Jamie Odell

RoseFosCorp

Will it actually gain marketing advantages, where Southcorp could not?

Larry Lockshin

Do we all remember the heady times when the Oatley family bought into Southcorp and the promises of Australia's then largest wine company were made? Such brands under one roof—how could it go wrong? Well, this article is not about what happened at Southcorp; that has been written about enough times. In this article I take a speculative look at the marketing future of Foster's Wine Estates, just about one year after it gained controlling interest in Southcorp.

Southcorp was unable to take advantage of the scale of its brands. The question is: will Foster's be able to do it? I am going to focus on the marketing, especially the branding side of the business. I will leave the judgment of success in production and logistics to another author.

The short answer to my question is, yes, I think Foster's will be successful in managing the largest portfolio of premium wine brands in the world. By successful, I mean it will grow sales and profits by managing these intangible assets properly across a large number of markets and under increasing pressure from large retailers.

How is Foster's management different from Southcorp's? The major difference comes from the Foster's people understanding that they are managing a portfolio of brands and their ability to maintain the differences between the big five brands while at the same time using their smaller brands profitably in more niche markets. This was a major failing of Southcorp.

The Rosemount-flavoured management team was very good at managing its key brand, but fell down in trying to manage the range of brands Southcorp handled.

Jamie Odell's briefing last September started out looking a lot like one Southcorp may have presented six years earlier: synergies in supply, global sourcing, leveraging its portfolio, distributor efficiencies, improved retail management. The difference is in the detail.

The first positive difference is Foster's emphasis on understanding the consumer. This, of course, goes straight to my heart as a marketer. Southcorp hardly ever even said these words, let alone designed a consumer-focused information service.

Foster's has its 'consumer insights team', whose role encompasses monitoring all previous market research and overseeing any new research across all markets. This allows insights gained in one market to be checked in another market, rather than having separate groups conducting similar research in different places. The small group is responsible for segmentation, brand health tracking, pack testing and advertising pre-testing for all products in all markets.

Foster's has a single wine segmentation model, where each of its main brands is monitored in specific segments. Brand positioning, both from a strategic and from a tactical (actual market activities) is standardised across each market. This was something Southcorp did not do and it resulted in brands such as Rosemount losing focus in some of the key markets, as local managers went their own way.

Foster's is also using up to date techniques to track its brands' health in each market, which helps decide where changes in marketing focus need to be made.

The second major improvement is true portfolio management of its brands. The five big brands, Wolf Blass, Beringer, Rosemount, Lindeman's and Penfolds, have been matched to segments and retail outlets in each of the key regions across the world. A portfolio analysis showed that 80% of Foster's Wine Estates profits come from these five brands. Each brand needs to be managed to maintain and improve this performance, while the smaller brands' roles are to add sales and value in small niches only.

Each of the big brands has a global brand manager who oversees the marketing in each region, making sure the brand positioning and tactics stay within the brand's planned position. Each brand has a consumer target, a brand positioning territory, a set of linked occasions, a wine style and a marketing strategy. Southcorp's brand management never illuminated these key facets. Once these positions have been tracked, Foster's then evaluated where the potential lies to improve each brand.

For example, Beringer, a huge brand in the US, has potential for new products in the $US10-$14 range. It also has great potential in Europe. Rosemount, which suffered in recent years due to lack of attention, retains strong consumer recognition, but sales have fallen due to a lack of investment in advertising and marketing 'buzz'. Plans are being tested to create this buzz and grow its sales. Foster's overall goal is to have a portfolio of easy to understand and relevant brands in each market, where the core range covers a 'must stock' portfolio for each consumer segment's drinking repertoire.

Foster's has a strong focus on new product development (NPD), which was something Southcorp did reasonably well—from a production standpoint. Foster's advantage is the link between understanding consumer opportunities and the design and delivery of products to take advantage of them. Most of this NPD will be within the large brands, because it delivers more profits than by launching new brands with these same features.

However, some of its recent successes in this area were started by Southcorp (Little Penguin in the US, for example). Others, such as additions to the Wolf Blass range to fill price points in specific markets or the Pink version of Yellowglen, were started before the takeover.

Foster's strong international focus resulted in a three level classification of global markets. Horizon 1 markets (Australia, US, UK) divided into specific strong price points; Horizon 2 markets (Canada, Japan, Germany, Nordics, Benelux, Ireland); and Horizon 3 markets (Russia, Korea, China). The greatest opportunities are in the Horizon 2 markets, where each of the five major brands' positions has been mapped and plans developed for specific brands in each market. Increased investment is being targeted for Japan especially. The Horizon 3 markets will be served, but the key focus will be on increased profits from the Horizon 2 countries.

Many wine companies talk about a 'market orientation' or being 'consumer focused'. In reality most wine companies are still product-driven, making the wines they can, based on their supply and their previous successes. Much of Australia's success through the 1990s was due to our technical ability to make good wines, and our ability to negotiate with and supply major supermarket chains in the UK, the US, Australia and New Zealand.

Very few companies have put marketing —in the sense of understanding consumer segments and positioning brands globally to meet the needs of each segment—into the driver's seat. It seems to my eyes, that Foster's Wine Estates is making this move across the whole company. I don't know if it is due to the way they have managed their beer markets, or whether it is mainly a clear rational approach to driving wine as a consumer product. The results are yet to come, but the evidence I have seen places Foster's in a different league than their predecessors.

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