In line with this simple fruity sweetness, [yellow tail] dramatically reduced or eliminated all the factors the wine industry had long competed on—tannins, oak, complexity, and aging—in crafting fine wine, whether it was for the premium or the budget segment. With the need for aging eliminated, the needed working capital for aging wine at Casella Wines was also reduced, creating a faster payback for the wine produced. The wine industry criticized the sweet fruitiness of [yellow tail] wine, seeing it as significantly lowering the quality of wine and working against proper appreciation of fine grapes and historic wine craftsmanship. These claims may have been true, but customers of all sorts loved the wine.

Wine retailers in the United States offered buyers aisles of wine varieties, but to the general consumer the choice was overwhelming and intimidating. The bottles looked the same, labels were complicated with enological terminology understandable only to the wine connoisseur or hobbyist, and the choice was so extensive that salesclerks at retail shops were at an equal disadvantage in understanding or recommending wine to bewildered potential buyers. Moreover, the rows of wine choice fatigued and demotivated customers, making selection a difficult process that left the average wine purchaser insecure with the choice.

[yellow tail] changed all that by creating ease of selection. It dramatically reduced the range of wines offered, creating only two: Chardonnay, the most popular white in the United States, and a red, Shiraz. It removed all technical jargon from the bottles and created instead a striking, simple, and nontraditional label featuring a kangaroo in bright, vibrant colors of orange and yellow on a black background. The wine boxes [yellow tail] came in were also of the same vibrant colors, with the name [yellow tail] printed boldly on the sides; the boxes served the dual purpose of acting as eye-catching, unintimidating displays for the wine.

[yellow tail] hit a home run in ease of selection when it made retail shop employees the ambassadors of [yellow tail] by giving them Australian outback clothing, including bushman’s hats and oilskin jackets to wear at work. The retail employees were inspired by the branded clothing and having a wine they themselves did not feel intimidated by, and recommendations to buy [yellow tail] flew out of their mouths. In short, it was fun to recommend [yellow tail].

The simplicity of offering only two wines at the start—a red and a white—streamlined Casella Wines’ business model. Minimizing the stockkeeping units maximized its stock turnover and minimized investment in warehouse inventory. In fact, this reduction of variety was carried over to the bottles inside the cases. [yellow tail] broke industry conventions. 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.

The wine industry worldwide was proud to promote wine as a refined beverage with a long history and tradition. This is reflected in the target market for the United States: educated professionals in the upper income brackets. Hence, the continuous focus on the quality and legacy of the vineyard, the chateau’s or estate’s historical tradition, and the wine medals won. Indeed the growth strategies of the major players in the U.S. wine industry were targeted at the premium end of the market, with tens of millions invested in brand advertising to strengthen this image. By looking to beer and ready-to-drink cocktail customers, however, [yellow tail] found that this elite image did not resonate with the general public, which found it intimidating. So [yellow tail] broke with tradition and created a personality that embodied the characteristics of the Australian culture: bold, laid back, fun, and adventurous. Approachability was the mantra: “The essence of a great land . . . Australia.” There was no traditional winery image. The lowercase spelling of the name [yellow tail], coupled with the vibrant colors and the kangaroo motif, echoed Australia. And indeed no reference to the vineyard was made on the bottle. The wine promised to jump from the glass like an Aussie kangaroo.

The result is that [yellow tail] appealed to a broad cross section of alcohol beverage consumers. By offering this leap in value, [yellow tail] raised the price of its wines above the budget market, pricing them at $6.99 a bottle, more than double the price of a jug wine. From the moment the wine hit the retail shelves in July 2001, sales took off.

The Eliminate-Reduce-Raise-Create Grid

There is a third tool that is key to creation of blue oceans. It is a supplementary analytic to the four actions framework called the *eliminate-reduce-raise-create grid* (see figure 2-4). The grid pushes companies not only to ask all four questions in the four actions framework but also to *act* on all four to create a new value curve. By driving companies to fill in the grid with the actions of eliminating and reducing as well as raising and creating, the grid gives companies four immediate benefits:

- It pushes them to simultaneously pursue differentiation and low costs to break the value-cost trade-off.
- It immediately flags companies that are focused only on raising and creating and thereby lifting their cost structure and often overengineering products and services—a common plight in many companies.
- It is easily understood by managers at any level, creating a high level of engagement in its application.
- Because completing the grid is a challenging task, it drives companies to robustly scrutinize every factor the industry competes on, making them discover the range of implicit assumptions they make unconsciously in competing.

FIGURE 2-4

Eliminate-Reduce-Raise-Create Grid: The Case of [yellow tail]