

• *global drinks* intel.

Market intelligence for the global drinks executive. Aug/Sep 2019

COCKTAILS EMBRACE THE
LOW/NO-ALCOHOL TREND

TOP SPIRITS & BEER BRANDS

ASDA'S EVOLVING WINE
AND SPIRITS OFFER

BOURBON IS BOOMING

BUT THE BEST IS YET TO COME

EXCLUSIVE INTERVIEWS

BEAM SUNTORY
PRESIDENT ALBERT
BALADI & HEAVEN
HILL BRANDS
PRESIDENT
MAX SHAPIRA



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Uncorking Greatness in Hong Kong Asia's Premier Wine Sourcing Hub

The **HKTDC Hong Kong International Wine & Spirits Fair** is a truly global event offering a wide range of high-quality wine and spirits, beer, and other alcoholic beverages, as well as wine accessories and equipments and other services including wine logistics and training.

The fair will be held from 7-9 November at the Hong Kong Convention and Exhibition Centre, welcoming over 1,000 exhibitors from all the major wine-producing areas.

Spirits and Beer

The offerings of the wine fair blossom. The widely acclaimed "Ice Bar", "Whisky and Spirits Zone", "the Whisky and Brandy Bar", "the Champagne Avenue", "Beer Zone" and Friends of Wine including olive oil will return, giving visitors a chance to enrich the knowledge about whisky, spirits, beer and many more.

Fabulous Events

A panoply of events will take place during the three-day fair, including Asia Wine Academy, grand tasting, master classes, wine tasting, cocktail and whisky demonstration, conference and seminar. Wine fair is an excellent platform for visitors to soak up the latest market intelligence and enrich their knowledge.



Hong Kong International Wine & Spirits Fair

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Tel: (44 20) 7616 9500 • Email: london.office@hktcd.org

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Website – hkwinefair.hktcd.com/ex/11

Mobile app – download HKTDC Marketplace



Remarks:

- For visitors aged 18 or above only
- 7-9 November opens to trade buyers
- No admission charge for pre-registered trade buyers
- Admission fee HK\$100 per person for buyer's onsite registration
- 9 November opens to the public by ticket admission (HK\$200 per person with a complimentary Lucaris crystal wine glass)

Meet our editorial team

Alexander Smith

Alex, previously the long-term editor of *IWSR Magazine*, heads up the editorial team. With over 25 years' experience covering the drinks sector, Alex is highly connected and draws upon these contacts to provide a stream of cutting-edge interviews with leading industry movers.



Doug Newhouse

Retail editor Doug was previously the founder and editor of *Travel Retail Business* and founder of *Duty Free News International*. Renowned for his prowess in breaking big stories, Doug has long been considered a highly influential commentator on the travel-retail industry.



Joe Bates

Joe has been a business journalist for over 20 years, specialising in the drinks, aviation and duty-free sectors. His writing has appeared in a wide range of trade and consumer titles, including *Duty-Free News International*, *IWSR Magazine*, *Jane's Airport Review* and *Whisky Magazine*, among others.



Kate Wake-Walker

Kate is a marketing expert who worked in advertising for 30 years. She now specialises in writing within the wine and spirits sectors on marketing and new products. Her work has appeared in *Epicurean Life* and *IWSR Magazine*. Kate is also *Global Drinks Intel's* marketing and subscriptions manager.





Alexander Smith

Brand marketers have one purpose: to build sales, not be social warriors

More than ever, consumers are seeking out brands with a social purpose. It is a relatively new development and for brand owners it represents both an opportunity and a potential minefield.

The opportunity is greater consumer engagement. It goes to follow that if a consumer identifies a brand with a specific cause it can create an emotional bond. A good example is when Budweiser renamed its brand 'America' for a limited period over 4 July 2016 in a bid to link the brand with patriotism. In another example, craft brand Tito's successfully adopted the cause of dog welfare. Both examples are building brands with social purpose but with relatively little risk. Love of country and dogs is fairly universal.

