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

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E&J. Gallo Winery

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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/rose 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
4. Winestyle Clusters & Models
Wine Selection covers the Category Space
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
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. 

- They Like Sweet & Fruity
- Winestyle Groupings

- They like Oak & Spice

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**Consumer & Product Insights**
While each cluster has an optimal liking zone, there are areas where the zones overlap.
Regression model enables to predict wine acceptance solely from descriptive data for each cluster

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- 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

- IDEATION
- CONCEPT/PRODUCT DEVELOP.
- CONCEPT/PRODUCT TESTING
- PRODUCTION
- LAUNCH

Consumer & Product Insights
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

<table>
<thead>
<tr>
<th>Competitor</th>
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<td>Competitor M</td>
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*Predicted well liked, Predicted fairly well liked, Predicted not well liked*
Predicted Broad Appeal & Style Differentiation defined in Targeted Box

- Taste 1
- Taste 2
- Taste 3
- Mouthfeel 1
- Mouthfeel 2
- Mouthfeel 3
- Green 1
- Green 2
- Fruit 1
- Fruit 2
- Fruit 3
- Oak 1
- Oak 2
- Oak 3
- Other Aromatic 1
- Other Aromatic 2

#1 Competitor: competitors

Winestyle Target for Broad Consumer Appeal

Consumer & Product Insights
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

IDEATION

CONCEPT/PRODUCT DEVELOP.

CONCEPT/PRODUCT TESTING

PRODUCTION

LAUNCH

Opportunity Identification

Consumer & Product Insights
Winemakers varied 3 components in the blends to create 8 prototypes.

<table>
<thead>
<tr>
<th>Prototypes</th>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
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<tbody>
<tr>
<td>1</td>
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<tr>
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- 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

- : competitors

Winestyle Target Zone

#1 Competitor

P1 P2 P3 P4 P5 P6 P7 P8
Most Prototypes were predicted to as well liked as #1 Competitor

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<td>P8</td>
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</table>

- **Predicted well liked**
- **Predicted fairly well liked**
- **Predicted not well liked**

Consumer & Product Insights
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

- Opportunity Identification
- Ideation
- Concept/Product Development
- Concept/Product Testing
- Production
- Launch

Consumer & Product Insights
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

2. **Label Evaluation** (1 / person)
   - Label A (n=100)
   - Label B (n=100)
   - Label C (n=100)

3. **Products branded evaluation** (with label)
   - Label A
     - #1 Comp.
     - P3
     - P8
   - Label B
     - #1 Comp.
     - P3
     - P8
   - Label C
     - #1 Comp.
     - P3
     - P8

**Consumer & Product Insights**
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

% PI drop from label to product/label:

- Label A: +30%
- Label B: +33%
- Label C: +32%

P3
P8
#1 Comp.

Fails the success criteria

Consumer & Product Insights

E&J Gallo Winery
P8 with Label A best meets all the Success Criteria

<table>
<thead>
<tr>
<th>Success Criteria</th>
<th>Label</th>
<th>P1</th>
<th>P8</th>
<th>#1 Comp.</th>
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<tbody>
<tr>
<td>Broad appeal</td>
<td></td>
<td>Pass</td>
<td>Pass</td>
<td>Pass</td>
</tr>
<tr>
<td>Stylistically different from #1 comp.</td>
<td></td>
<td>Pass</td>
<td>Pass</td>
<td>N/A</td>
</tr>
<tr>
<td>Liking parity with #1 comp.</td>
<td></td>
<td>Fail</td>
<td>Pass</td>
<td>N/A</td>
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<tr>
<td>&lt;33% drop in PI from top-2 box</td>
<td>A</td>
<td>Pass</td>
<td>Pass</td>
<td>At limit</td>
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<td></td>
<td>B</td>
<td>Pass</td>
<td>At limit</td>
<td>Pass</td>
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<td></td>
<td>C</td>
<td>Pass</td>
<td>Fail</td>
<td>Fail</td>
</tr>
</tbody>
</table>

Launched P8 with Label A
New Brand Process

Consumer & Product Insights
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!