



# Yellow Tail wags the wine corporations

Casella Wines, which began with four family members, is today an international hit, selling 12 million cases a year

PETER SWITZER

ONE of the greatest unsung small-business success stories has to be the spectacular Yellow Tail wine and John Casella's foray into the US.

Casella Wines officially started in 1969 and growth was steady until 2000. Then Yellow Tail was born.

"We forecast first-year sales to be around 25,000 nine-litre cases," Casella recalls. Actual sales were 500,000 cases, then by 2002 we were selling 2.2 million cases and five million cases in 2003.

"Now we sell 12 million cases to more than 50 countries around the world every year."

This is a business that started with four family members and at vintage can have up to 600 employees. Did I say spectacular?

Casella started winemaking with his father, Filippo, whose family had been in the game since the 1820s. Filippo travelled to Australia in 1952 and made a living for the family cutting sugar cane in far north Queensland before he was able to save enough money to buy 20ha of farmland in the Yenda area in NSW in 1965.

"At first he grew and supplied grapes for local winemakers, before he was able to gather the equipment needed to produce our own wine," Casella explains.

"That's how Casella Wines came into being."

After studying oenology at Charles Sturt University in Wagga Wagga, Casella worked at Riverina Estate, starting as an assistant winemaker, working his way up to manage a 25,000-tonne vintage.

After his dad fell ill, he returned to the family business and, like many Australian entrepreneurs, he was stimulated by what

he saw and heard in the US.

"In 1997, on a work trip to San Francisco, I met Bill Deutsch, a wine importer based in New York," Casella says.

"I felt I had a lot in common with Bill, as he came from a family business, and I felt comfortable to share with him my thoughts of introducing a new Australian wine label.

"Bill was keen to work with us and take on an Australian wine."

By 2000, Casella, with his brothers Joe and Marcello, had developed Yellow Tail and launched it in the US and Northern Ireland in 2001. And like many successful brand builders, the team understood the market, thought outside the square, and the rest is wine history.

"My mission was to make a fruity, easy-drinking-style wine that over-delivered on price value," he says.

"We wanted to step away from the more serious products on the shelf at the time because consumers were feeling intimidated.

"Yellow Tail was designed to demystify wine and encourage consumers to play by their own rules when it comes to enjoying wine."

And a sizeable chunk of the market liked it.

"The orders just kept coming in and we did whatever we had to in order to deliver," Casella says. "The winery in Yenda had to expand. We built bottling line 4, which is the fastest wine bottling line in the world, capable of producing up to 36,000 bottles per hour, and we installed 100 1.1-million-litre tanks to store the wine."

Clearly the American splash was

critical to the wine's success, so how did it happen?

"Our brand was different to anything they'd ever seen before," he says. "The roo on the label was appealing to Americans and people from other countries as well, and helped to break down the stuffy wine rules.

"The launch came at a good time — directly after the Sydney Olympics when Australia was flavour of the year for potential consumers around the world and top of mind as an intriguing destination.

"W.J. Deutsch & Sons were able to help us with widespread distribution. We didn't spend any marketing dollars for the first four years of Yellow Tail. It was all about quality, value and availability."

There is also the argument that the wine was right for the US market, having the right flavour profile, the right price and the right branding — a little taste of Australia without breaking the bank.

And it certainly hit the market, as the wine proved more popular in the US than it was in its homeland.

"Yellow Tail has enjoyed success in 50 markets around the world and Australia is in our top five in terms of sales," Casella says. "We certainly started out much bigger in the US, but we are catching up in Australia and our awareness is high."

Well, that's the inside story of what the Casellas got right, but was there any external help? For example, the Aussie dollar?

"Our launch in the US market came at a very lucky time, Casella says. "The Australian dollar was at its lowest ever since it



floated at US47c. This helped us in the initial years of Yellow Tail. The dollar helped us to deliver a value-priced wine in markets overseas and still make a decent profit.

“The family then reinvested the profit into the business to make sure that it would be able to continue to deliver their value proposition year-on-year.”

“The dollar certainly helped with Yellow Tail’s initial success, but it was just one of many factors [in the past] 10 years that helped us to get to where we are today,” Casella says.

In fact, to date the firm’s hedging has minimised the worst of the effects of the strong dollar, he says. Also the price point is still working overseas, despite the dollar, and the brand’s growth partly explains this.

Dancing with the dollar could drive many exporters to drink but, as Casella points out, the wine game involves farming, and so your business has to work with Mother Nature and other things that have to be risk-managed.

“We are hugely dependent on elements outside of our control, such as weather and taxes,” he says.

“Some vintages have been tougher than others, though, unlike some single-region wine brands, we’ve always sourced our fruit from more than 30 regions around Australia.

“This means we can alter the amount of fruit from poor-performing regions year-to-year. [However,] we have long-term relationships with our growers so we always buy the fruit for a fair price, no matter what the vintage conditions.

“By doing this Casella Wines can depend on the same grower the next year if they have a great vintage.

“Canberra is also a challenge to business. Tax is another increasingly challenging aspect of our business,” he says. “The volumetric carbon tax is a major concern and we are likely to be significantly affected by the carbon tax.

“Seeing as we do source fruit from so many regions, trucks travel interstate to deliver the fruit to our Yenda winery in top condition.

“The expectation is that the truck companies will pass the carbon tax on to them, as will the export and energy companies. Our winery operates 24 hours a day, 360 days of the year, so we expect this will come at a significant cost,” Casella says. The Casellas are worried about their competitive edge. So what about the future?

“This is an exciting time of change for the Casella business,” Casella says. “Yellow Tail will remain the focus of our activity but we’re at a stage now where we need to grow sideways and expand by developing new products. We’re in the process of diversifying into the beer market. We’ve just about finished building our brewery on the Casella Wines site in Yenda and we will commence working on a brew in the next few months.”

Asked what he has learned from the journey in building up an internationally successful business and brand, Casella says: “First come up with a product the consumer wants; the consumer is No 1 in any business.

“Then identify an opportunity and do whatever it takes to take advantage of it. Work hard and have faith in your product and take risks in the name of growth.”

Asked who inspired him, Casella comes up with an answer that I have noticed many successful sons and daughters

of migrants will offer — including John Symond of Aussie Home Loans and Mark Bouris, the founder of Wizard Home Loans and now Yellow Brick Road. That is, their parents.

“My father. It took a lot of courage for my father to move his family to a new country, learn the language and start his business from scratch,” Casella says proudly. “I always admired his spirit and perseverance and I take a lot of what I learned from him and apply it to my business approach. Our success is built on what my father started.”

And what keeps Casella motivated?

“I think it is fair to say that strong sales keep me and the wider team motivated, not just from a financial perspective but because it is the most accurate measure we have to show we are providing consumers with something that they want, something they like and will come back to again and again,” he answers like a true winemaker turned salesman.

But Casella has not forgotten his roots.

“Family cohesiveness within the business is a major motivation for me,” he says. “It is something my father worked hard to achieve and it is something I am proud to continue with my brothers and my nephew. I find it extremely rewarding to continually build on our family business and stay ahead of major corporations and competitors.”

Fillipo Casella passed away in 2009, but he must have left this world a very proud father.

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**JOHN CASELLA**  
CASELLA WINES



Early inroads into the US market were the key to John Casella's success with Yellow Tail