ACROSS THE DITCH

2ND FIDDLE

Misha Wilkinson

How many wine brands create a second brand – one that plays second fiddle to the leading brand? And why do companies create a separate identity rather than developing different tiers within the main brand? Why have so many euphemisms for a second brand been developed? Presumably the concern is the term implies something that's second-rate. But a second brand gives you another string to your bow – an opportunity to leverage a market, a segment, or put excess fruit, young fruit or winery capacity to use. The trick is to orchestrate the brands in such a way that allows the top tier to play to a more discerning audience while its accompaniment can cater to more mainstream tastes and budgets.

Paul Donaldson is business manager of Pegasus Bay where there are "seven family members working in harmony". They produce under two brands, Pegasus Bay and Main Divide. "We refer to Main Divide as a sister label rather than a second label because the split in the winery is on fruit source rather than quality," he says. Main Divide was developed in the mid-90s as there was extra winery capacity and winemakers Matt and Lynette Donaldson were keen to look at other sites, soils and regions to experiment, and it was also an opportunity to capture a different market segment with a lower-priced drink-now style. Main Divide relies on fruit from long-term contract growers whereas Pegasus Bay is all estate-grown fruit, but Donaldson says the fruit for Main Divide gets the same effort and care in the winery as their estate-grown fruit.

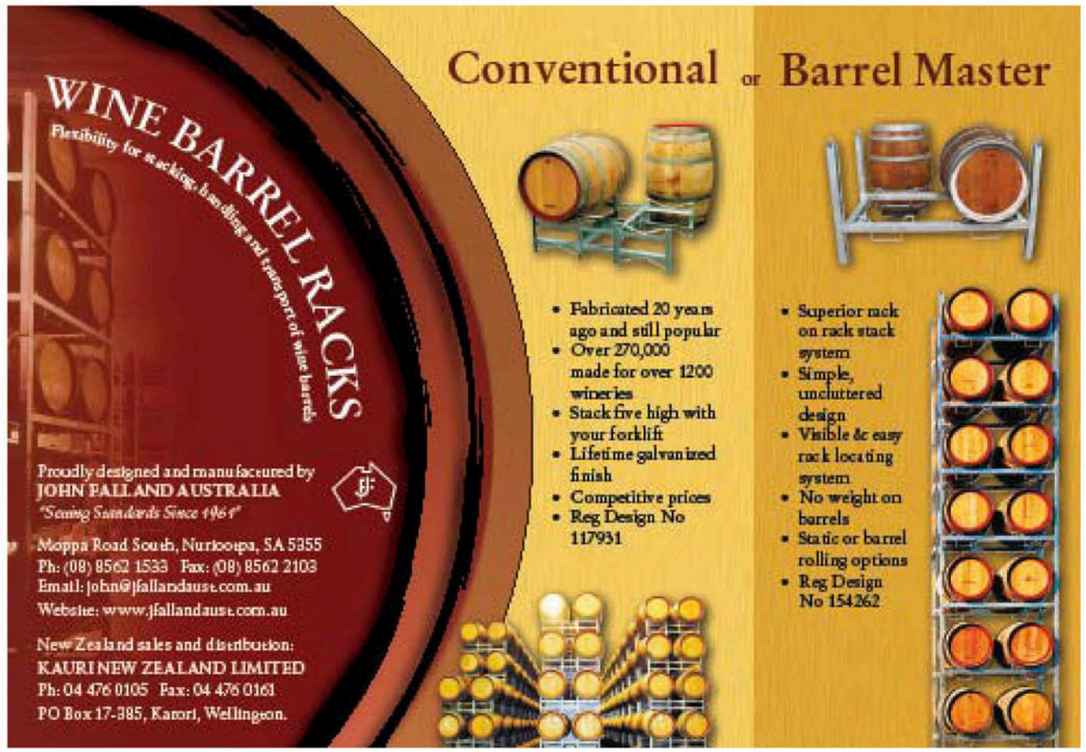
They don't hide the fact they make Main Divide, a strong brand in its own right. "It is not a dumping ground for lower quality product. You are often judged by your cheapest wine, so we show it as much love as anything else," Donaldson says. Both labels identify they are made by the Donaldson family. "We don't want confusion of the main brand, we have different target markets and we're trying to create Main Divide as a sister label rather than a second label, so that's why we didn't link the two," he adds. There are different marketing activities for each brand and separate websites. "Being a family business we don't have an official marketing plan but Pegasus Bay is more traditional – newsletter mailouts, sponsorship of medical or operatic stuff – with the target being top-end restaurants and wine shops," he says. "Main Divide is more contemporary and we sponsor New Zealand music and concerts and it's more café/supermarket/bottle-store focused. "It is hard to maintain a smaller producer/boutique feel if you have four layers within one brand. This suggests you have a lot of wine, whereas having a range with reserves under Pegasus Bay and a separate Main Divide range, still allows us to maintain that boutique feel while gaining economies of scale," says Donaldson. He also believes that the worst thing that can happen is when a low-priced brand is well received to the point that demand is so great you have to start using capacity to make that instead of the higher priced brands.

