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GALLO'S PREMIUM BUSINESS NOW 30% OF TURNOVER

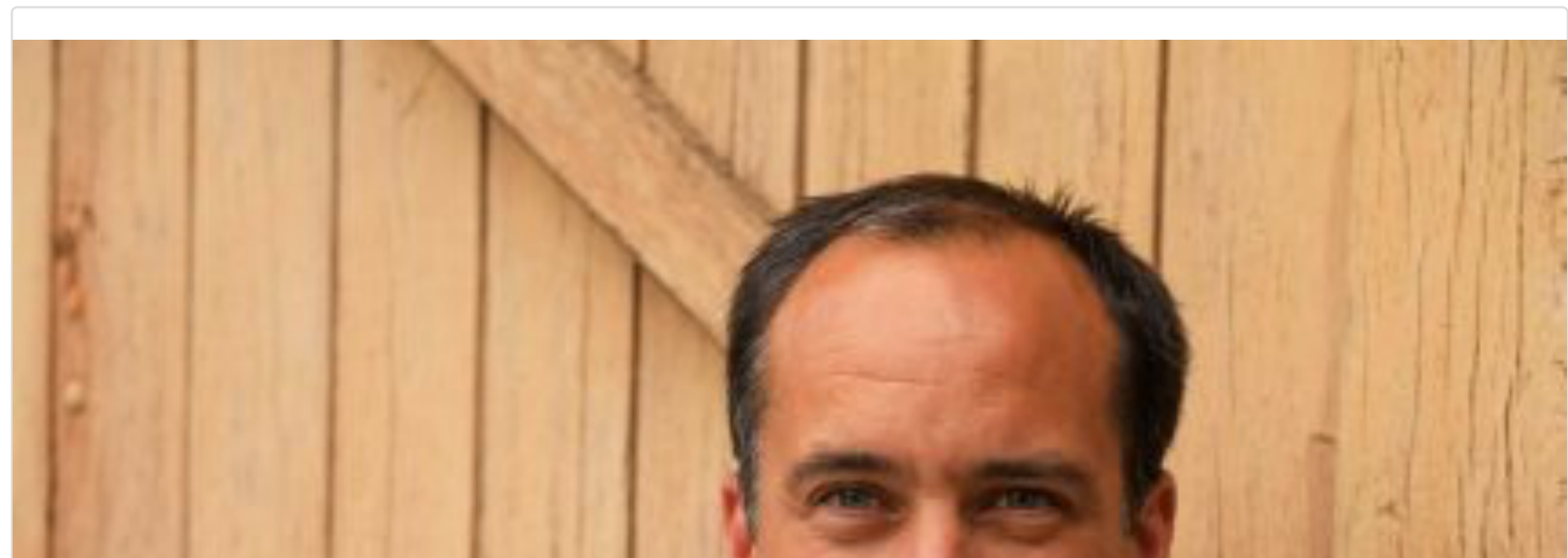
17th May, 2019 by Lucy Shaw

Showing how serious it is about taking its business upmarket, E & J Gallo's premium wine business now accounts for 30% of the company's annual turnover.

Speaking to *db* in California, Edouard Bajot MW, E & J Gallo's regional fine wine manager, said he's keen to change how people view Gallo.

"My biggest aim is to change people's perceptions of Gallo. The premium part of our business now accounts for 30% of our total turnover – it was just 1% in 1994. My goal is for 20% of our turnover in Europe to be premium or above by 2020. It is at 12% in Europe at the moment but we've already achieved it globally."

Over the last five years Gallo has bought over 8,500 acres of premium vineyards and has invested over US\$1 billion in its premium wine business.





Edouard Baijot MW is on a mission to change perceptions of Gallo

Gallo defines 'premium' wine as over US\$10 a bottle, 'super premium' above US\$15, 'ultra-premium' £20-30 pounds and 'luxury' wine as over £30 a bottle.

“Most people have no idea about our super-premium business – 70% of our revenue comes from brands that didn’t exist in our portfolio 15 years ago,” Baijot said. **It is increasingly challenging to make money in wine at the entry level,** so we need to secure more premium vineyards as sourcing is the biggest challenge.

“We’re using an increasing number of grapes from our own vineyards in our blends. Over half of the grapes that go into our super-premium wines come from our own vineyards. People are drinking less wines but better. We are investing for the future of the company and for the next generation of drinkers, as growth is going to be in the premium segment,” he added.

Having snapped up sparkling wine-focused estate J in the Russian River Valley in 2015, and Dave Phinney’s Orin Swift brand in 2016, Baijot believes **Gallo’s high-end acquisition trail in California is going to continue** in the coming years.

Baijot admitted that the premiumisation of a wine company that has traditionally predominantly focused on entry-level wines has not been without its challenges.

“We tried to build the quality pyramid with the Gallo name in 2006 but it didn’t work, as people think of big brands when they think of Gallo. The Gallo family didn’t mind doing it differently.

“The name Gallo does not appear on most of our premium wine labels and some of the premium team don’t even have the name Gallo on their business cards.

“It can be difficult out in the field and can take us longer to get an appointment with some people purely because we’re Gallo, as some people think that Gallo doesn’t know anything about premium wines, which is ridiculous to me,” he said.

“We plan to introduce new premium wine brands to the market this year and have created a new business unit in the UK dedicated to it,” he added.

E & J Gallo is responsible for 40% of all wine production in California. It owns 24,000 acres of land and over 100 different wine brands.



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