol Tobacco and Firearms (BATF) before being placed on the market. A wine labelled with a particular vintage year must consist of at least 95% of that vintage. The requirement in Australia is 85%. Other labelling laws apply to alcohol content, geographic and varietal appellations, the name and address of the importer, net contents and sulphite declaration. In addition, the label must carry a health warning with wording as follows:

Government Warning: (1) According to the surgeon general, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects. (2) Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems.

In the USA Yellow Tail (750 mL bottle) sells in the range US\$5.99 to US\$7.99, considered to be within the premium segment of the wine market. Wine priced in the \$4 to \$6 bracket is referred to as popular premium. At the bottom end of the market is 'two buck chuck'. Casella has had enormous success in the premium sector. Yellow Tail is characterised by its consistency and easy-drinking, food-friendly style. Well over 90% of Casella's annual production is exported, but not solely to the USA. Casella exports wine to the UK, Canada, Germany, Finland, Belgium and elsewhere.

In an interesting twist, Casella Wines in July 2003 launched the hitherto export-only Yellow Tail brand onto the Australian market. Originally conceived as an export brand specifically suited to the US market, it is hoped that Yellow Tail's overseas success can be replicated at home. In developing the product for different markets Casella has essentially adopted a standardised approach, with its advantages of economies of scale in manufacture, and economies in marketing, research and development. According to Kotler (2000), elements of a product that offer satisfaction to the consumer can be categorised into the core benefit, the basic product, the expected product, the augmented product and the potential product. With respect to Yellow Tail, these elements have remained relatively unchanged in different markets despite the need to modify the product in line with regulatory and legal requirements. Yellow Tail's styling, packaging and quality differ relatively little, for example, between the Australian and US wine markets. Although the views of those in industry differ as to how successful the brand will be in Australia, a more pressing issue for John Casella is the question of how to maintain the brand's momentum in the USA. An amazing 32% of Australian wine sales in the USA are Yellow Tail. This has been achieved with almost no advertising, the label doing most of the selling as well as incentive-based programs at retail, trade and consumer levels. Among the many decisions that face John Casella will be the vexing one of whether now is the right time to start advertising Yellow Tail in the USA in earnest.

Casella is also looking towards emerging markets such as Japan in order to continue its overseas growth. Wine consumption in Japan is at the introductory stage of the product life cycle, with the market offering immense potential. More than 300 000 cases (2.7 million litres) of Yellow Tail wine were recently shipped to Japan in one order, claimed to represent about four times the amount of wine any Australian wine company has previously sent to that country. The issue of whether to maintain a standardised approach for Yellow Tail in markets such as Japan will be a difficult one to deal with. On the one hand standardisation will offer Casella substantial cost savings, but on the other hand the differing tastes and preferences of the Japanese drinker, linguistic and cultural issues, cuisine differences together with competitive pressures from other New World wine importers such as Chile, the USA and South Africa will make some degree of adaptation essential. The dilemma facing John Casella is that of trying to determine which of the elements of Yellow Tail's core benefit, basic product, expected product, augmented product and potential product will need to be changed while at the same time safeguarding the economies built up through standardisation.

Questions

1. Apart from the mandatory (legal) items, in what ways did Casella tailor its wine for the US market?
2. Will a standardised approach work for the Yellow Tail brand in all overseas markets? Why or why not?
3. Which elements of the product offering (core benefit, basic product, expected product, augmented product and potential product) may need to be modified for the Japanese market?
4. Do you think the brand will be as successful in Australia as it is in the USA?
5. Is now the right time for Casella to start a heavy advertising campaign in the USA?

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