The Donaldsons don't use wine shows as part of the marketing mix with Pegasus Bay or Main Divide. "Our intention with Pegasus Bay is to make wine that is drinking well on release but will improve with cellaring," says Donaldson. "Since our wine is designed to improve with age, by the time we think it is peaking we can't enter it because it's sold out." They don't enter Main Divide into shows either. "I'm not sure people would expect us to enter Main Divide and not Pegasus Bay, so if Main Divide won, the assumption would be that Main Divide won something and Pegasus Bay didn't," says Donaldson. That situation has been highlighted recently with Pencarrow winning the Pinot Trophy at the Air New Zealand Wine Awards."

Richard Riddiford, managing director of Palliser Estate in Martinborough, has the flagship Palliser Estate brand and Pencarrow, which started as Palliser Bay but the name was too close to their main brand and created confusion, so an entirely new brand was created but on the label it's clearly denoted as being produced by Palliser Estate. Riddiford also refutes the 'second brand' term and describes it as "a brand at a different price point".

Back in the good old days, two-thirds of the wine was sold under Palliser Estate and one-third under Pencarrow. Declining price points for wine globally changed that balance initially for their Chardonnay, then Sauvignon Blanc and finally Pinot, so the balance has now changed with two-thirds of the wine sold under Pencarrow. Riddiford defends the position, saying, "As a result, wines under both brands have become considerably better", using that same logic that Sir Robert Muldoon, ex Prime Minister of NZ used when he famously said "'New Zealanders who emigrate to Australia raise the IQ of both countries".

Surely the move to having most production under Pencarrow has resulted in slimmer margins? Riddiford says, "Our margins have shrunk, but we produce 50,000 cases and we've made a profit every year since 1992, so we're financially viable which is unusual in the New Zealand wine industry currently." He doesn't have different marketing strategies for his brands and says both brands are targeted at the on-premise as well as independent retail as the routes to market are limited if you're not dealing with the supermarkets. "We just don't have the resources for two marketing strategies and, anyway, strategies need to be changed almost daily," he says. "Distribution is



the key and that's always a work in progress." Palliser now exports to 28 countries and has always had a strong export focus. "My strategy is to follow the money trail and that's a constantly changing and evolving thing," Riddiford says. And what about that recent wine show win? "We go into wine shows, although most people with our track record don't," he says. At the Air NZ Wine Awards, Pencarrow Pinot Noir 2008 won the Champion Pinot Noir Trophy as well as the Champion Open Red Wine Trophy. So how beneficial is it if your 'brand-at-a-different-price-point' wins the trophy and your flagship doesn't? "It's not ideal but I'm not going to complain," says Riddiford, who admits his winemaker was brave to enter both brands. "And anyone that tells you trophies aren't important hasn't won one."

