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## Case study

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# Building brand equity and share of heart at Nassau Valley Vineyards

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### Abstract

**Purpose** – The aim of this paper is to describe an innovative promotional and product development approach that has implications for new product developers in consumer industries.

**Design/methodology/approach** – The case describes an approach to new product development and promotion. The organization's original name has been retained as well as individual managers' names.

**Findings** – The paper provides information and action approaches to new product developers that may reduce the risk of product failure. The subject company recognizes that third party competitive awards are public relations tools to build sales and product image. Their results offer direct implications for new product development and promotional teams in the wine industry. By extension, the implications may aid traditional companies outside of the wine industry.

**Research limitations/implications** – As in all case studies, the specific conditions found in one organization may not be found more generally in others. Readers are cautioned that the conclusions drawn in the case may have limited applicability.

**Practical implications** – The case depicts an innovative application of word of mouth generating quality competitions in boosting sales. It also depicts the use of consumer and expert opinions in selecting wines to submit for judging. Other organizations may find the technique of value in their own efforts.

**Originality/value** – The case is one of the first to describe a successful promotional technique that minimizes the reliance on advertising and concentrates on the product quality characteristics resulting from the product development process.

**Keywords** Product development, Brand equity, Wines, United States of America

**Paper type** Case study

Many countries produce high quality wines. Countries like France, Chile, Argentina, Romania and Germany are arguably the most well known. The USA is a significant wine producer and most individuals recognize that grapes grown in California are used to make a variety of California wines. In fact, the Napa-Sonoma-Mendocino areas of California are very well known to American oenophiles as the source of some of the nation's finest wines. It is not surprising that some marketing academics from the area have studied wine marketing and building brand equity (Nowak *et al.*, 2006). One popular wine marketing technique is the use of a sampling or tasting room. Visiting the room allows consumers to experience the taste, appearance and aroma of a vineyard's products. The authors examined the tasting room experience and its effect on building loyal wine drinkers who would continue to purchase the winery's brand after the tasting room experience is over. They suggested that by understanding their target customers, "wineries can learn how to meet the customers' expectations for the type of tasting room experience that will lead to positive word of mouth, wine club memberships, and repeat purchases." In essence, the experience is a controlled marketing research project. Vineyards can vary the products

offered, can monitor customer reactions to the taste, color, aroma, and even the bottle label. The tasting room experience is a ready-made source of current and prospective consumer reactions to the product line.

The marketing literature has shown that perceived wine quality along with consumer perceptions of fair pricing relative to quality are two critical success factors for building brand equity. However, with accessible technological advancements and a number of university-trained winemakers available many wineries can produce high quality products. Thus, the price/quality strategy is reproducible by many competitors and is insufficient as a sustainable competitive advantage. One additional factor that might be integrated with a proper price/quality balance is building strong emotional connections.

### Building emotional connections to increase market share

Businesses that can build a positive emotional bond with the consumer have a competitive advantage. Arguably, marketers who can maintain that bond have a sustainable competitive advantage. The factor has been called, "share of heart" and is often illustrated by the affection that consumers feel for Harley-Davidson and its motorcycles. Thus, some marketers talk about creating products and advertising campaigns that will "win the hearts" of the customer. The assumption is that share

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of heart will lead to market share. The picture is not so simple. The more objective factors such as product quality and price also play a role.

For example, the package good industry knows the negative effects on brand equity which special promotions (e.g. price discounts, coupons) generate. Sales may rise as deal-prone consumers take advantage of temporary price discounts. However, without a bond to the product, these consumers will inevitably switch brands when another deal emerges. For many companies, deal-prone consumers can comprise a significant portion of a firm's market share and may be important to the overall profit picture. However, firms have no illusions that without price breaks or other incentives, the deal-prone consumer, will go elsewhere. Moreover, truly loyal consumers who learn of the targeted special promotions may resent them. It is possible that these efforts to build market share might harm the brand equity already built between the company and its brand loyal consumers. Avoiding price promotions altogether and ignoring the deal-prone customer has been a winning strategy for companies like FedEx, Bank of America and First Union Corp. Concentrating on building relationships with loyal and profitably served customers is a more rational strategy than serving all comers. Building relationships and share of heart seems to be an effective defense against aggressive promotional efforts (e.g. price reductions and ad campaigns) by other wineries.

In the following text we will describe how a young and relatively small vineyard has maximized both its brand equity and share of heart.

## Nassau Valley Vineyards

While California may be the best-known state for wine production, each state in the USA has at least one operating vineyard. Delaware, one of the smaller US states, has two vineyards: the first is Nassau Valley Vineyards (NVV). There is one other winery in the state, in Felton, but unlike NVV, they do not have a web site or any award-winning wines.

