

A CASE STUDY: HOW CONSUMER INSIGHTS DROVE THE SUCCESSFUL LAUNCH OF A NEW RED WINE

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Agenda

- Challenges of Wine Category
- Consumers: Foundation for Product Insights
- Successful Launch of a New Red Wine
 - Ideation
 - Concept Development
 - Product Testing
 - Sales Results
 - Conclusion



Challenges come from Dynamic Consumers & Market Place

- Challenges from Consumers:
 - They are not brand loyal
 - They shop across varietals, region of origin, price points
 - They change with generations
 - They agree that taste is important
- Challenges from the Market Place:
 - ~1500 new wine items / year
 - Growth in new varietals, in New World wines



Consumers: Foundation for Product Insights



Recurrent Consumer Studies Capture Category Winestyle Insights

- White, red, or blush/rosé wine world
- US & International consumers
- Broad consumer demographic spectrum
- Category winestyle research updated every 2-3 years



Consumers Provide the Foundation for Gallo's Winestyle Portfolio

Optimize our Portfolio

- Assess Offerings at each Price Point
- Identify Whitespace Opportunities

Develop Winestyle Targets

- According to consumers expectations

Assess Quality of our Wines

- To make sure that winestyle targets are met



Building the Foundation: Development Process

1

Wine Selection

2

Wine Description

3

Consumer Liking

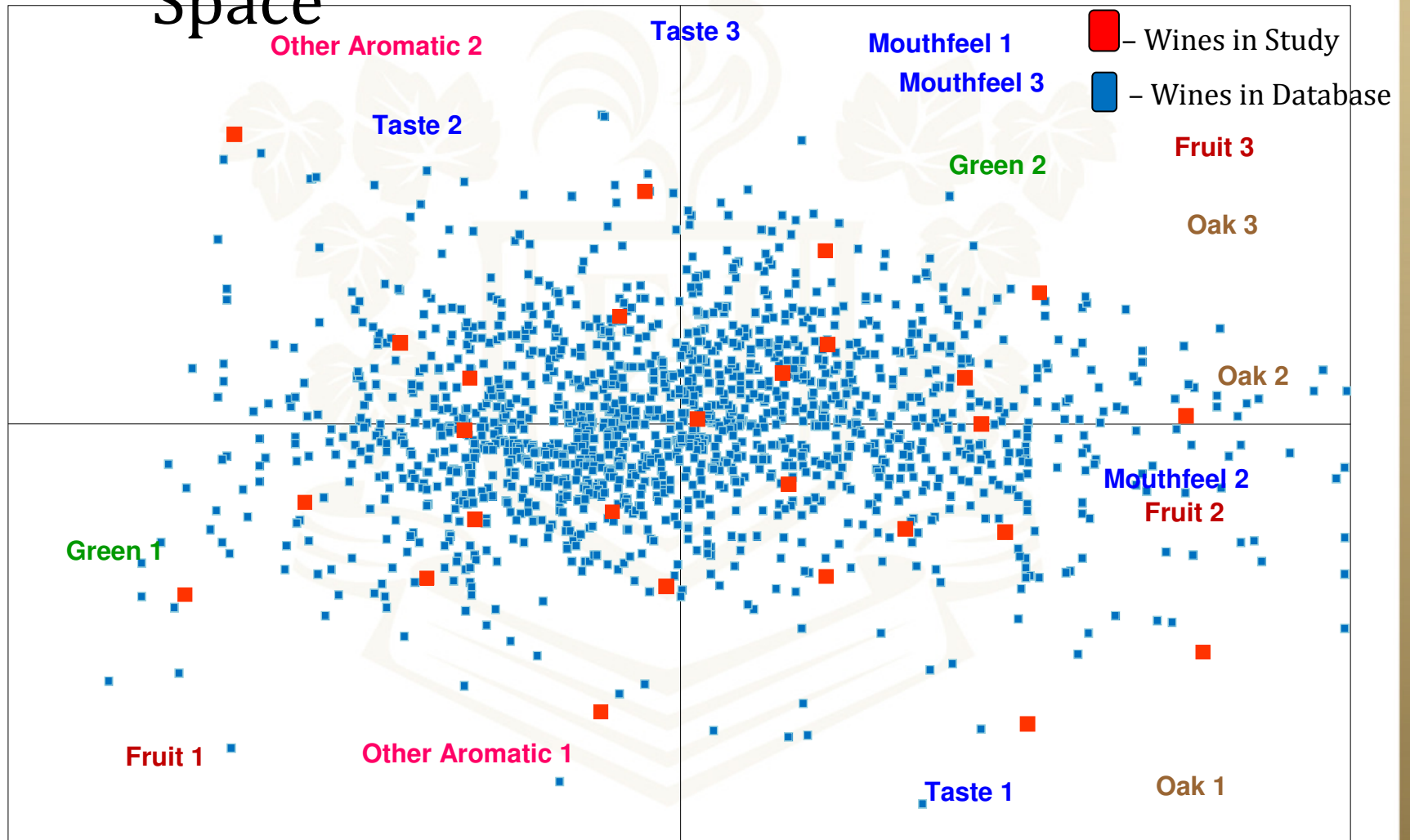
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Winestyle Clusters & Models



