Casella wines case study

Casella wines completive generic strategies correctly identified and substantiated reasons given in analysis of appropriateness. The wine industry in US in 2001 was highly competitive. The wine industry in US was overcrowded, highly competitive, and increasingly squeezed at the distribution and retail stages of the supply chain. The company noted that most of the US consumers preferred beer, spirits and pre-packed cocktails to wine. Consumers considered wine to be turn of because it was pretentious, the taste of the wine was too complex and it could be intimidating.

The company followed ‘ Blue Ocean Strategy’, so as to stand out of the competition and make a unique place in the market.

The company focused on differentiating itself from the other competitors. A strategy canvas was adopted by the company in which the company focused on alternatives of the product and non customers to redefine the market place.

Casella Wines looked at the strategy canvas and redefined the question: How do you make a fun and non-traditional wine that is easy for everyone to drink?

For this, the company followed a four action framework. The four action framework was followed to break the trade-off between differentiation and low cost and to create a new value curve.

The four action framework included four actions i. e. Eliminate/Reduce/Raise/Create:

Which of the factors that the industry takes for granted should be eliminated?

Which should be reduced?

Which should be raised well above standard?

Which factors should be created that have not existed before?

In the first question, the company needs to consider eliminating factors that companies in the wine industry have long competed on. While implementing this strategy the company considered the factors that were taken for granted, i. e. they did not had any value or had been drifted away from the core value. The company looked for a few fundamental changes on which the company can focus and act upon that change so as to create a benchmark. Casella Wines recognized that the wine industry was governed on the aging, tannin quality and the complexity factor. These were the most important factors that intimidated customers. Casella decided to focus on differentiation, it decided to put in efforts to create different qualities.

In the second question, the company needs to determine whether products or services have been overdesigned in the race to match and beat the competition. The companies generally over serves the customer in terms of cost as well as the product ranges. The company offered two types of wines i. e. white wine and one red wine so that the consumer can have a limited choice.

In the third question the company should uncover and eliminate the compromises that industry force customers to make. Casella Wines positioned its product as a friendly product and encouraged the involvement of retailers with [yellow tail]'s success by giving retail employees Australian outback clothing that made [yellow tail} seem friendly instead of intimidating like other wines.

The fourth question helps the company to discover the new sources for creating the new demand, new value and shift in the strategic pricing of the industry. Casella wines worked on creating a new customer base, it also captured the untapped market by positioning its wine as a new experience in terms of easy drinking, ease selection, and a sense of fun and adventure.

Casella wine followed these four action plan and created a wine whose strategic profile broke from the competition and created a blue ocean. Instead of offering wine as wine, Casella created a social drink accessible to everyone: beer drinkers, cocktail drinkers, and other drinkers of non-wine beverages. In the space of two years, the fun, social drink [yellow tail] emerged as the fastest growing brand in the histories of both the Australian and the U. S. wine industries and the number one imported wine into the United States, surpassing the wines of France and Italy. The company created a wine that broke out of the red ocean by creating a wine that appealed to beer and spirits drinkers by being fun and unpretentious as well as to wine drinkers, the drink that was launched was less complex, sweeter and had smooth taste, it allowed an easy selection as it did not focus on prestige, aging, etc, the company also eliminated all factors that the wine industry had long competed on.

The company focused on creating a new market space by introducing a new experience for wine drinking, the company thought beyond the existing boundaries so as to stand out of the competition by challenging yourself and by challenging the existing product. The company also tried to convert the non-customers of the wine to be the customer of its yellow trial wine by addressing it as a social drink. By creating a differentiated product, it also challenged the cost of the products served by the industry as it launched the product at low cost.

The strategy that was followed by Casella wine was focused, it was not diffused across all potential aspects of the market, the shape of the value curve diverges from any potential competitors. The company focused on value innovation and differentiation which helped them in creating a new market place and created demand of their product. Instead of focussing on beating the competition, the company focused on making it irrelevant by creating a leap in value for buyers and creating uncontested market space. They moved in creating the product which was aligned with innovation with utility, price and costs. The company focused on both differentiation and low cost strategy.

By following the blue ocean strategy, Casella wines created the demand of its product, yellow tail. It followed this strategy after analysing the US market and found that the wine market is highly competitive. It studies the consumer behaviour of the wine consumers and the other not captured market and then introduced its new product Yellow Tail which was a completely new combination of characteristics which produced an uncomplicated wine structure that was instantly appealing to the mass of alcohol drinkers. The company tried to capture the untapped market space, create the demand of its new product and gain the opportunity for highly profitable growth.

