Brad Mayer, with Precept Wines, discusses how to incorporate consumer data into packaging design.

Connecting to Consumers Through Packaging

Conference features insights from Nielsen, alternative packaging and managing vendor consolidation

By Stacy Briscoe

It was a day packed full of packaging Aug. 9, as some of the leading innovators exhibited their products and services surrounding wine packaging, branding and marketing to nearly 500 wine industry professionals at the Lincoln Theater in Yountville, Calif.

During the course of the daylong conference, guests were invited to attend panel discussions addressing specific issues wineries face when developing a new brand or rebranding an existing product.

Developing packaging that sells

Jessica Gaedeke, vice president of the Nielsen Co.'s Innovation Practice, spoke alongside Brad Mayer, senior vice president of marketing for Seattle, Wash.-based Precept Wines, about data-driven design successes.

According to Nielsen Innovation's latest research, 4,289 new wine items have been launched to market within the past year. This, Gaedeke said, makes decisions surrounding packaging all the more important. "Only packaging reaches 100% of potential buyers at the first moment of truth," said Gaedeke, explaining that most average wine consumers don't know what they're going to buy when they walk into the store. Between 50% and 80% of purchasing decisions are made at the shelf — and those decisions are highly influenced by packaging and design.

"The label informs the consumer but also connects them to a brand," Gaedeke said. "Consumers will ask themselves, 'Does this bottle personify what I want it to personify?' and 'How will this wine interact with those around me?'"

These are the kinds of connections consumers want to make with their products, connections that increase the likelihood of repeat business with a brand, she said.

In 2016, Nielsen launched a new program to help beverage alcohol brands maximize their return on label design. Through its Opt-In Design Category Audit program, an online-based market-research program, the company aims to provide cost-effective evaluations of a brand's current label design. The program can assess whether a brand needs to be redesigned and, if so, how best to make those changes.

Key questions the audit will address include how well a label is grabbing and holding consumers' attention among a competitive set; what personality traits or key messages a label conveys; whether or not a label is enhancing or detracting from core brand equities; and which design elements are performing well with consumers and which need improvement.

Using wine labels owned under the Precept Wine umbrella, the 13th largest wine company in the U.S., according to *Wine Business Monthly*, and the fourth fastest-growing among the top 40, according to Nielsen Scan Data, Gaedeke presented the top six data-driven design lessons Nielsen has learned thus far from its market-research data.

- **Don't fix what isn't broken.** Design changes can be costly and even harmful to a brand. Test with consumers first to understand if a design change is actually needed.
- **Even slight evolutions can have a big impact.** Understand which elements are working and which aren't. Enhancing small details doesn't necessarily require a total overhaul.
- **Validate a bold move.** Explore broadly and don't be afraid to make significant changes, but validate these changes before going to market.
- **Ensure your package speaks up and says the right things.** Stand out with eye-catching design elements and by owning distinct personality traits true to the brand.
- **Bring a meaningful story to life.** A label isn't a brand's only platform: Tell a cohesive story with advertising, POS materials and in-person experiences.
- **Target through alternative packaging.** A different package form, feature or

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aesthetic can be highly incremental by opening up new usage occasions or attracting new buyers.

And now for something completely different

The packaging conference included a panel discussion surrounding alternative packaging such as bag-in-box, PET bottles, Tetra Prisma, stainless-steel keg, PET keg, aluminum cans and Astrapouch.

"The glass bottle has to die at some point," said Nicolas Quillé, chief winemaking and operations officer for Crimson Wine Group. "It's not sustainable. … It may take another 100 years, but it will die."

Jordan Kivelstadt, CEO and co-founder of the wine-on-tap provider Free Flow Wines, agreed.

"Somehow, when we get rid of the bottle, people just want to experiment," he said, speaking both about wineries experimenting with what to make as well as consumers experimenting with what to drink.

Quillé provided a comprehensive checklist of what to consider regarding the choice of alternative packaging, including size, materials, weight, cost of container, logistics of filling, shelf life, sulfur dioxide requirements and CO_2 limitations, cleanliness, recyclability and, arguably the most important, a market need served by that packaging.

According to Nielsen's data, while alternative packaging, in general, is gaining momentum in the mass market, it's the aluminum can that's taken the industry by storm. The company reported that within the last five years, annual retail sales of canned wine have increased from less than $1 million to more than $50 million, with the greatest increase seen in the sales of 375-ml cans.

Kivelstadt spoke about where cans fit in the alternative packaging hierarchy. With bag-in-box wine and Tetra packages taking up the "low end" of the spectrum, ranging from $3 to $9, and traditional glass bottles dominating the $15-and-above marketplace, Kivelstadt pointed out that there's a large gap between $9 and $15 where cans fit right in.