It becomes a little riskier when brands take on more contentious social issues such as Smirnoff vodka's promotion of LGBT rights. Sure, it brought the brand goodwill with socially liberal consumers, but at the same time it risked turning off more conservative consumers. Does a brand ever want to be that polarising? I presume that Diageo has done the calculations and determined that the potential upside outweighs the negatives. Or is it a case of Diageo's marketers mostly hailing from socially liberal metropolitan environments like New York and London and being



Transgender actress and activist Laverne Cox starred in Smirnoff's Pride campaign this year

disconnected with the more conservative hinterlands? Without taking a view on the cause itself, it seems to reason that any campaign that is prepared to alienate a certain number of consumers isn't optimal.

Brand marketers really have one purpose and that is to build sales, not necessarily to be social warriors. In some cases it is possible to do both. Hennessy has certainly managed it through its association with African-American civil rights and opportunity. This is a case where this specific cause dovetails with the interests of the brand's core African-American consumer base. The brand has benefited though, as evidenced by its explosive sales performance in the US.

Even sustainability, something that many consumers agree upon, can be potentially problematic. There is little doubt that the issue, from both a regulatory and consumer standpoint, is gathering momentum. It has been a relatively easy cause for drinks companies to exploit. They regularly issue press releases about their environmentally friendly production facilities and processes, and these generate a certain amount of goodwill. Even the latest movement toward reduced-plastic packaging has benefits as retailers create plastic-free sections and environmentally conscious consumers seek out these products, potentially enhancing sales.

It may eventually force the drinks industry into some tough choices though. Go through any duty-free store and you will see that many packages remain laden with wood and plastic and frankly are way over the top. This elaborate packaging is part of how brands justify the associated premium pricing. If these companies really want to walk the walk, much of this packaging may have to go.

The whole export model may come under scrutiny. Shipping a bottle of beer from Amsterdam to California, or Scotch to India certainly isn't carbon neutral. Having brands with a social purpose is relatively easy when it doesn't interfere with business. The question is what happens when they do? We may soon find out.

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Belvedere Vodka Limited Edition Monée Bottle

Moët Hennessy has released a limited-edition bottle of super-premium Belvedere vodka through its partnership with actor, musician and activist Janelle Monáe.

The bottle's metallic collage design signifies peeling back layers to reveal the beauty within and features the phrase 'A Beautiful Future' to highlight what Moët Hennessy called "Monáe and Belvedere's shared vision of a future where diversity, self-expression and inclusion are celebrated".

Belvedere provides backing for Monáe's 'Fem the Future' movement, set up to promote awareness, inclusion and opportunities for women and those who identify as women through music, arts and education.

RRP \$29.99/75cl; \$37.99/1L



DeadEye Napa Valley Red Blend

A dramatic package featuring only a hand-drawn crosshair symbol on the front is the hallmark of a bold Napa Valley cabernet focused red blend called DeadEye from Treasury Wine Estates' Provenance Vineyards.

While predominately cabernet sauvignon, the blend includes petite sirah, merlot, petit verdot and malbec. Provenance winemaker David Galzignato says the new wine is a richer style designed

to appeal to consumers of popular luxury red blends and is "expressive and opulent, deliciously round and plush, dominated by ripe dark fruits".

Select lots from key Napa growing districts including St Helena (45%), Howell Mountain (23%), Oakville (12%) and Spring Mountain (12%), with contributions from Atlas Peak and Sonoma's Alexander Valley form the blend. DeadEye is a limited release of 2,396 cases.

RRP \$50/75cl

Teeling Whiskey Explorers Edition 12yo

Bacardi Global Travel Retail has launched Teeling Whiskey Explorers Edition 12yo. The limited release of only 6,000 bottles is exclusively available at World Duty Free airport stores in the UK.

Bacardi entered into a partnership with Teeling Whiskey in June 2017 and this is the first exclusive created for global travel retail. Bacardi is now accelerating the brand's distribution in key markets. Outside of the US domestic market, it is the global travel-retail sector which is Teeling Whiskey's biggest market today.

RRP £81.50 (\$102)/70cl



Smokehead Rum Riot

Smokehead Rum Riot will be Ian Macleod Distillers' next Islay single malt global travel-retail exclusive. The launch follows what it described as "huge interest" shown in the line at last May's Singapore Tax Free Asia Pacific show. Bottling will take place in September for an official launch at TFWA Cannes in October.

Smokehead Rum Riot has been crafted by finishing award-winning Smokehead Islay whisky, which delivers a "rich, peaty, salty flavour punch", in Caribbean rum casks. "The result is a hit of immense smoke and spice, followed by citrus, banana, pear drops and hints of honey."

