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DISCUSSION WITH JOHN CASELLA

UNIDENTIFIED HOST (BNN-TV): The New World wine upstarts like Australia and Chile have grown into serious competitive threats to Old World leaders France and Italy. Australian label Yellow Tail alone sells more wine in the U.S. than all the French wines combined. How do they do it and is there a lesson for Canada's still fledgling wine industry?

Joining us now is the man behind the Yellow Tail mega brand, that's John Casella, head of Casella Wines.

Well thank you coming for coming all the way from Australia.

JOHN CASELLA (Casella Wines, Yellow Tail): Thank you for having me. A pleasure to be here.

UNIDENTIFIED HOST: So, have New World wines now unseated those old stalwarts of the Old World?

JOHN CASELLA: I suppose I have to a certain extent. We are seeing a good resurgence of Italy for example. The French I have got some way to go. But there are a lot of consumers out there that do like variety and we offer a different form or a different tasting wine and it's up to the Europeans really to redo their blends and be more relevant to what people like.

UNIDENTIFIED HOST: Oh! My Gosh I'm sure there are some Europeans whose hair is standing on end right now listening to this! How would you say the industry has changed over the last 10 to 15 years?

JOHN CASELLA: What I think we're seeing is much better value from any wines is really led by Australia. I think we gave people more flavour; we gave them more balanced wines. We gave them more easily enjoyable wines. And in doing that we've sort of pushed the sort of competition to want to do the same thing and really want to know more of what people want and be able to give them more of what they want rather than what they believe they should be drinking.

UNIDENTIFIED HOST (BNN-TV): Now specifically you really went out there and did your market research about the North American consumers, finding out that they didn't like the more bitter tannin taste of some of those Old World wines and you purposely created a wine that appealed to I don't know I guess a broader palate.

JOHN CASELLA: Exactly. Exactly, we broadened the appeal. And to be honest it wasn't about doing consumer research or... it was about intuition, thinking that we've got to make wine a little more fun, a little more attractive and make the choice of wine a little easier. And you know we have coloured sort of banners that told the consumer which variety they were drinking and the label itself was warm, reassuring and the product delivered. And delivered to the point where they were recommending it.

UNIDENTIFIED HOST: Getting a more global perspective on the industry itself we've seen a lot of consolidation in the beer sector for example where you have these giant behemoths that are the InBev's and Budweiser's of the world. But the wine industry is still pretty fragmented. Do you see any kind of consolidation happening there?

JOHN CASELLA: Consolidation as long as I can remember, it is more than 20 years, it has been happening. But there's just so much dynamism in the industry that as old players get taken up and consolidated new players come into force. Look at our story of only 10 years and we went from being insignificant to being a major player. And within the brewing industry that's much more difficult because of the distribution system.

UNIDENTIFIED HOST: Is it fair to make comparisons between Australia and Canada? I mean we've had a wine industry here now for decades, it is showing some success recently but nothing near like the success that Australia I think has enjoyed as a new global brand for quality wines that you want to drink. That's not necessarily what people associate, especially with wines here in the province of Ontario.

JOHN CASELLA: Yes. What I think Canada needs to do is really look at where it can grow the grapes that deliver the style of wine that people want. And I think the disadvantage is it's fairly cold so they really do need to concentrate on varieties that are best suited to the colder regions and develop those and develop those wine styles so they can deliver to consumers a similar value proposition to what you have from Australia and other New World countries and to a certain extent even the Old World countries that are sort of beginning to deliver on that as well.

UNIDENTIFIED HOST: Is it a matter of just the varieties though or is it also a question of marketing? Because I have to say Australia has had a fabulous marketing campaign for its wines.

JOHN CASELLA: It has. It has. But the marketing won't ever work unless the product is there. So my advice would be get the product right and then build your marketing campaign around that product that's delivering what people want. And I'm not saying that Canadian wines aren't good. But if you look at the bulk of wines and the type of wines they are, they need to deliver on that.