Accounting for consolidation

According to the Wines & Vines Buyer's Guide directory of wine industry vendors, the number of companies serving the North American wine industry in the categories of capsules, closures and labels has dropped by 85, from 462 in 2008 to 377 today, an 18% decrease in the span of 10 years. The decline stemmed from acquisitions and companies that closed or left the wine industry altogether.

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Free Flow Wines founder Jordan Kivelstadt, with microphone, said new types of packaging have helped consumers experiment with wine.

In the wine industry, purchasing decisions are often spread across multiple departments: winemaking, finance, marketing and, of course, packaging. Best practices regarding organizing and aligning these purchasing decisions can ultimately affect a winery's business. With the consolidation of several packaging companies over the years, are those decisions getting easier with the limitation of options or getting harder due to the lack of vendor variety?

Lisa Ehrlich, proprietor of the wine and spirits consulting firm Lisa Ehrlich Consulting, led a panel discussion on the consolidation of wine industry vendors and what

Consultant Lisa Ehrlich moderated a panel on how wineries can deal with consolidation among wine industry equipment and packaging vendors.

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wineries can do to help organize and align their purchasing decisions.

Ehrlich said the consolidation, not just among vendors but among wine producers as well, is making purchasing competition fiercer; it's harder for medium and small wineries not under a larger brand name to bargain and make profitable purchasing decisions.

The panel of experts included Rich Bouwer, COO of Free Flow Wines, who, before this role, worked as the Pacific region's general manager for glass company Saxco International, where he was responsible for wine and beer packaging from 2006 to 2016. Before that, he managed supply chain, purchasing and operations at Beringer Wine Estates and E. & J. Gallo Winery. He is, as Ehrlich stated in her introduction, "an expert on wine glass."

Bouwer presented an overview of the consolidation of domestic glass bottle manufacturers over the past 38 years. In 1980, there were more than 30 suppliers distributing bottles out of 120 plants across the United States. Today, just three domestic glass bottle suppliers — O-I, Ardagh and Gallo Glass — own 37 of the remaining 43 plants in the U.S., controlling more than 90% of the glass containers sold in the country's market.

When asked if this kind of consolidation makes it easier or harder for wineries to purchase supplies, Bouwer said that certain elements are easier: It's easier to know who the suppliers are, where their plants are located, what products they supply and where their strengths lie as a business.

Fellow panelist Pedro Fernandes, general manager for Amorim Cork America, who has more than 15 years of experience working in sales and business development for paper and forest products, spoke about his company's part in the consolidation of cork suppliers. Amorim is the world's largest cork company, producing 5.2 billion corks each year out of forests in Portugal. Fernandes said Amorim has been acquiring other cork production companies at a rate of two to three businesses a year.

From his point of view, consolidation not only benefits his clients, but also provides better working conditions for the farmers producing the product. "Because of the scale of our business, we can now put more research and efforts into the farmers and improve the quality and output of the forests themselves," Fernandes said.

In effect, the small-business cork suppliers now have access to advanced resources they wouldn't otherwise have without the big-business consumption.

But the potential down side of consolidation in supply chains is that the ability to negotiate on a personalized, customized level has become more difficult. Ehrlich's key takeaway message and advice is for wine industry professionals to know their brand values and what that means in regard to specific needs from suppliers. Solidifying that list and being proactive, engaged and communicative about those values and needs with a specific point of contact within the supply company is the best way to ensure receiving the expected attention to detail and customer service.

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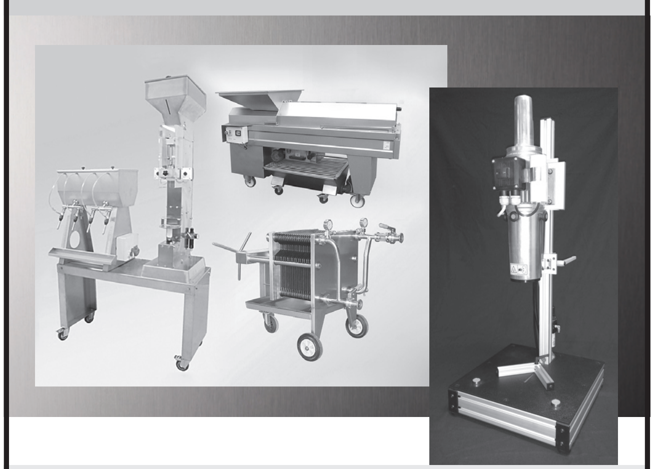

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