Smokehead single malt is growing at 50% year on year and Ian Macleod Distillers says the brand has "considerable additional potential" in the global travel-retail channel.

RRP £44.90 (\$56)/70cl



Rémy Cointreau CEO to step down

Valérie Chapoulaud-Floquet, CEO of the Rémy Cointreau Group, will leave her position before the end of this year, citing personal reasons. Prior to joining Rémy Cointreau, Chapoulaud-Floquet worked for the L'Oréal Group for more than 20 years.

In related news, Rémy Cointreau revenue amounted to €223.2m (\$250.6) for the first quarter of the 2019-'20 fiscal year, down -3% on an organic basis following the withdrawal of partner brands. Rémy Martin grew by 5.5%, driven by high-end qualities. The company said that VSOP has proven resilient to the significant price increases that were implemented at the beginning of the year.

New CFO for Bacardi

Bermuda-based Bacardi Limited, the largest privately held spirits company in the world, has appointed Tony Latham as executive vice-president and chief financial officer. Latham joins Bacardi from Unilever where he served as vice-president finance — Group Performance Management. He will report to CEO Mahesh Madhavan.

Pernod Ricard names new SE Asia chief

Pernod Ricard has named Thibault Cuny as its managing director of South Asia. Cuny replaces Guillaume Girard-Reydet who is appointed MD of España and Iberia. Benoit Laug, currently MD of Argentina and Uruguay, is appointed president and CEO of Southern LATAM.

Paul-Robert Bouhier is appointed MD of South Africa, while retaining his responsibilities as MD of Sub-Saharan Africa. Constanza Bertorello, currently Human Resources and S&R director of Argentina & Southern LATAM, is appointed MD of Argentina and Uruguay. Mikkel Olsson, currently marketing director of Pernod Ricard Norway, is appointed country manager of Norway. Narek Melkonyan, head of marketing of Pernod Ricard Armenia, is appointed country manager of Armenia.

GLOBAL BEER SET TO RETURN TO GROWTH

Global beer consumption may have slowed last year, but forecasts indicate that beer is set to rebound especially in smaller emerging markets.

IWSR Drinks Market Analysis predicts the category will show a slight increase this year and grow to nearly 1.9bn hectolitres (hl) by 2023, with a compound annual growth rate (CAGR) of 0.7% (2018-'23). Global retail value of beer is forecast to increase 5% by 2023, to more than \$455bn.

Among the top beer markets in the world, the strongest volume gains in the category (CAGR 2018-'23) are expected in Brazil (+0.5%), Mexico (+4.4%), Vietnam (+2.9%), Spain (+2.7%) and Poland (+2%). The markets forecast to contribute the most to global beer's total volume in the next five years are Mexico (expected to add 21m hl, for a total of 108.3m hl by 2023), India (with the addition of 13.4m hl), the Philippines (with the addition of 9m hl) and Vietnam (adding 6.5m hl to that country's total).

"With major mature beer markets such as China, the US, Germany, Russia and Japan all expected to continue showing declines in beer consumption, it's the smaller and emerging markets which will help put beer back into the overall positive column over the next

five years," said Mark Meek, CEO of IWSR Drinks Market Analysis.

In Mexico, for instance, consumers are increasingly health conscious, which helps have a positive impact on the beer category. The large players in that market are investing heavily in ultra-low-calorie brands and are continuing to develop convenient retail offerings in order to make beer more accessible. In Vietnam, already the ninth-largest beer market in the world, the increasingly challenging legislative requirement there for the spirits category is expected to benefit beer.

The growing global popularity of craft and low/no-alcohol beer is also strengthening the category. Globally, volume of craft beer is expected to grow by 4.5% (CAGR 2018-'23) to 52.2m hl, with the largest gains (albeit from small bases) in Costa Rica, Paraguay, India, Guatemala and the Dominican Republic. The US, Brazil and Canada are the largest global markets for craft beer. Low-alcohol beer is forecast to grow by 2.8% and no-alcohol beer by 8.8% (CAGR 2018-'23).

The brands that added the most volume to the global beer category last year were Corona, Heineken, Michelob, Modelo and India's Kingfisher.

Pernod Ricard invests in Myanmar

Pernod Ricard has taken up its option to buy a 34% share in the Seagram MM Holdings company in Myanmar, which is a consortium comprising the Win Brothers, Delta Capital and Yoma Strategic.