In the state of Delaware, winemaking was rarely (if ever) commercially attempted. One reason was Delaware law. Until recently, it was illegal to make wine in the state. NVV's ownership battled the legislature to make winemaking legal in the state. Moreover, critics claimed that winemaking in the state would not be possible. Delaware's climate is very humid and subject to a fair amount of rain. That combination makes a great breeding ground for fungus, a potentially disastrous problem. However, modern management techniques employing fungicides have overcome this problem. So, about 16 years ago, NVV opened as a farm winery. A farm winery is one at which all of the winemaking activities take place. Thus at NVV local grapes are grown, fermented and the resulting wine is bottled.

## Building brand equity

### The power of a prize

NVV follows a new product introduction strategy that aims to produce high quality varietals and blends that gain notice. When that strategy succeeds, it garners impressive amounts of publicity and creates a larger than life image for the company.

Winning wine judging contests is one of the most important brand equity building techniques used by NVV. When one of its wines wins an award, the vineyard garners significant recognition within the industry. It also gains a measure of recognition and prestige among the public. Awards clearly are

important and the process of selecting a wine for judging is carefully crafted. Richard Beavers, the vineyard's marketing manager, related NVV's strategy for submitting wines to a competition.

NVV relies on two sources of information; one is the public. Loyal NVV customers with educated palates know what is good and have suggested that specific wines be submitted for judging. We should emphasize that the vineyard staff recognize which customers are credible and which are not. When knowledgeable connoisseurs make recommendations, NVV listens. The second source of information is the NVV staff. Each individual is an oenophile and has developed a sophisticated sense of wine quality. When they taste a product that is superior, they can decide whether it is superior enough to be submitted.

NVV has been selective in submitting wine to judging events. While some vineyards might routinely submit a group of their wines, hoping for something to win, NVV submits only its strongest products. Within the industry, other vintners have come to know NVV and it has garnered an excellent reputation for quality. Their two fruit wines, the blueberry and peach, are known as two of the very few pure fruit wines. Other wineries blend grapes with the fruit and additives and that practice is judged as inferior. The recipe represents an attention to detail and commitment to quality that consumers and wine judges can taste. This year NVV bought two tons of blueberries to use in making the wine.

Table I details the current product list and some of the awards they have won.

With only 14 products in the product line, it is impressive that five are award winners. NVV takes its business seriously. When describing each product, it supplies a text ranging from sophisticated to lighthearted. For example, the NVV Chardonnay is described as:

This Chardonnay is a traditional Chablis styled Chardonnay. The wine is delicate yet well balanced. It is fermented in Stainless Steel and then aged in French Oak for approximately six months. Lively lemon and pear flavors with just a hint of vanilla. The crisp, clean finish makes our Chardonnay the perfect accompaniment to fish, fowl and lighter foods.

The description is worthy of a serious wine drinker. In contrast, the Redneck Rouge product description reads:

This is the wine for the Boons Farm and Night Train crowd. Sweet and Spicy, the Redneck Rouge is great with Possum, Muskrat, Squirrel and Road Kill. It's a great gift for your redneck friends. Don't have any? Sure you do! Everybody knows a redneck whether they want to admit it or not.

The Redneck Rouge product description pokes a bit of fun at the over discriminating wine drinker.

### Promotion

For those of us used to mass advertising and mass merchandising, NVV's approach is different. Instead of relying on mass advertising with its significant wasted exposures, the vineyard staff recognizes that its target segment of wine lovers is narrow. Thus the vineyard relies heavily on word of mouth and publicity. Wine magazines are specialty publications with an equally narrow readership. They often feature short articles about award winners, and they are read by the target segment. Connoisseurs value the reports and arguably tend to use them as guides for trying unfamiliar wines.

Academics will recognize that word of mouth and publicity have more effectiveness per exposure than advertising because they are perceived as unbiased and credible. By avoiding costly advertising and concentrating on more effective and

Table I Nassau Valley Vineyards' product and price list

	\$	Awards
Cape Rose (dry rosé)	12.00	Indy 2002/2003
NVV Chardonnay (dry barrel-aged wine)	11.00	
Millennial Night White Reserve Chardonnay	20.00	
Cabernet Sauvignon (dry barrel-aged red blend)	20.00	Finger Lakes Competition
"Adrift" Merlot (dry barrel-aged red)	20.00	
NVV "House Red" (dry barrel-aged red)	12.00	
Laurel's Red (semi-dry red)	14.00	International Eastern Wine Competition 2006
Redneck Rouge (semi-sweet and spicy red)	10.00	
Meadow's Edge White (semi-sweet white)	11.00	
Peach Ambrosia (semi-sweet white)	15.00	Indy 2001, 2003
NVV "House White" (semi-sweet white)	6.99	
Delaware White (sweet white)	9.00	
True Blue Reserve Blueberry (semi-dry red)	30.00	
True Blue Blueberry (sweet red)	22.00	International Eastern Wine Competition 2004 – Gold

economical promotional methods, NVV has built a respect for its products.