1

Wine Selection covers the Category Space

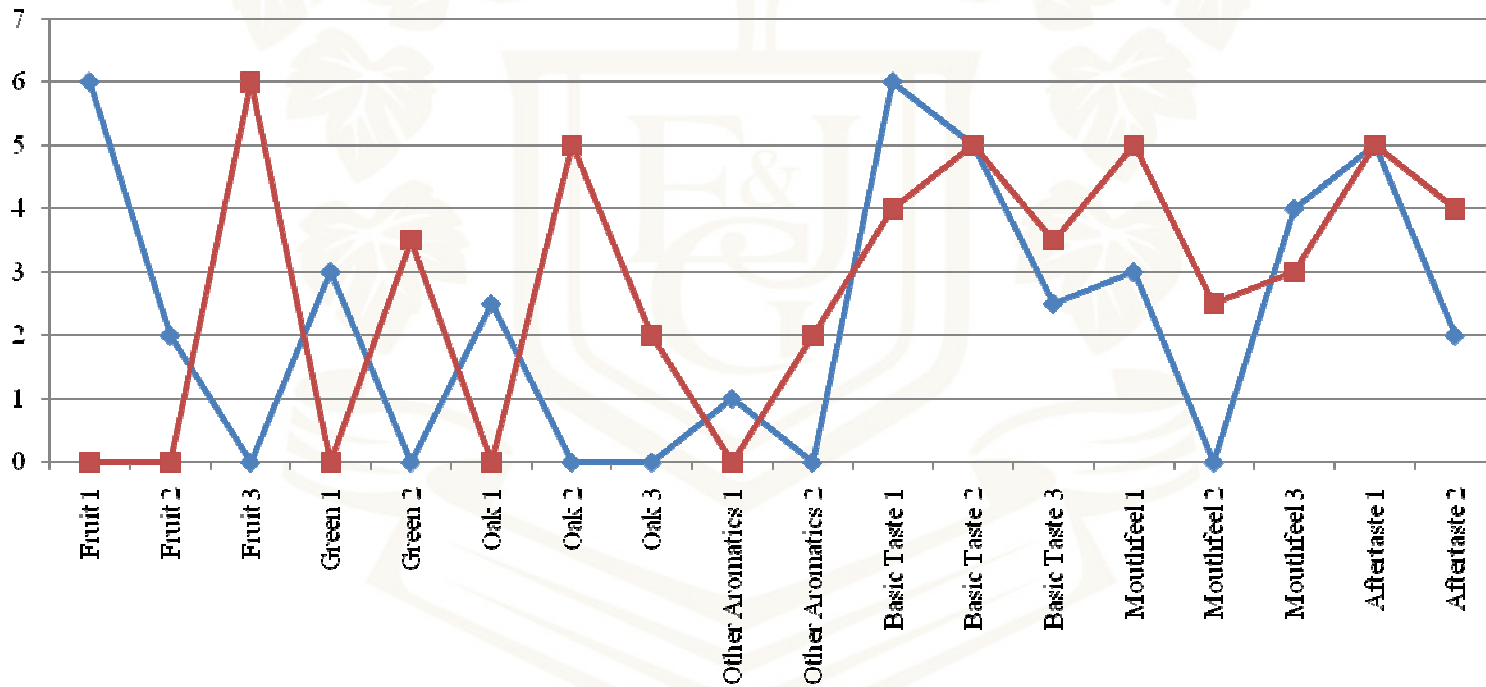


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Wine Description with Trained Panel

Objective – Reproducible – Quantifiable

Attribute Intensities



Professional Panelists – Extensively Trained – All Wines are Evaluated Blind



3

Consumer Liking with Category Users

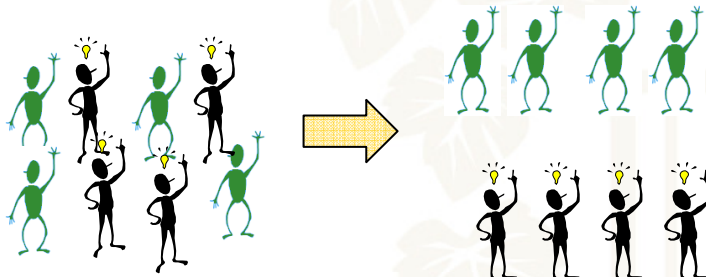
- Central Location Test
- 350 moderate to heavy wine users in geographically dispersed
- Overall liking score for each wine
 - Blind evaluation



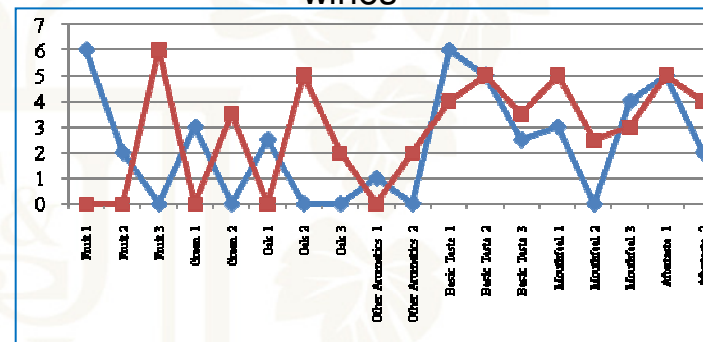
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We link the information together to classify wines based on *what consumers like*

Group consumers based on wines they like and dislike



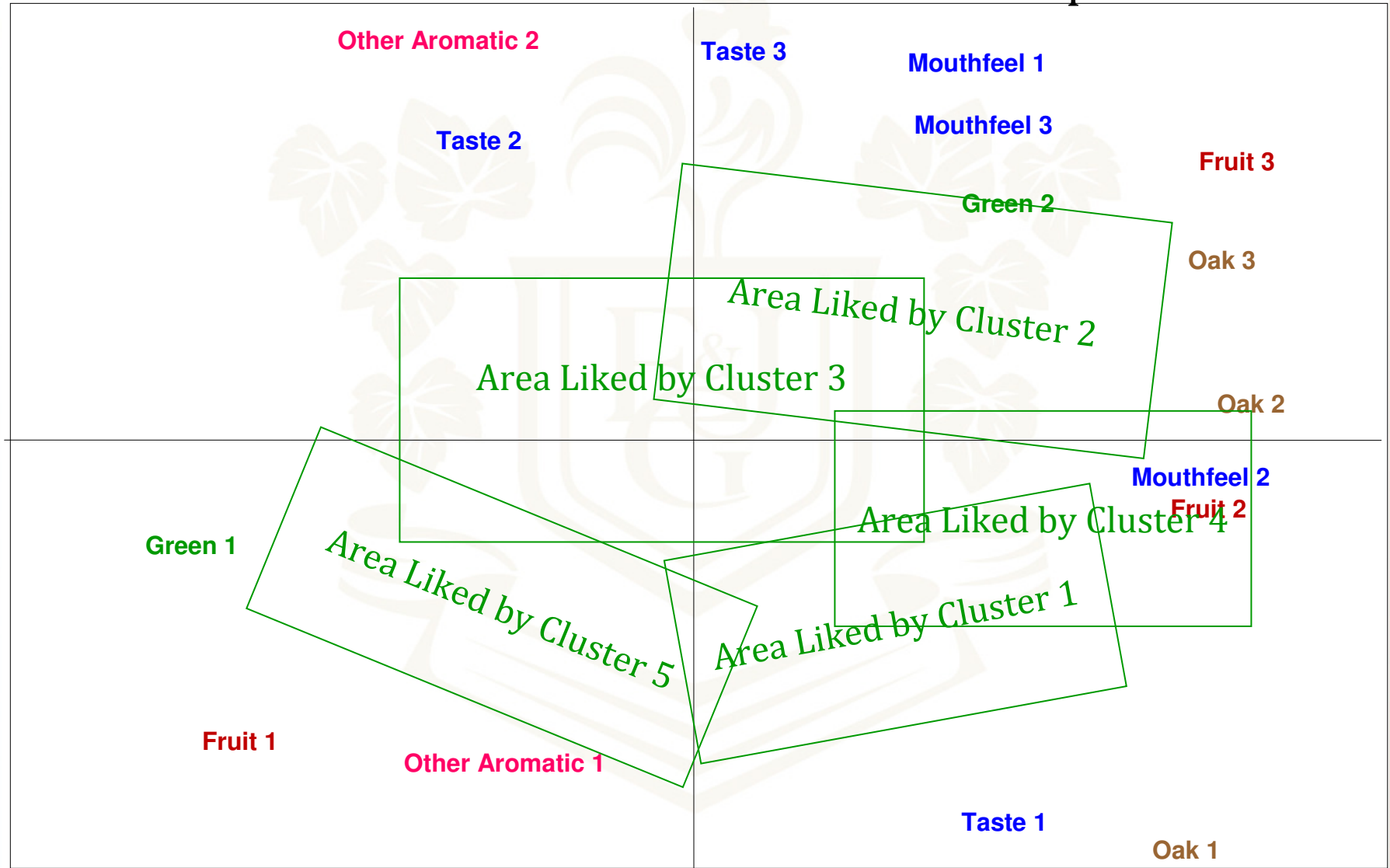
Measure the attributes of the wines



Mathematically combine the information



While each cluster has an optimal liking zone, there are areas where the zones overlap.