The cost of this investment has not been disclosed, although the new shareholding is hardly a secret, having originally been disclosed in May last year. Seagram MM Holdings company owns the Seagram Myanmar Company which produces a series of brands for markets in the region.

Commentators expect Pernod Ricard to introduce more of its brands into the Myanmar marketplace.

In other group news, Pernod Ricard,

through its US New Brand Ventures division, has acquired a majority share of Rabbit Hole Whiskey, produced and based in Louisville, Kentucky. Rabbit Hole is particularly recognised for its iconic, state-of-the-art distillery in the heart of Louisville.

With this strategic partnership, Pernod Ricard expands its newly created portfolio of specialty brands, gathering smaller brands with unique and comprehensive value propositions and select distribution.

In the US, Rabbit Hole will be part of this New Brand Ventures portfolio along with recently acquired brands Smooth Ambler and Del Maguey.



246M HL OF WINE CONSUMED IN 2018

Global wine consumption is stable at 246m hectolitres (hl) and global trade in wine equivalent to 108m hl by volume and €31bn (\$34.8bn) by value (+1.2%), according to the International Organisation of Vine and Wine (OIV).

The world's wine-growing area covered 7.4m hectares (ha) last year, with global grape production estimated at 78m tons, while wine production (excluding juices and must) generated an estimated 292m hl (+17%). Spain continued as the world's leading country for area cultivated with 969 thousand hectares (kha), ahead of China with (875kha) and France (793kha).

OIV director general Pau Roca presented a positive overview of the vitivinicultural sector at July's 42nd World Congress of the OIV in Geneva.

Roca told delegates: "The Chinese wine-growing area continues to increase (+10kha between 2017 and '18). On the other hand, the European Union's vineyards seem to have curbed their rate of decline and stood at 3,324kha in 2018 (+10kha in 2017)."

He added that since 2000, the world's grape production has risen about 1% a year to almost 78m tons, thanks mainly to increased yields and despite a reduction in vineyard area. The OIV says this is due to the continuous improvement in vinicultural techniques around the world and despite last year's -11% drop in production in China — the world's leading producer with 11.7m tons accounting for 15% of global grape production. China was followed by Italy with 8.6m tons last year, ahead

of the US (6.9m), Spain (6.9m) and France (5.5m). OIV's Roca also delivered yet more good news when he revealed that the top three European producing countries recorded a 28% increase in production last year.

As for the total global wine volume of 292m hl, OIV confirmed that 2018 is one of the highest since 2000, although it adds that the comparison with 2017 has to be seen in the context of "very difficult weather conditions" that affected production in many countries.

In Europe, Italy (54.8m hl) was the leading world producer, followed by France (48.6m hl) and Spain (44.4m hl).

Roca added: "The level of production in the US remains high (23.9m hl). In South America, production increased significantly (Argentina 14.5m hl and in Chile 12.9m hl), while South Africa (9.5m hl) suffered an unfavourable drought. As a result of the drop in the grape yield, wine production in China (9.1m hl) is in a second year of recession, with a fall of -22% over the 2017-'18 wine year."

The OIV said there was a "stabilisation of global consumption at around 246m hl, confirming the trend since 2014 towards a recovery in European countries and consumption growth in Asian countries". The US with 33m hl was the biggest global wine-consuming country — and has been since 2011 — followed by France (26.8m hl), Italy (22.4m hl), Germany (20m hl) and China (17.9m hl).

Spain (21.1m hl), Italy (19.7m hl) and France (14.1m hl) were the main exporters of wine, accounting for more than 50% of global export volume in 2018.

Travel-retail spirits up 2.5% to 2.5m cases

Overall spirits volume and value in global travel retail increased in 2018, strengthened by gains in several categories. In total, spirits volume grew 2.5% in the channel last year, to reach 24.5m nine-litre cases, with a value of \$9.2bn, according to IWSR Drinks Market Analysis.

The spirits categories which posted the largest volume increases in duty free were Japanese whisky (up by almost 20% versus 2017), gin (+15%), Scotch (+4.9%), and US whiskey (+4.3%). Over the next five years, IWSR forecasts that global travel-retail volume will grow by 2%, led by cane spirits (+6.7%), Japanese whisky (+6.4%) and gin (+6.2%).