### Building "share of heart" and emotional attachments

NVV is surprisingly familiar to hundreds of thousands of beach visitors but not well known. It is located on the Delaware Atlantic seacoast in Lewes, Delaware, just off busy Route 1. Route 1 carries literally millions of summer visitors to the resort areas of Lewes, Rehoboth and Bethany Beach. Most of them have passed a sign for the NVV. However, few have followed the sign to the winery. The winery itself is lovely; it is tucked away on a quiet dirt road, surrounded by acres of grape vines. It is open seven days a week. On most days, the vineyard is busy but during the weekend, operations are restricted to two activities. One is the self-guided tour through the dark and musty hallways that surround glass enclosed wine fermentation tanks. As visitors go through the tour, Nassau Valley Winery presents a detailed explanation of the history of viticulture. It provides clear diagrams, exhibits and examples of winemaking equipment. For example, visitors will see an impressive amount of information about the nature and variety of corks and bottle closures. There are five exhibit galleries filled with displays.

The tour displays offer rich history lessons and NVV states that it chronicles an 8,000-year history of winemaking. Most Americans do not know that Thomas Jefferson was considered one of the first wine experts in America. The tour provides that information. The company does many things correctly. Its marketing efforts can be very personal. For example, the winery tour is masterfully crafted. Since it is a self-guided tour, no personnel are needed to conduct visitors through the exhibits. This allows small groups or even individuals to take the tour without inefficient use of employees. The tour only requires one staff person, but its self-paced nature makes it memorable.

Once visitors have finished the tour, the hallway leads directly to the best part of the tour, the wine tasting room. In the tasting room, an employee is waiting to pour a sampling of the wines NVV has to offer. Often the staff person is one of the small marketing staff. Sometimes it is Peggy Raley, the proprietor. Peggy is a unique and multitalented person. She has to be one of the most enthusiastic people ever born. Moreover, she is a

knowledgeable wine connoisseur. Her expertise makes it easy to decide what type of wine you would like to purchase from Nassau Valley's wide variety – from Chardonnay to Cabernet Sauvignon.

Peggy Raley is also a renowned professional jazz singer and an unlikely candidate for a vineyard owner. Perhaps the most remarkable fact is that she was the prime mover in the campaign to change Delaware's laws to allow individuals to make their own wine. That change allowed her to begin the vineyard and the winery. Like most entrepreneurs, she needed a measure of confidence in her endeavor. Part of that confidence came from a deep knowledge of fine wine. Her journey to the winery business began when she started working for Les Amis Du Vin International and the friends of *Wine* magazine. The society is unique. It consists of a group of Francophones and Francophiles who meet in Oslo, Norway to sample wines and speak French. The cost is significant and the wine quality is premier. The society instills an appreciation for fine wine and a disdain for inferior products. Her biography states that after several years traveling the world on behalf of the magazine, she learned much and decided to stop writing about other vineyards' wine and make her own. In 1987, she convinced her father Bob to convert a family farm into a winery: NVV.

The rich and focused experience Peggy gained in the business armed her with a sense of quality and also a multidimensional comprehension of how to prosper in the business. Fine wine, like fine food is a sensory product. On the retail level the company seeks to attract potential customers and get them to taste their products. One vehicle they use is their physical facilities.

### Expanding the spectrum of emotional attachments

Thus, NVV exploits event marketing to connect with its customers. Its web site proclaims, "Join us for concerts, festivals, and special events." Knowing the local family-based tourist traffic, it invites families and friends to experience fun-filled days. The Delaware Atlantic coast is a first class summer tourist destination and offers a wide range of family and adult focused recreation. For example, the town of Lewes is famous for a rather silly event, the Delaware Punkin' Chunkin' festival. In English, the event features pumpkins lobbed, catapulted, shot and otherwise propelled over a distance with winners attaining the longest range. Contestants come from many of the

US states and Canadian provinces and even travel from England. They manage to transport a bewildering array of trebuchets, catapults, gas cannons, Roman onagers, and other medieval siege machines. That event has been copied in numerous parts of the USA and generated millions of dollars earmarked usually for local medical facilities. In a similarly silly manner, NVV hosts a grape stomping contest in which contestants squash grapes with their bare feet. Notably, the resulting juice is not used in winemaking, but given to the contestants. One can only imagine the “life” of the photos that visitors take and show their friends. They must capture the fun they had and the warm feelings that they have toward NVV.