4

Modeling Predicts Wine Acceptance

Regression model enables to predict wine acceptance solely from descriptive data for each cluster

	Cl1	Cl2	Cl3	Cl4	Cl5
Wine A	Well liked	Well liked	Well liked	Fairly well liked	
Wine B	Fairly well liked	Well liked		Well liked	Fairly well liked
Wine C	Fairly well liked	Well liked	Well liked		Not well liked
Wine D	Fairly well liked	Fairly well liked	Fairly well liked		
Wine E		Not well liked		Well liked	
Wine F	Not well liked	Not well liked	Fairly well liked		
Wine G		Not well liked	Fairly well liked	Fairly well liked	Not well liked

Predicted well liked

Predicted fairly well liked

Predicted not well liked



Consumers Provide the Foundation for Gallo's Winestyle Portfolio

Optimize our Portfolio

- Assess Offerings at each Price Point
 - To insure we have wines targeted to every relevant cluster
- Identify Whitespace Opportunities
 - For new brands or line extensions
- Drive Research Initiatives

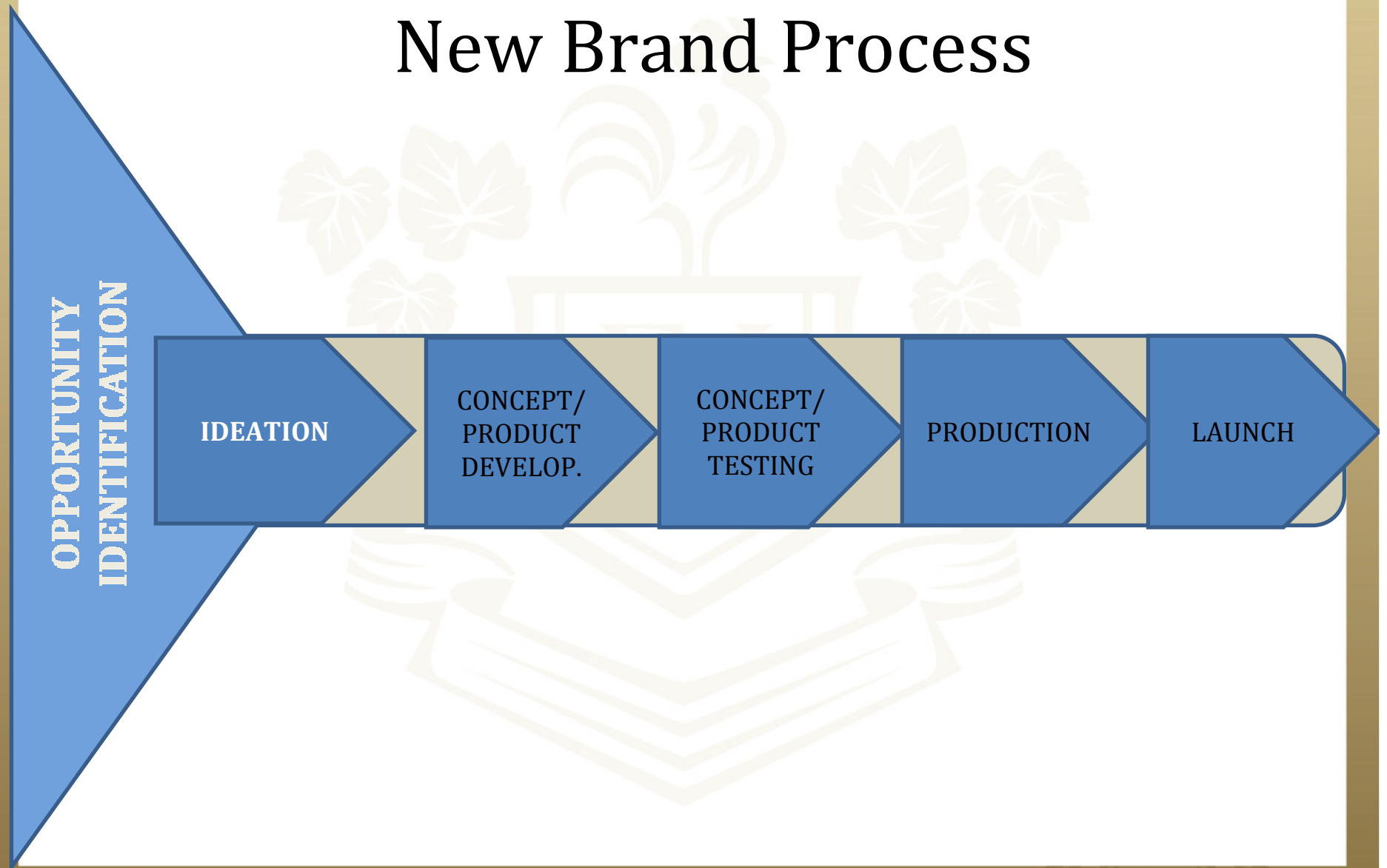




Successful Launch of a New Red Wine



New Brand Process



Gap in the Market Place Identified

- Red wine sub-category on a fast growth
- Few large competitors share most of the market
- Gallo doesn't have any offerings yet



New Brand Creation to fill the Gap

- New Red Wine from California
 - Need to have broad appeal
 - Be differentiated and at least well liked as #1 competitor
- Cross-Functional Team:
 - Marketing (project lead)
 - Winemaking
 - Creative
 - Consumer & Product Insights
 - Brand Research
 - Product Research
 - Information Intelligence



Competitors Winestyle Insights

- Understand the targeted sub-category winestyle scope
- Determine whether some competitors have potential broad appeal
- Identify the sensory dimensions to explore

Use our descriptive panel tool



Broad Predicted Liking Achieved by 2 Competitors

	CI1	CI2	CI3	CI4	CI5
#1 Competitor	Well Liked	Well Liked	Well Liked	Well Liked	Fairly Well Liked
Competitor A	Fairly Well Liked	Well Liked	Fairly Well Liked	Well Liked	Fairly Well Liked
Competitor B	Fairly Well Liked	Well Liked	Well Liked	Fairly Well Liked	Not Well Liked
Competitor C	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked
Competitor D	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked
Competitor E	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked
Competitor F	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked	Not Well Liked
Competitor G	Fairly Well Liked	Not Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked
Competitor H	Fairly Well Liked	Not Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked
Competitor I	Fairly Well Liked	Not Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked
Competitor J	Not Well Liked	Not Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked
Competitor K	Not Well Liked	Not Well Liked	Fairly Well Liked	Fairly Well Liked	Not Well Liked
Competitor L	Fairly Well Liked	Not Well Liked	Fairly Well Liked	Fairly Well Liked	Not Well Liked
Competitor M	Fairly Well Liked	Not Well Liked	Fairly Well Liked	Fairly Well Liked	Fairly Well Liked