By region, spirits volume is expected to grow 3.6% in Africa and the Middle East, 2.4% in Asia-Pacific, 2.3% in the Americas, and 1.2% in Europe (all figures CAGR 2018-'23). The retail value of spirits in duty free is estimated to reach almost \$10.4bn by 2023.

"Spirits growth in travel retail softened slightly in 2018, compared with the year before, but the positive news here for duty-free operators and spirits suppliers is that the channel continues to perform well," said Sandra Newman, travel-retail research director at IWSR Drinks Market Analysis.

Johnnie Walker, which for more than 30 years has been the top-selling brand in global travel retail, grew by almost 8% last year. Rounding out the rest of the top five, in terms of 2018 volume, were Jack Daniel's, Chivas Regal, Absolut and Hennessy.

Interesting to note is the continued success of Aperol and Jägermeister in the bitters/aperitifs category. These brands posted the second- and third-highest increases in the channel (behind Johnnie Walker) in terms of absolute volume growth last year.



Michael Scantlebury

The David and Goliath effect in craft drinks

We all know the story of David and Goliath — and the moral that goes along with it. Young wee David beats the big, strong, slow-moving Goliath, not by trying to out-muscle him, but by simply hitting him in the head with a stone.

In truth, that little stone wouldn't have killed Goliath. It would have annoyed him and possibly dazed him for a while. That's no different from what's happened in our drinks industry, with the big traditional brands feeling a bit dazed, and the new, exciting David-like craft brands feeling heroic.

We can sit here all day and argue about what makes a craft brand. Does it just mean you are authentic? Have provenance? Use high-quality ingredients? Have the 'personal touch' (whatever the hell that means)? Or does it simply mean small? According to a Mintel report on alcoholic drinks, 35% of Brits said that brands cannot be 'craft' if they are acquired by large companies or if they get too big (28%). Those drink entrepreneurs that have sold out for the big bucks probably care less about what defines craft and care more about what they've just earned. I know I would.

When David wound up his stone in his slingshot, his strategy was simple: 'Play to my strengths.' The craft industry does this well. They're winning because they play to what makes them powerful. They find their story and stick to it. They move quickly, worrying less about being perfect and a hell of a lot more about momentum. They hustle, building one-to-one relationships with the trade and consumers, stealing the hearts of influencers and building adorers. They

take risks because they have less to risk. And, because of all that, they are authentic.

Like David, they understand their strengths and they stick with them. Ever noticed how Tito's vodka has effectively had the same message and product since 1997? Smart people play to their strengths and they don't get sidetracked.

So if you run a craft brand, stop reading, you have it sorted. You'll be fine.

I get more nervous for the big brands.

Over the last few years, unfortunately, some (and I stress, *only some*) big brands have been a little seduced by the tactics of the craft brands. They have searched their archives in the hope of finding a couple of bearded chaps in a garage to base their story on. And if not, they stretch the truth a little and hope no one will notice. How authentic. They have shunned away from big mass-market plays and tried to build online adorers. But they can't do it as well as craft brands, because these things aren't their strengths.

The only thing they should copy from the craft brands is the strategy: 'Play to your strengths.' As a big brand that's been around a while, your strength is your size and your money. Ironically, the exact same size and money craft brands would love to have at their disposal.

In today's influencer-obsessed, brand-purpose focused digital landscape, size is seen as a bad thing. But it's not. It's a wonderful thing. Why? Because of a little marketing truth that seems very unpopular with many marketers these days: you can buy market share. That's right — you can put your brand in front of more people, more often, become more available and enter their consumption-set simply by being present in their world. Not by mucking about with one-to-one relationships or finding adorers to buy your product every day, but by having millions of people buy it sometimes. However, to do this, you must be big. As a big brand, this is your strength.

Big brands have muscle, so flex it.

And remember, unlike Goliath, big brands don't die because a smaller craft brand throws a couple of stones. The market share of craft beer is below 5% of overall beer sales. So, you may find that every now and then you get a small stone thrown at you. That little stone may annoy you, it may even daze you. But it won't kill you. Just play to your strengths, hit harder and more often, and you'll be fine too.

● Michael Scantlebury is the creative director and founder of independent creative agency Impero.