Casella wines followed Blue Ocean Strategy by utilizing two tools i. e. the Strategy Canvas and Four action framework. Thus, enabling the company to follow differentiated strategic profile called a value curve. It acted on the blue ocean strategy to unlock uncontested market space that changed the face of the U. S. wine industry in a span of two years.

Correct identifications of Casella Wines competitive position using both porter and Litter's classifications.

Answer:

Casella Wine launched its new product yellow tail, which broke all the competition of the US market in the wine Industry and created a " blue ocean". Within the span of two years yellow tail which was positioned as a fun and social drink emerged as the fastest growing brand in the histories of both the Australian and the U. S. wine industries. By August 2003 it was the number one red wine in a 750-ml bottle sold in the United States, outstripping California labels. By mid-2003, [yellow tail]'s moving average annual sales were tracking at 4. 5 million cases. In the context of a global wine glut, [yellow tail] has been racing to keep up with sales. (Blue ocean strategy, W Chan Kim, HBP)

The company focused on shifting the attention from supply to demand, from a focus on competing to a focus on creating value that generates new demand. It reconstructed market boundaries to break away from rivals.

The company followed differentiation strategy so as to gain competitive advantage in the wine industry in US market. The Wine industry market was ruled by large wine industries with strong brands and huge investment in its marketing strategies so as to survive in the competitive market. Casella Wines followed differentiation strategy and launched its product yellow tail and took over the market of wine without investing in marketing activities.

Product: Casella wines focused on positioning its product as a different product which is different from the regular wine. The company tried to capture the untapped market and brought non-wine drinkers – beer and ready-to-drink cocktail drinkers – into the market. The company looked at the demand side of alternatives of beer, spirits, and ready-to-drink cocktails, which captured three times as many consumer alcohol sales as wine.

Taste: It was noted that US wine drinkers had a major turnoffs for the taste and complexities of the wine. The company focused on creating a completely new combination of characteristics which produced an uncomplicated wine structure that was instantly appealing to the mass of alcohol drinkers. Yellow tail was soft in taste and approachable like ready-to-drink cocktails and beer, and had up-front, primary flavors and pronounced fruit flavors. It eliminated the factors of tannins, complexity and ageing. The taste of yellow tail was different from that of other wines, it was known for a sweet fruitiness taste. The sweet fruitiness taste of the wine kept people's palate fresher, allowing them to enjoy another glass of wine without thinking about it. The result was an easy drinking wine that did not require years to develop an appreciation for.

Complexities in terms of selection and packaging: There was a wide range and offers of wine in the US market. The packaging and bottles looked the same, labels were complicated with enological terminology was used on the bottle which was difficult to understand by general consumers. There was a wide choice of wines which fatigued and demotivated customers, making selection was a difficult process for them. Casella Wines changed it by creating ease of selection. It focused on two offerings of wine i. e. Chardonnay, the most popular white in the United States, and a red, Shiraz. It also removed all technical jargon from the bottles and created a striking, simple, and non-traditional label featuring a kangaroo in bright, vibrant colors of orange and yellow on a black background. Even the packaging of the wine boxes were changed which came in the same vibrant colors, with the yellow tail printed boldly on the sides. The packaging was done in such a way that it can capture the eyes of the consumer instantly and allow unintimidating displays for the wine. The simplicity of offering only two wines i. e. white and red wine helped in streamlining Casella Wines' business model. Casella Wines was the first company to put both red and white wine in the same-shaped bottle, a practice that created further simplicity in manufacturing and purchasing and resulted in stunningly simple wine displays.

Positioning: Yellow tail was positioned and embodied by the characteristics of the Australian culture: bold, laid back, fun, and adventurous. The Mantra used for positioning Casella Wine was " The essence of a great land . . . Australia.". The packaging, the motif, the use of colors, the lowercase spelling of the name echoed Australia. Casella wine promised to jump from the glass like an Aussie kangaroo.

The differentiated strategy used by Casella helped in appealing to a broad cross section of alcohol beverage consumers. It created three new factors in the U. S. wine industry-easy drinking, easy to select, and fun and adventure-and eliminated or reduced everything else.

Casella wines followed a differentiated strategic profile called a Value Curve which helped in creating a winning strategy for the company. Casella Wines used the Blue Ocean Strategy to explore and create new uncontested market space. By looking at the alternatives of beer and ready-to-drink cocktails and thinking in terms of non-customers, by redrawing the Strategy Canvas of the U. S. wine industry and by employing the Four Actions Framework, Casella Wines created a new, highly-successful Blue Ocean in a highly-competitive bloody Red Ocean industry.