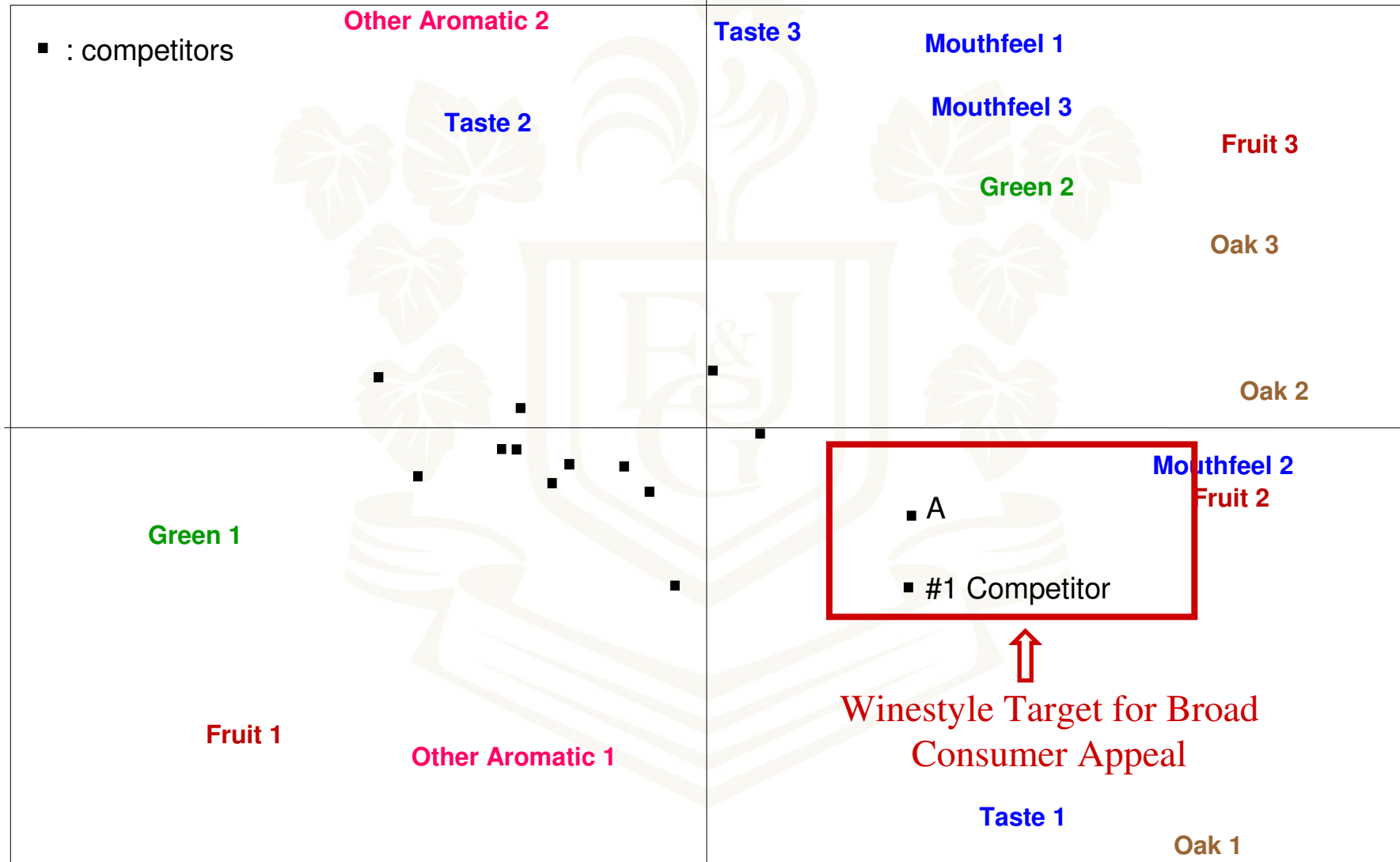
Predicted well liked

Predicted fairly well liked

Predicted not well liked



Predicted Broad Appeal & Style Differentiation defined in Targeted Box

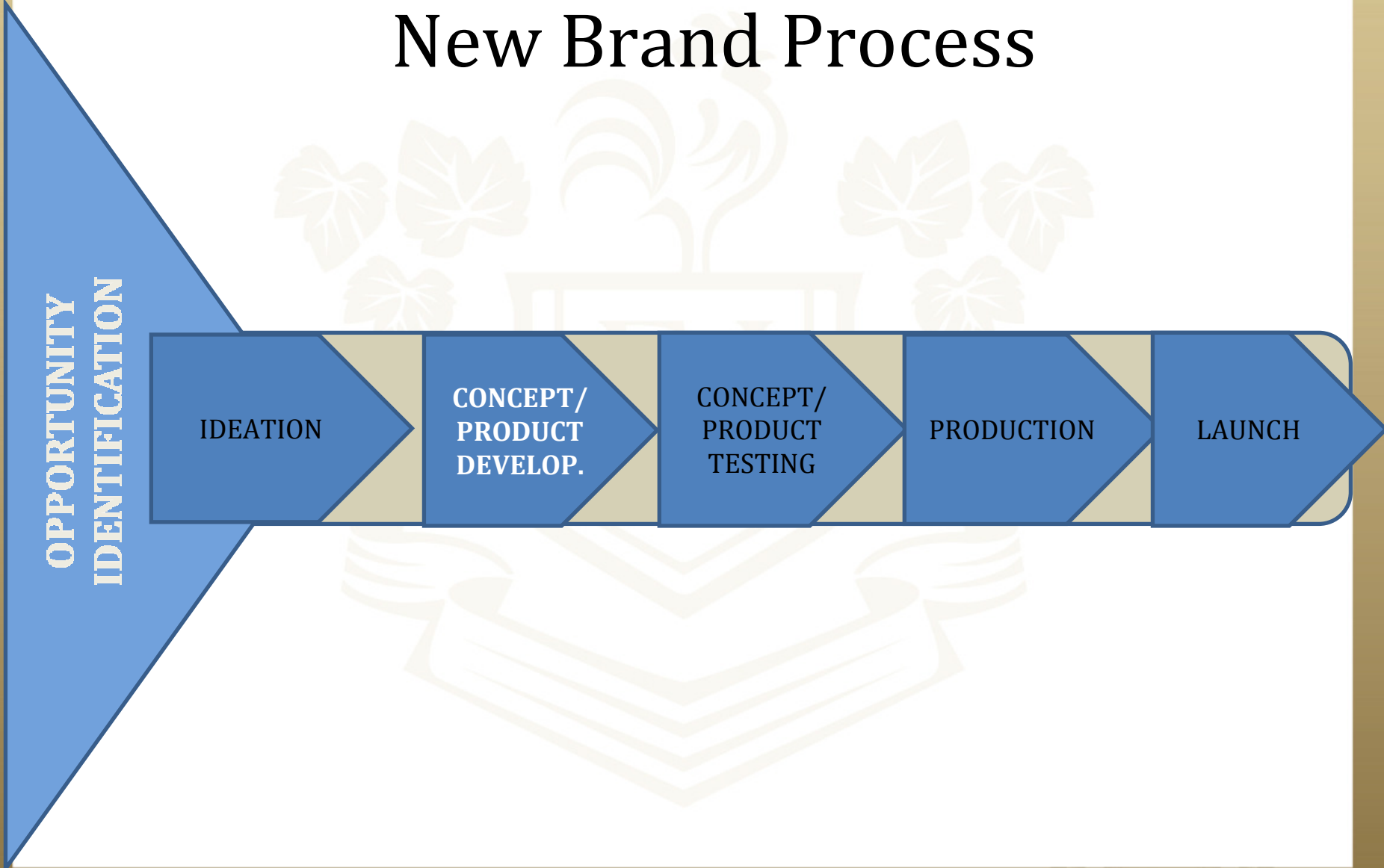


Research on Brand Image reinforced our Broad Appeal Strategy

- Winestyle is key
 - Layers of flavors and approachable mouthfeel wine style resonated well among the consumers
- Winestyle must fit with the packaging



New Brand Process



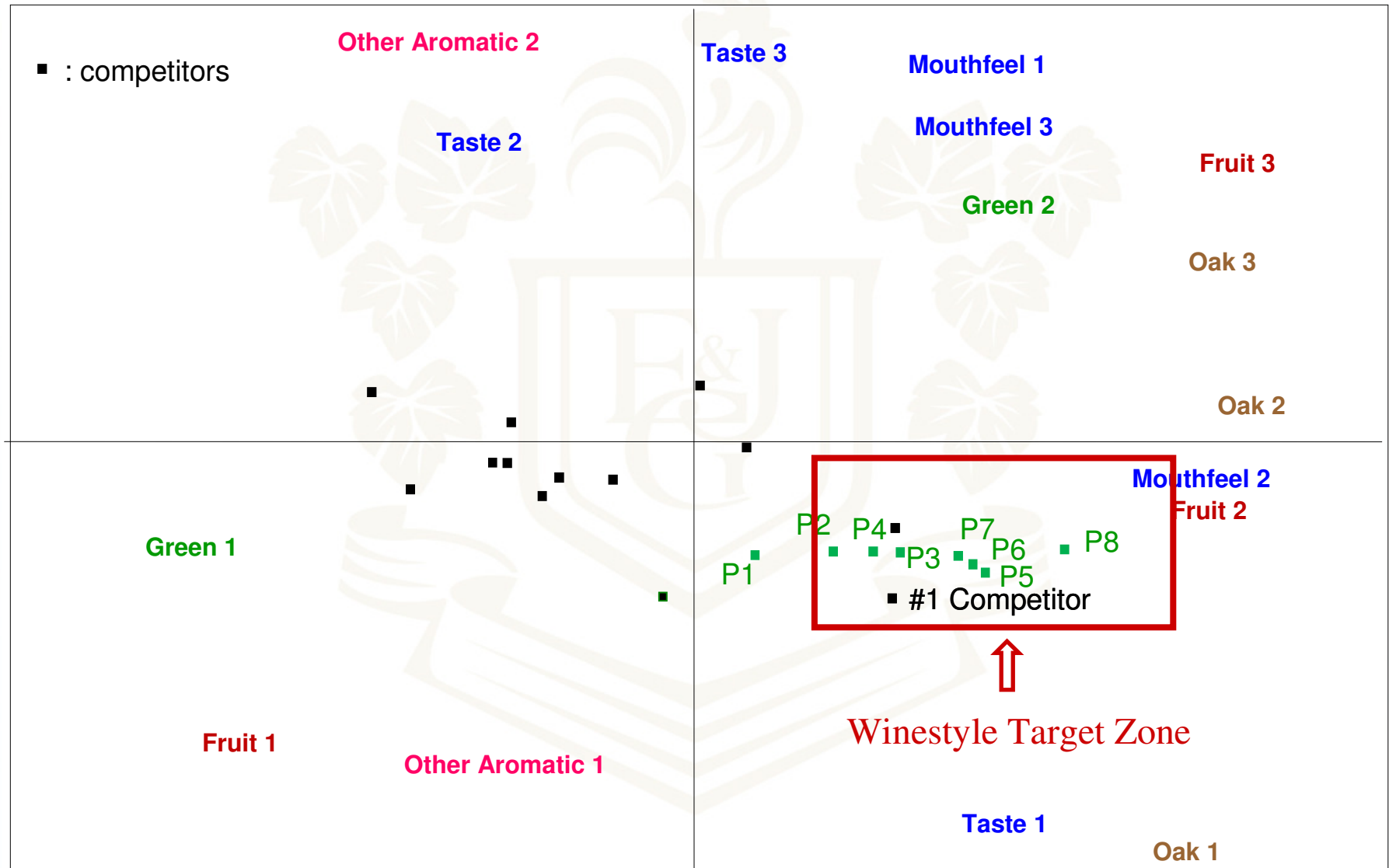
Winemakers varied 3 components in the blends to create 8 prototypes

Prototypes	Component 1	Component 2	Component 3
1	Level 1	Level 1	Level 1
2	Level 1	Level 1	Level 2
3	Level 1	Level 2	Level 1
4	Level 1	Level 2	Level 2
5	Level 2	Level 1	Level 1
6	Level 2	Level 1	Level 2
7	Level 2	Level 2	Level 1
8	Level 2	Level 2	Level 2

- Components were selected to vary the perception of the targeted sensory attributes
- Prototypes were profiled by the descriptive panel



7 Prototypes fell in the Targeted Zone



Most Prototypes were predicted to as well liked as #1 Competitor

	cl 1	cl 2	cl 3	cl 4	cl 5
#1 Competitor	Well Liked	Well Liked	Well Liked	Well Liked	Fairly Well Liked
P1	Fairly Well Liked	Fairly Well Liked	Well Liked	Fairly Well Liked	Fairly Well Liked
P2	Well Liked	Fairly Well Liked	Well Liked	Well Liked	Fairly Well Liked
P3	Well Liked	Well Liked	Well Liked	Well Liked	Fairly Well Liked
P4	Well Liked	Well Liked	Well Liked	Well Liked	Fairly Well Liked
P5	Well Liked	Well Liked	Well Liked	Well Liked	Fairly Well Liked
P6	Well Liked	Well Liked	Well Liked	Well Liked	Fairly Well Liked
P7	Well Liked	Well Liked	Well Liked	Well Liked	Fairly Well Liked
P8	Well Liked	Well Liked	Well Liked	Well Liked	Fairly Well Liked