Image: iStock.com/PXQuadro

DIAGEO PUSHES THE HIGHBALL

A new global campaign from Diageo's Johnnie Walker Scotch whisky is intended to elevate the whisky highball by putting the serve front of mind for millions of consumers in some of the world's most influential hotspots.

Diageo president of Europe, Turkey and India, John Kennedy said: "We revisited our serve strategy and asked ourselves, consumers and leading-edge bartenders whether the early work we

had developed on highball was the right choice to reframe Scotch and recruit new consumers. The answer was a resounding yes. We believe the highball can drive broader consumption. We have a great opportunity to drive the trend.

"In a world where consumers and bartenders are looking for new, exciting, fresh and simple drinks, we can transform the Scotch experience. It is not a serve. It is a category of drinks."

Johnnie Walker has played a role in putting highballs on the menu in recent years, including installing highball bars at Taste festivals and as part of its partnership with Formula 1, as well as through its involvement with the world's best mixologists at Diageo's World Class Bartender of the Year competitions. Now the brand will ramp up its highball focus with its biggest-ever investment in the serve.

John Williams, Johnnie Walker global

brand director, said: "The popularity of the whisky highball is soaring — and it's easy to see why. It's where the ease and refreshing taste of a cool beer meets the colourful, visceral world of cocktails. And for those who think they 'won't like whisky,' it's a real gamechanger.

"We've celebrated the highball at Johnnie Walker for the past few years, but with the trend for longer drinks on the rise, it feels like now is the right time to really explode the amazing possibilities this category can offer."

The Johnnie Walker Highball campaign includes new outdoor advertising, digital, experiential, in-bar and in-store activations, with a major focus on showing up in trendsetting neighbourhoods and cities. There will be a focus on mixing Johnnie Walker with five key flavours: peach, lemon, green tea, elderflower, or ginger — dubbed the Johnnie Walker Highball Collection.



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for all your help getting
us where we are today!

-Tito

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Tito's Bloody Mary

The infamous brunch cocktail that, depending on the garnishes, can overshadow the meal. Go ahead... load it up. As Tito says "It doesn't make you a bad person!"

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Source: (1) Nielsen CGA on premise data - market total, US total spirits top 25 spirit brands by \$ value, volume 9L EQ, value \$, Avg Price 1.50Z EQ, rolling 52 w/e 08/11/2018 vs YA



EC REPORT CLEARS AIRPORTS OF ABUSE OF MARKET POWER

Patrón tequila partners with Cancun airport

Patrón tequila has opened a new bar at Cancun International airport to give passengers a taste of the brand's home, Hacienda Patrón, in Jalisco, Mexico.

The bar is the centrepiece of a five-year collaboration between Bacardi Global Travel Retail, ASUR, Cancun Airport Authority and Dufry. In May 2019, its first full month of operation, the bar contributed to strong growth across several key Patrón tequila lines.

The tasting bar, which is focused on sampling, engages consumers with Patrón tequila and encourages sales in the adjacent Dufry store. Among the new products in-store is a limited-edition Silver Patrón gift tin (RRP \$50/1L), featuring a vibrant design celebrating Patrón's Mexican heritage.

Bacardi global travel-retail regional director Americas, Geoff Biggs says the bar is the largest brand activation undertaken since Patrón tequila joined the Bacardi portfolio in 2018. "This is a powerful demonstration of our strategic commitment to highlight and accelerate the global iconic status of Patrón tequila."

Patrón tequila grew 14.5% in GTR in 2018, significantly outperforming the category (+3.5%, according to IWSR Drinks Market Analysis).

A new European Commission report on airport charges has cleared Europe's airports of abuse of market power by overcharging retailers and airlines.

European airport industry body ACI EUROPE welcomed the findings and said the report refuted "airlines' tired allegations" in the past that airports exhibit "excessive profitability levels" and "overcharge for the use of their facilities".

The report evaluates the effectiveness of the current EU directive on airport charges, while recognising that new market dynamics have resulted in "increasing competitive pressures upon airports of all sizes across Europe, thus limiting their market power".

ACI EUROPE represents more than 500 airports that handled 2.3bn passengers in 45 European countries last year. Its director general Olivier Jankovec said: "If there is one thing that comes out very clearly from the commission's analysis, it is that airports' market power has significantly diminished in Europe over the past 10 years."