How does Ata Rangi describe its second label? "Ata Rangi Crimson Pinot Noir is a 'younger-vines' Pinot and is not considered a second brand in any way," says Phyll Pattie, marketing director and co-owner. "We were keen to differentiate it visually (and from a wine name point of view), from the old-vines Ata Rangi Pinot Noir." Generally the fruit for Crimson is from Martinborough but in some vintages it has also included young-vine fruit from Central Otago. It involves shorter tank time and is more approachable at an early age than the more structured main label. "In this way it provides a stepping stone both in price and accessibility to the main label," she says.

It was Pattie's involvement with a charitable conservation trust, Project Crimson on the Ata Rangi Bush Block, that inspired the name. This included the planting of native Rata trees, a threatened species. She suggested support could be given by aligning the 'young vines Pinot' brand with theirs, donating a percentage of sales to the Trust and spreading the word on the project via the back label. They don't have a different marketing strategy for this "different label" and give it as much attention as their other wines. 'Ata Rangi, Martinborough' is clearly printed on the front and back labels of Crimson and while they have no intention of creating another brand, Pattie is less sure of whether there might be another varietal under the Crimson label. "There is a place for second brands," she says. "I shudder at the thought, personally. We'd rather cut back production to meet demand if over-supply was the driver for a second brand." She also notes the massive extra time and money creating and maintaining marketing collateral, labels and packaging. "We have more than enough on our hands nurturing our little family of nine wines," Pattie says. "How many 'kids' do you need?"

Finally, a company confident about referring to its second brands as second brands – Wither Hills, owned by Lion. It has two second brands, Two Tracks and Kapuka/Kopiko Bay. Two Tracks is sold in good volumes in the EU, NZ, Australia and Ireland. "The style is easy drinking and made to be enjoyed on its own or with food – in comparison to Wither Hills which is more premium and more suited to food," says global marketing manager Maxine Heywood. While that positioning may not be crystal clear, what distinguishes it from Wither Hills is the distribution strategy which is focused on the independent off-premise where retailers prefer a brand that's not widely available in the grocery channel. She says the brand was created based on consumer research indicating there was an opportunity to create a brand that was "perfectly suited to relaxing at home that brought to mind simpler times"! The other brand, Kapuka, which sells predominantly in Australia, was specifically designed as an on-premise exclusive and Kopiko Bay (the same wine), is the NZ market version. The brands were designed to capitalise on existing strengths in the NZ and Australian on-premise sector and fill a portfolio gap for an inexpensive NZ house pour.

Heywood admits these additional brands are more tactical and may have a shorter life than Wither Hills, but they play a key role in supporting the main act. "If a customer puts Kapuka on a wine list as house pour, our sales team would be expected to ensure Wither Hills was also listed so we need to always monitor that this remains the case," she says. This strategy is a good example of brands acting in concert and using a second brand to provide an accompaniment to the lead brand.

Two Tracks, initially carrying Wither Hills branding to help credibility, has dropped this and there remains just a mention on the back label address. With the Kapuka/Kopiko Bay brands Heywood says it's less important to acknowledge the main brand. "You can always give the customer a small sample to see if they like it before they buy, so we've had no Wither Hills reference," she says. Above the line media was used to build the Two Tracks brand initially, but Kapuka/Kopiko Bay has had minimal support. Neither of these second brands has a website nor are they mentioned on the Wither Hills website. "That is because our number one focus is Wither Hills," says Heywood. "We spend 90% of our marketing on Wither Hills rather than spreading it thinly across a number of brands."

Whether it's a sister brand, a brand-at-a-different-price-point, or just a different label, there seems to be a variety of approaches that can work. Many second brands (generally those by larger companies) are the result of careful research and strategic planning while many others that have come about in a more impromptu manner, if well executed, are no less successful. Second brands are like second violins in an orchestra – requiring a different kind of virtuosity but no less proficiency.

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