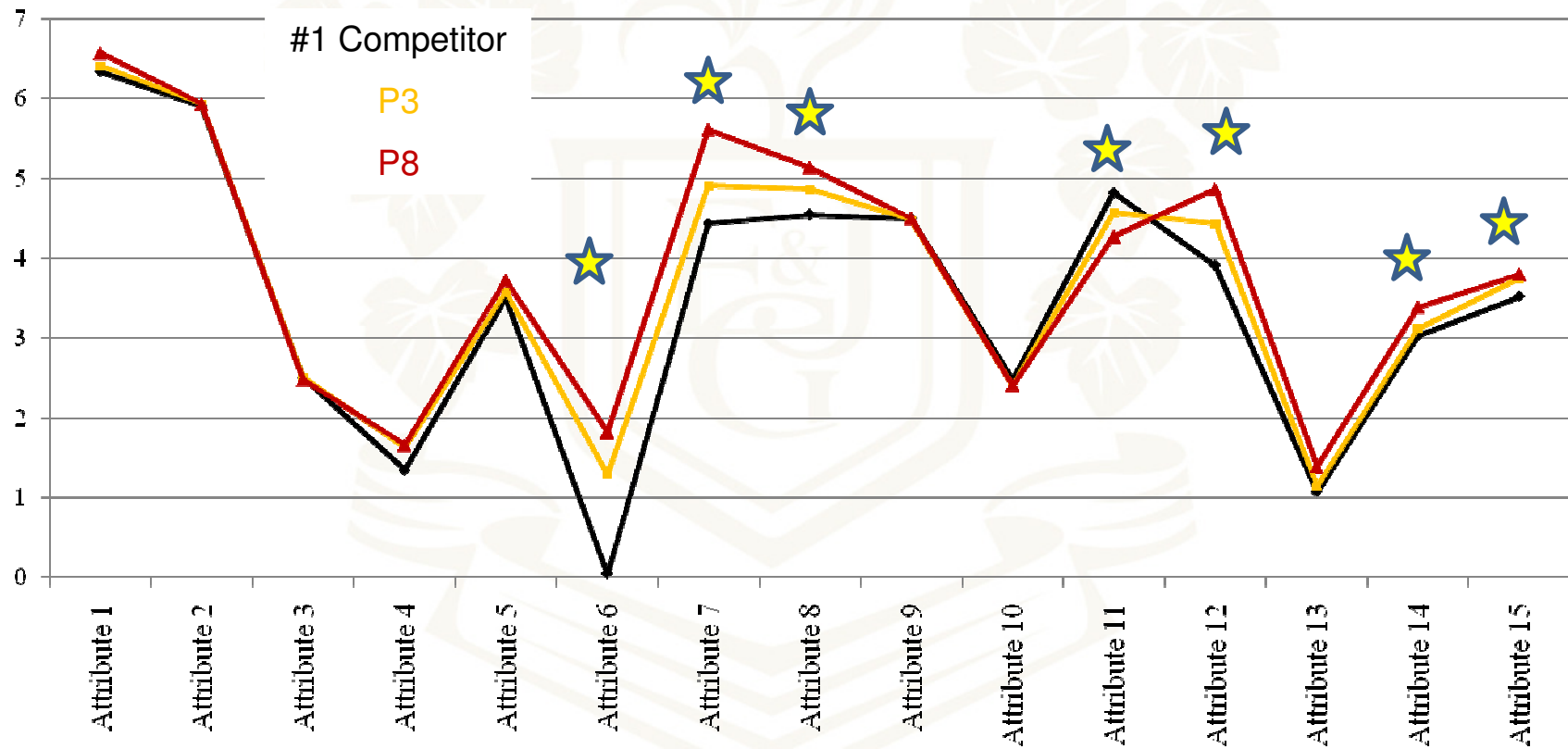
Predicted well liked

Predicted fairly well liked

Predicted not well liked



P3 and P8 are differentiated enough from competitor, P8 is most different

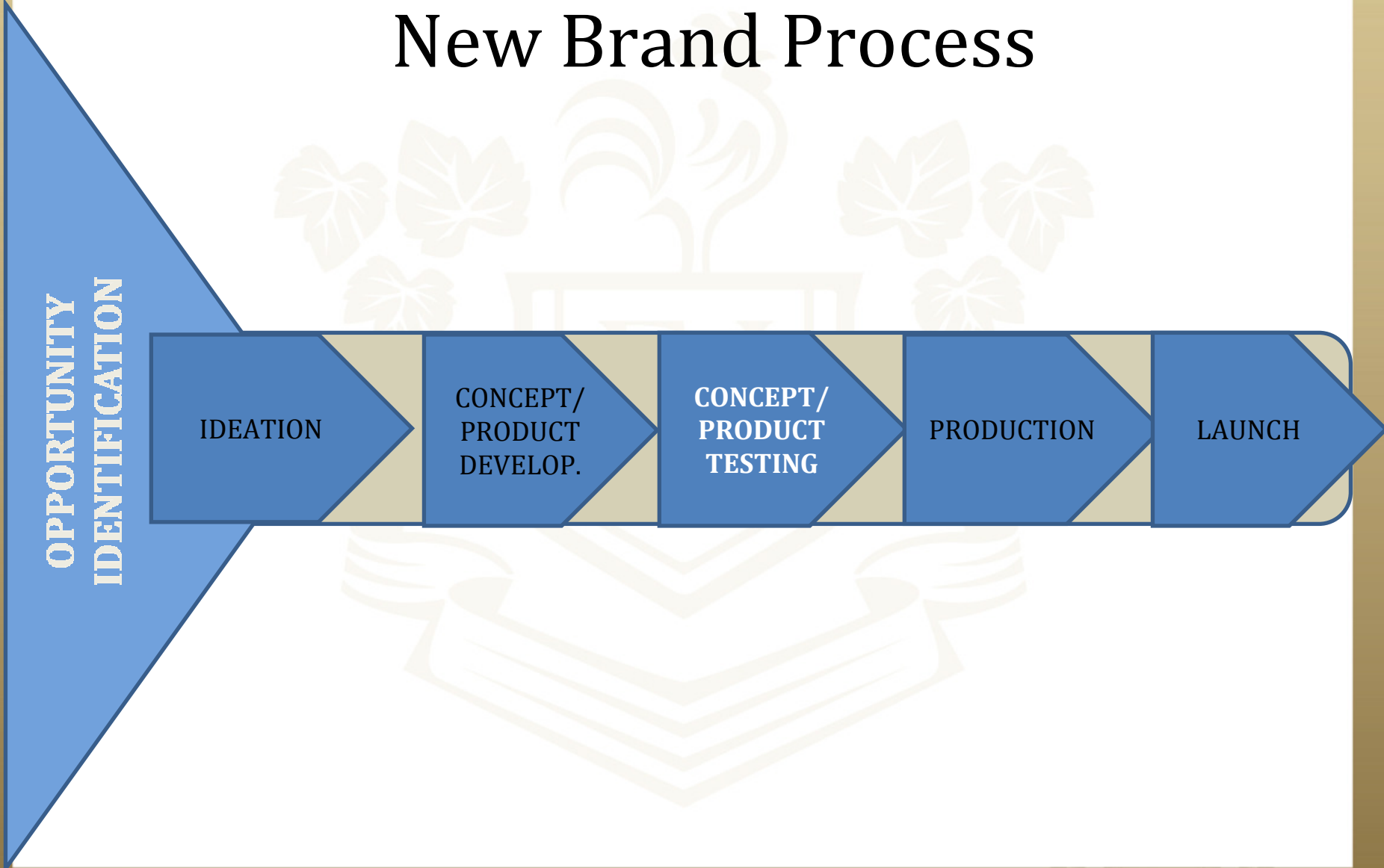


Brand Research identified 3 Label Options

- Three labels to choose from:
 - Label A
 - Label B
 - Label C
- Which label is the best fit for which prototype?



