Case Memo 2

COMM 120 Sec DD1
Student Number: 58289430
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Issues

Yellow Tail Wines has successfully revolutionized the wine industry through their ability to stray from industry standards and create a pleasant-tasting, good value wine for every day enjoyment. However, recent questions have arose in regard to maintaining Yellow Tail's success in the face of increasing emergence of imitation products. Therefore, the immediate issue facing Yellow Tail can be identified as a gradual slowing of overall company growth. The overall basic issue underlying Yellow Tail's slow growth is an increasing saturation of a previously blue ocean market segment, with the rapid emergence of imitation wines, in an already over-crowded market. Due to an increase in direct competition, Yellow Tail is challenged with the task of maintaining its positioning as the original unpretentious wine brand in the minds of its customers.

Analysis

In terms of economic conditions, Yellow Tail must compete in an extremely crowded market in which intense competition exists due to a limited demand for a large selection of products. For consumption patterns, the majority of wine consumers traditionally consisted of a small segment of wine enthusiasts, with potential average consumers being deterred by the perceived complexity and intimidation of confusing wine products. However, market trends revealed a rapid growth in demand for relatively low-priced "fighting varietal" wines. Considering distribution characteristics, the high market saturation forces companies to battle for limited shelf space and distribution channels in a highly concentrated environment. Yellow Tail was largely able to achieve success by providing an affordable and great-tasting wine that accessed a blue ocean customer segment by appealing largely to non-wine drinkers. Yellow Tail has been successfully positioned as an unpretentious wine with its simple labels, bright packaging and Australian themes of fun and adventure for the average consumer. However, the rapid emergence of imitation products threatens to invade Yellow Tail's blue ocean segment making it increasingly crowded and slowing overall company growth.

By utilizing Porter's Five Forces of Competition and Rivalry (see Appendix A), it is clear that Yellow Tail's immediate issue is driven by the basic issue of an overcrowded market and intense direct competition. The threat of new entrants is low for the wine market as a whole, due to over-crowding, but high for existing companies entering Yellow Tail's specific market segment with imitation products. Buyers and retailers have high bargaining power due to a small concentration of retailers having limited shelf space and the overwhelming amount of product choices for customers. Yellow Tail faces a high threat of substitute products in which large established wine producers are creating so far unsuccessful imitation wines that may eventually begin to cut into Yellow Tail's portion of the market. Overall, this demonstrates Yellow Tail's need to establish a firm positioning over imitation products as well as expand and maintain strong customer engagement to support company growth in a highly competitive market.

Decision Criteria

The final recommendation will be based on the following decision criteria evaluating the potential risks and benefits of each alternative solution. For further details on the weighting of each criterion, please refer to appendix B.

1. Cost Effectiveness – how each alternative compares in terms of overall estimated costs
2. Preservation of Brand Positioning – how each alternative protects the brand's unique positioning in the minds of potential and existing customers.
3. Competitive Advantage – how each alternative provides an advantage over the increasing emergence of direct competitors and imitation products.
4. Increase to Customer Engagement – how each alternative allows for the maintenance of engagement for existing customers and the expansion of engagement with new customers.

Alternative A: Wine-Based Carbonated Mixed Beverage/Cooler Product

This alternative suggests expansion into other alcoholic products by launching a new product line of wine-based carbonated mixed beverages. The new products will consist of multiple flavour combinations of best-selling Yellow Tail wines mixed with a sweet carbonated drink mixture. For example, a lime soda and rosé mixture. The packaging of the product will be in a six-pack of cans for accessibility and sustainable product recycling. The packaging design will be consistent with brand imagery including bright colours and simple descriptions under a friendly Australian adventure theme. Advertising will also be required to support the launch of the new products with brightly coloured in-store displays and product sampling, along with online and television advertising. This solution keeps the company relevant with intriguing new products to re-energize customer engagement while providing an approachable and subtle introduction to the taste of wine for non-wine drinkers. This alternative addresses basic and immediate issues by generating customer engagement and providing a strong competitive advantage in response to an oversaturated market.

The cost effectiveness and preservation of brand positioning is considered low due to the high costs associated with developing and launching a whole new product line and the considerable risk to brand image associated with entering a new product market. This alternative presents a high competitive advantage over direct competitors by offering a new and exciting product to further differentiate Yellow Tail as original and unique. This proposed solution brings a medium increase to customer engagement, as it will effectively help establish new customer relationships but not necessarily strengthen existing customer loyalty. It is important to consider the high risk to brand positioning because expanding into other alcoholic beverages will no longer define Yellow Tail as solely a wine company.

Alternative B: Customer Engagement and Positioning Campaign

This alternative involves a large-scale advertising campaign to promote customer engagement, reaffirm the company's original positioning, and reposition imitation products as low-quality copycats. The campaign's focus is engagement and relations with existing and potential customers while simultaneously highlighting the company's position as an original brand which was first to create an unpretentious wine for every day. The campaign will include slogans and catchy phrases to reposition imitation products as low-quality copycats and differentiate Yellow Tail with their unique story and originality coming from the fun and adventurous country of Australia. Advertisements will run on various platforms such as social media, television, and print in addition to in-store displays and initiatives (eg. free wine tastings and retail sales incentives). This alternative directly addresses basic and immediate issues by strongly increasing customer engagement for both existing and potential customer segments as well as strengthening the company's position in response to the threat of a highly competitive market.