While the beach activities are highly important, the region boasts sophisticated dining and entertainment. NVV uses its hospitality facilities to host a number of adult events. The perfect example is a jazz concert series that allows visitors to sample the vineyard’s wine by the glass or bottle and enjoy jazz. The musicians are well known and highly rated local and regional artists. Their stature helps to draw patrons locally and from outside the area. Peggy Raley sometimes entertains visitors during evening concerts and her fame and talent make this a natural co-promotional technique. It seems that the combination of sophisticated jazz and wine is a perfect match.

Other concerts feature classical musicians like the Canta Libre Chamber Ensemble. Canta Libre is a New York-based chamber ensemble that specializes in music for flute, harp, and strings. Its performers are individuals of great accomplishment and a uniquely solid ensemble of great musical depth. It can accommodate smaller ensemble requests, including string and flute trio or duo, flute and guitar, flute and harp, or flute quartet. Once again, sophisticated music from professionals make a great match for enjoying wine.

Other more conventional events include art exhibits, seminars, and theater productions. In fact, the link to art extends even to the labels on the wine bottles. NVV has started a relationship with a local artist, Abraxas. Two bottles feature the art label. Each was unveiled at receptions at the winery. The first, Millennial Night White Reserve Chardonnay, features Abraxas’ oil painting, “Millennial Night”. The second, Cape Rose features the work, “First Light” by Abraxas. In a press release, NVV stated, “Our very popular Cape Rose, named for Cape Henlopen, is a traditional provencal-styled rose. A crisp dry rose wine made in the tradition French style, it exhibits lively and delicate grapefruit flavors with a wonderful peach finish.” The painting “First Light” is a dramatic sunrise portrait of Delaware’s Cape Henlopen light house as it was in 1924. Abraxas’ work depicts the local monument with a haunting realism. Once again there is a neat match between art appreciation and wine.

NVV offers guided group tours at a small fee and welcomes busloads of visitors by appointment. For these high volume visits, more than one staffer will be on hand to interact with visitors and assist with the wine tasting, and resulting sales. NVV also promotes private picnics, inviting visitors to pack a lunch and bask in the sun.

The facilities are interesting, pleasant and bordering on beautiful. NVV promotes one other activity: use of the

facilities as a venue for a private event. The winery will rent one of several of its facilities including The Claret Hall, Gallery One, and the outside landscaped area called Bacchus Grove. There are several options for renting the facilities for private parties, weddings or corporate events. NVV has a staff person, called the party planner, who is experienced in hosting events and attending to details.

The last “Share of Heart” promotional technique in use is a private labeling service. NVV offers a private label program suitable for weddings, birthdays, corporate gifts or commemorative items for special occasions. The winery can provide a custom designed, personalized private label for any of its wines.

The objective of all of these emotion-building techniques is more than getting people to follow the familiar signs to the vineyard and then to get them to taste and then buy the product. That would be a typical retail objective and is illustrated by retailers who plan holiday events to lure customers into their stores.

Ms Raley and her staff were happy with the retail sales resulting from their event marketing efforts. They seemed more interested in making fine wines and sharing them with customers. One result is extensive user comments in online wine forums. The comments range from those focused on NVV wines and their qualities to the fun visitors had at a jazz concert, grape stomping or wedding.

## Lessons learned

NVV illustrates several lessons. First, there is no substitute for quality and that quality must be apparent to the consumer. NVV takes exquisite care in production to assure the highest quality. However, when third party experts judge their products to be the best, quality becomes apparent to the ordinary consumer.

Second, value is quality in relation to price. With an average bottle price of \$15 and a respectable percentage of award winning products, NVV represents a significant value. Price and quality are enough to protect its brand equity from competitors.

Other lessons are clear but not easily duplicated by competitors. Some may have the extensive knowledge of NVV’s staff; few have the musical talent of the proprietor. That unique blend of skills that are perfectly matched with the target audience is one of NVV’s sustainable competitive advantages.

The other “Share of Heart” building actions such as grape stomping, using the facilities as an entertainment and event venue are highly effective. The picnics, weddings, jazz concerts and wine tasting events help cement consumer’s relationships to the products and the winery. Perhaps the secret of NVV’s success is the energy, interest and commitment of the staff. After all, personality is important to emotional connection.

## Reference

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