New Brand Process



Our success criteria now includes Concept/Product Fit Components

- Product
 - Broad appeal
 - Stylistically different from #1 competitor
 - At least at parity in liking with #1 competitor
- Concept (Label) /Product Fit:
 - Higher branded product purchase intent **or**
 - No more than 33% consumer drop in purchase intent from the label to the branded product



Consumer Selection is Specific to Consumer Target

- Premium red wine users
- Acceptors of the red wine sub-category
- Gender, age, price point specifics



Products were evaluated Blind & Branded

3 step evaluation:

1. Products blind evaluation (n=300)

- #1 Competitor
- P3
- P8

Overall Liking

2. Label Evaluation (1 / person)

Label A
(n=100)

Label B
(n=100)

Label C
(n=100)

Purchase Intent

3. Products branded evaluation (with label)

Label A

Label B

Label C

#1 Comp.

#1 Comp.

#1 Comp.

P3

P3

P3

P8

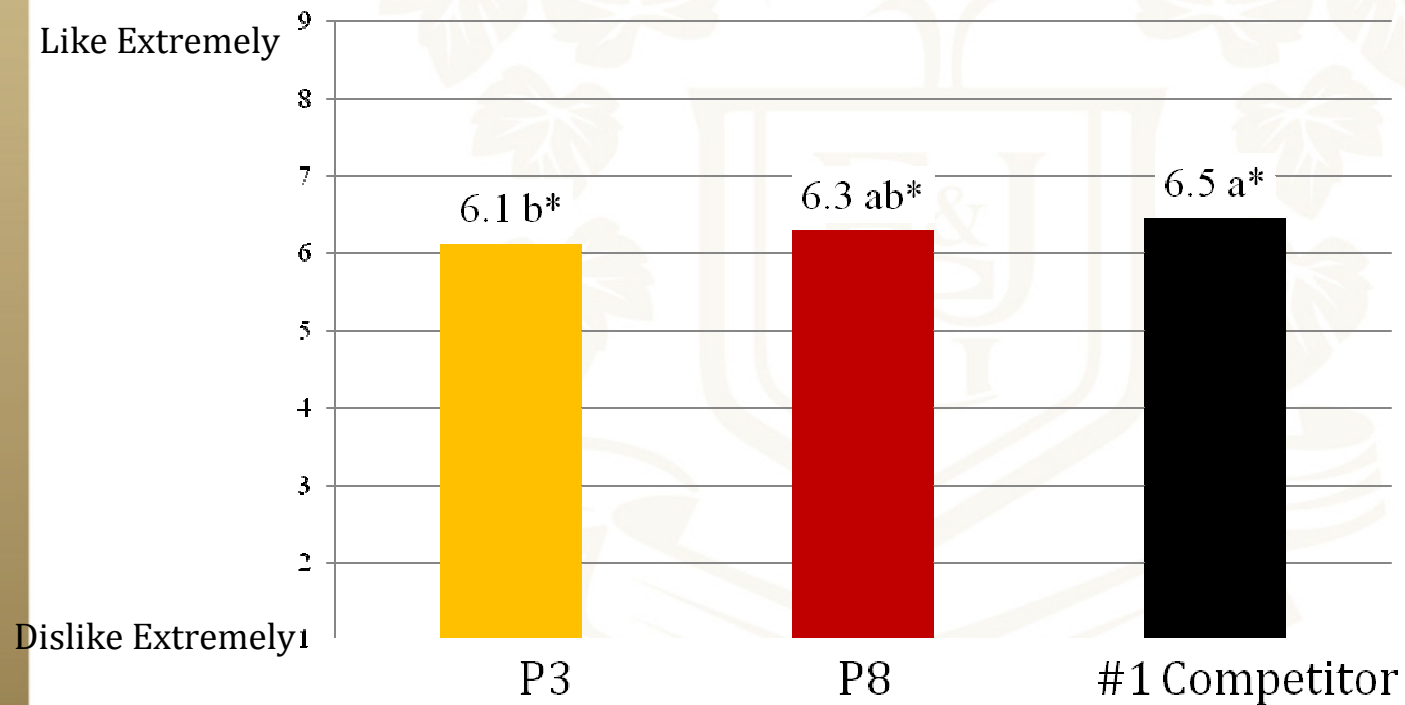
P8

P8

Purchase Intent



Overall Liking: P8 is at Parity with #1 Competitor

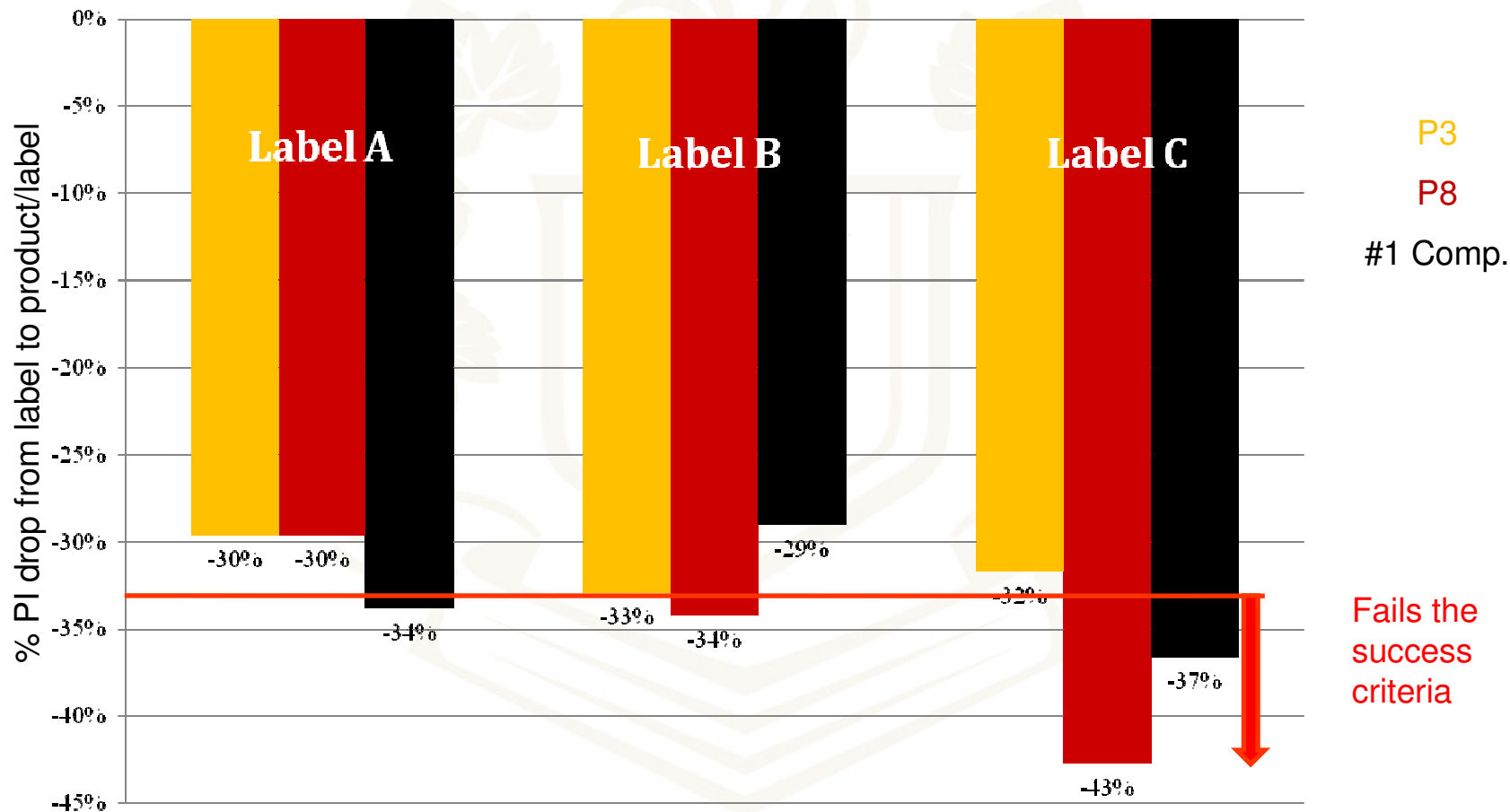