The cost effectiveness is moderate for this alternative due to cost structures associated with producing advertisements, purchasing ad space on various platforms, and funding in-store initiatives. This alternative presents an overall high protection of brand positioning and moderate/high increase to customer engagement by focusing the campaign directly on these aspects. However, the competitive advantage for this alternative is considered to be moderate without the offering of any new products to stay relevant. This can be seen as a risk factor because the proposed campaign may not be enough to boost company growth without launching any substantial product changes. In addition, it is important to note that this alternative strongly encourages engagement for existing customers while lacking specific targeting of new customer segments. Moreover, a major risk to consider for this alternative is the fact that the company has already initiated successful advertising campaigns in the past, making it important to consider how to expand on rather than just replicate previous efforts.

Alternative C: Post-Secondary Event Appearances and Sponsorships

This alternative involves sponsoring, sampling, and selling Yellow Tail wines at various college and university campus events. Post-secondary campuses provide the opportunity for Yellow Tail to further target young, first-time wine drinkers by offering early exposure to the company's wine products. The sponsorship portion involves coordinating rights to exclusive advertising, sampling, and sales at prominent post-secondary campus events (eg. performances, parties, and sporting events). The event appearances involve setting up physical stations or booths in which Yellow Tail wine products will be sold and/or sampled to event goers with fun initiatives, such as photobooths, to encourage social media engagement. These exclusive stations and booths will be brightly coloured and consistent with Yellow Tail's Australian themes of fun and adventure through specific uniforms, graphics, and décor for event stations and workers. This alternative allows the company to expand its customer segments by targeting and establishing customer relations with a demographic of young, first-time alcohol experimenters. The proposed solution addresses the immediate and basic issues by expanding new customer engagement as well as establishing a competitive advantage by being the first to access this targeting opportunity.

The cost effectiveness of this alternative is considered moderate due to the costs associated with purchasing exclusive sponsorships along with coordinating and running event appearances. In addition, this alternative provides a moderate preservation of brand positioning due to its choice of events as risking the high-class nature of wine products. The competitive advantage and increase to customer engagement are high for this alternative as Yellow Tail will be the first to access the opportunity to expand customer segments to a younger demographic. However, it is important to note that this alternative increases new customer engagement and doesn't have much of an impact on strengthening engagement of existing customers. Additionally, the high risk to brand positioning may result in labelling Yellow Tail products as a low-status party drink for college students, instead of respectable wine.

For further insight into the scoring and evaluation of each alternative solution, please refer to appendix B.

Recommendations:

By analyzing the risks and benefits of each alternative through a carefully selected decision criteria, it is clear that the best option to solve immediate and basic issues is Alternative 2: Customer Appreciation and Positioning Campaign. Through a comprehensive evaluation, it is clear that alternative 2 presents the most balanced option of risks and benefits while approaching issues from multiple angles. This alternative addresses the immediate issue by increasing company growth and the basic issue by tackling challenges with maintaining the company's position in the oversaturated and highly competitive wine market. These issues are addressed through the campaign's goals of strengthening existing and new customer engagement and reaffirming brand positioning against imitation products. It is important to note that this alternative has considerable risks, as discussed in the previous analysis, and the process of implementation should have flexibility to mitigate these risk factors.

Moving forwards, the company should prioritize consultation with key partners in developing a carefully detailed plan to ensure all campaign goals are addressed and risks of repeating old advertisements are mitigated. This plan involves stages of drafting and feedback to ensure intended effects are accurately translated. Once a plan is confidently developed, production can begin on designs and advertisements. During each step of development and production, constant evaluation should be done to mitigate risks of messages becoming lost in the campaign excitement. After production, all campaign initiatives should be launched simultaneously to generate the maximum amount of public attention and to balance exposure for both existing and potential customer segments. In-store initiatives should be more of a short-term aspect towards the beginning of the campaign, while advertising and in-store displays should remain in effect for the campaign's entire length. The overall length of the campaign will be determined by its overall success within the first few weeks after launch. It is important to note that each proposed step should be flexible to adjustments and include thorough consultation with stakeholders to mitigate unknown risks as they occur. Finally, this campaign serves as an essential first step in reinforcing positioning to support company growth. However, substantial product changes may be required in the future.

Appendix A: Porter's Five Forces

Threat of New Entrants
- High for market segment – many large and small companies easily producing imitations
- Low for entire market – the market is already over-crowded, hard for new companies to enter

Bargaining Power of Retailers:
- not much bargaining power
- major retailers have limited shelving space for massive amount of available wine products
- popular retailers are concentrated within a few major sellers (ie. Costco

Rivalry Among Existing Competitors:
- Overall high intensity
- Increasing saturation of market segment

Bargaining Power of Buyers:
- Overall high bargaining power for buyers
- overwhelming amount of choices for wines in relation to amount of customers
- varying price differences

Threat of Substitute Products or Services:
- High threat - Increasing threat of brand replacement with the emergence of imitation wines from large established producers, highly competitive and over-crowded market with limited consumer demand

In this case, "Bargaining Power of Retailers" is used instead of "Bargaining Power of Suppliers" as the supplier and distributor are the primary focus and retailers are more relevant.

Appendix B: Decision Matrix

Alternatives:	**Cost Effectiveness /8**	**Preservation of Brand Positioning /10**	**Competitive Advantage /10**	**Increase to Customer Engagement /10**	**Total: /38**
Alternative 1	3- low	4 -low	8 – high	5 – medium	20/38
Alternative 2	5 – medium	9 – high	5 – medium	7.5 – medium/high	26.5/38
Alternative 3	5 – medium	5 - medium	8 – high	6– medium	24/38

Preservation of Brand Positioning, Competitive Advantage, and Increase to Customer Engagement are given higher weighting because they directly address the immediate and basic issues of maintaining positioning for customers within a competitive marketplace.