UNIDENTIFIED HOST: But just to follow up though how much do you think the kind of distribution system you have in Australia - because you are talking about how wine is distributed versus how beer is distributed - how much do you think that contributed to partially the success of the system or the wine industry in Australia? You have a privatized system versus in Canada which is not.

JOHN CASELLA: A fully government system. I think when you look at the two systems there are probably advantages and disadvantages to both. Certainly with the government system, it's all well structured certainly from a consumer point of view that would like more variety. From the producers' angle if you've got the structured system when you're in, you're in, in a very big way...

UNIDENTIFIED HOST: In other words you're out.

JOHN CASELLA: ... and when you're out, you're out totally. Whereas in a free system you might be in some and you might be able to build your brand or build your products up in a slow way starting with some of the retailers rather than either being totally in or totally out.

UNIDENTIFIED HOST: So you would say there's correlation there between the entrepreneurship and the dynamism of the wine sector in Australia that's connected to how wine is bought and sold.

JOHN CASELLA: Exactly. Yes. Yes. Yes.

UNIDENTIFIED HOST: On a day to day basis.

JOHN CASELLA: Well exactly. Because you really want to start in a small way and you want to be able to basically sell your product to the different retailers on a one-on-one basis rather than having to sell all of it to one effective retailer.

UNIDENTIFIED HOST: And now you are the number two import here in Canada but from what I understand your reserves aren't available in Ontario.

JOHN CASELLA: Well the discussions are happening but they're not currently available.

UNIDENTIFIED HOST: Okay. Why?

JOHN CASELLA: Well we've had a huge success with the standard.

UNIDENTIFIED HOST: Right.

JOHN CASELLA: And I think the Board needs to see the benefits of...

UNIDENTIFIED HOST: You are talking about the Liquor Control Board. Yes.

JOHN CASELLA: The Liquor Control Board the benefits to those products and what value they represent to their customers.

UNIDENTIFIED HOST: Now I know it's hard to talk because they are obviously a big distributor for you. But how do you feel about that coming from a country where wine spirits are sold at a fairly deregulated fashion having to deal with here in Ontario, to a certain degree in Quebec, obviously much less in Alberta, but still these provincial State-run entities that have a big say in how wine is bought and sold?

JOHN CASELLA: Yes. Yes. Well from our point of view we're quite happy with what they have done. And going through the stores and looking at the variety of wines they certainly are doing what's right by the consumer. I think it's the producer who is slightly disadvantaged. They may just look at giving opportunities to the smaller producers to begin to sell their products and certainly opening up the sale of these products directly, for example to the entree at the restaurants and so on.

UNIDENTIFIED HOST: Now going back from Canada back to Australia can you tell us what's happening in the industry there? Because Australia is number four in the world for wine production. But it's going through a lot of turmoil in terms of overproduction, you have had some droughts.

JOHN CASELLA: It certainly is here. We had a drought but we still had an oversupply which is...

UNIDENTIFIED HOST: A strange...

JOHN CASELLA: ... Unusual, yes! But what's happening out, look, the dollar is not helping us much.

UNIDENTIFIED HOST: As well as the dollar. Yes.

JOHN CASELLA: Yes. Well Canada is in much the same position. So I think going forward we really need to have a good look at ourselves look at how we can get the best value from the resource we have. We have got this wonderful image. We have got the ability to produce these wines. We have got wonderful infrastructures to produce them. So on having to build new wines and to produce them. So let's go out there and again be aware of what customers want and look at cost savings building our efficiency to compensate for the currency movement keeping our price movements to a minimum and promoting ourselves as the producers but also the whole brand of Australia.

UNIDENTIFIED HOST: Okay. Well thank you very much for your time and we hope you enjoy the rest of your stay here in Toronto.

JOHN CASELLA: Thank you very much for having me on the show. Thank you.

UNIDENTIFIED HOST: Our guest is John Casella; he is the man behind the Australia mega brand Yellow Tail.