* At 95% of confidence level

No clusters identified



P8 maintains most Purchase Intent with Label A



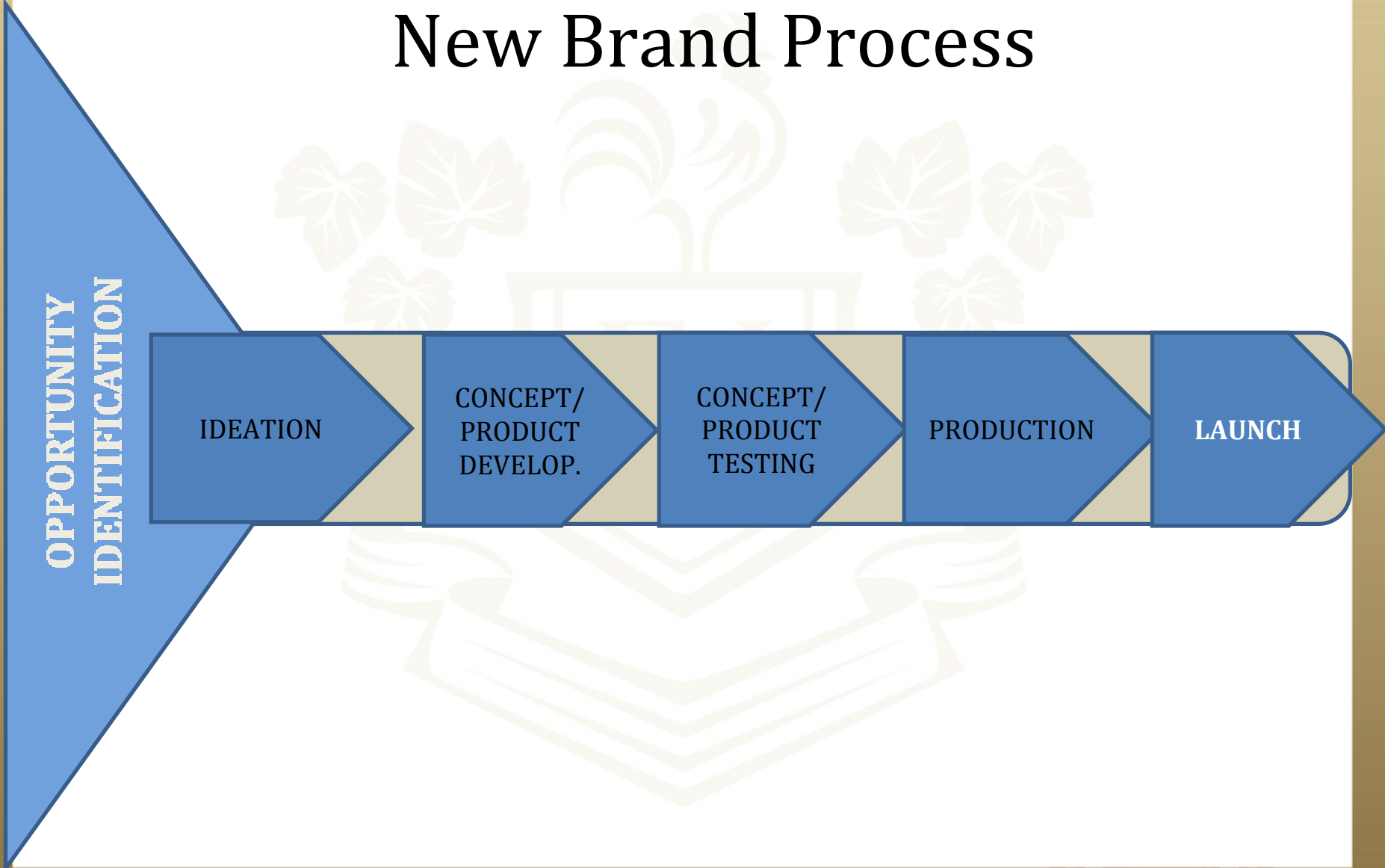
P8 with Label A best meets all the Success Criteria

Success Criteria	Label	P1	P8	#1 Comp.
Broad appeal		Pass	Pass	Pass
Stylistically different from #1comp.		Pass	Pass	N/A
Liking parity with #1 comp.		Fail	Pass	N/A
<33% drop in PI from top-2 box	A	Pass	Pass	At limit
	B	Pass	At limit	Pass
	C	Pass	Fail	Fail

Launched P8 with Label A



New Brand Process



Test Market Exceeded Expectations by 45%

- Production increased by 11 fold from 1st to 2nd vintage and continues to grow



Consumer Insights drove Success

- Identified winestyle opportunities from our foundation learning on the category
- Validated assumptions with targeted consumers
- Strong and consistent cross-functional team



Long term success can be expected

- Clear winestyle targets
- Our tools quickly and easily measure the performance against these targets
- Partners who value our insights





Thank you!