Most of these airports rely on duty-free retailing, food and beverage, parking and other revenue generators to balance their books, with Jankovec pointing out that industry level charges paid by airlines cover only 80% of airports' operating cost and make no contribution to investment and capital expenditure.

Dufry continues its expansion

Dufry, the world's largest duty-free and travel retailer, opened 9,100sq m of new retail space in Q1 of this year in multiple locations, including Russia (17 new stores), North America (14), Casablanca (4), Helsinki (1), China (6) and on new ships (17).

Dufry Group CEO Julian Diaz recently told analysts there are also agreements to add a further 18,800sq m of retail space during 2019 and 2020. He also highlighted an "important project pipeline" comprising an additional 35,500sq m of retail space where Dufry is negotiating or participating in new tenders "across several divisions in Europe, Africa, Asia-Pacific, the Middle East and Central and South America".

Dufry reported turnover of CHF1.88bn (\$1.87bn) for the first three months of 2019 — a 2% organic increase on the first three months of 2018. The Q1 result follows a "record turnover" of CHF8.7bn (\$8.8bn) in 2018, driven by like-for-like growth and contributions from new concessions.

The South American market continues to prove challenging for Dufry due to currency weaknesses in Brazil and Argentina. The retailer's Central and South America division saw a year-on-year drop in turnover for the fourth consecutive quarter, with turnover down -10.8%. But Diaz said there was an improvement in the performance of the Brazilian operation in May compared with Q1.

South Korea weighs up increase in duty-free purchase limits

The South Korean government is "reviewing the need" to increase the country's duty-free allowances, according to a brief statement by the Ministry of Economy and Finance.

By most standards, the country's limits are already generous, with a

departure allowance of \$3,000 and a \$600 exemption for arrivals purchases. The last increase was 13 years ago.

Exact details of any proposed rises have yet to be announced, although the government said increased income and inflation levels were the main drivers

for change. Another factor may be the recent introduction of South Korea's first duty-free airport arrivals stores at Incheon International airport. Two shops were recently opened by SM Duty Free and one by Entas Duty Free, with both offering wine and spirits.



The Jura single malt promotion with Duty Zero by CDFL at Hong Kong International airport

Where Jura meets Asia...

Whyte & Mackay's Jura single malt whisky has engaged with Hong Kong and Taiwan airports in two disruptive activations, introducing customers of Duty Zero by CDFL at Hong Kong International airport (HKIA) and Tasa Meng Duty at Taiwan Taoyuan airport to the brand.

Travellers at both hubs were offered a glimpse of life on the small western Scottish Inner Hebrides island, using interactive displays, product sampling and point-of-purchase displays.

At HKIA, Jura products were displayed alongside a full-size traditional fishing boat, with nets and lobster traps as a backdrop for traveller 'selfies', plus real-time Polaroid printing and tastings from in-house brand ambassadors.

Scott Hamilton, business director Asia (spirits, wine and beer) at Lagardère Travel Retail (CDFL's JV partner at HKIA) said: "We have been very pleased by the cooperation with Whyte & Mackay on this Jura pop-up activation. They've not only ticked the box in education, but they've ticked the box also in interaction, so the shopper has something that's interesting and engaging. Execution has been fantastic and most importantly, generated significant incremental business for Duty Zero. A great win-win partnership."

Jura plans to roll out its in-store activation concept to wider travel retail airport locations later this year, including London, Edinburgh, Frankfurt, Hamburg, Paris and Dubai.

LTR hails Asia whisky tour

Aelia Duty Free has reported a successful 'World Whisky Tour Promotion' across its Pacific region stores in Auckland, Christchurch, Queenstown, Adelaide, Cairns, Perth and Avalon.

The Lagardère Travel Retail-owned (LTR) retailer said the promotion, now in its third year, focused on the broad whisky category spanning single malts, blends and American whiskey, plus Irish, Canadian and other whisky liqueurs from around the globe.

Describing it as "a complete category approach to captivate customer preferences", LTR CEO Pacific region Przemek Lesniak said: "We want to bring discovery and excitement to our customers' shopping journey when they're at the airport. The tour offers an opportunity to experience and learn about the many different whisky styles from around the world."

Regional director of Pernod Ricard for Pacific Travel Retail, Brendan Coogan commented: "We understand the importance of getting behind category-led activations that deliver new experiences for travellers with The Glenlivet and Jameson brands, and both these brands have achieved tremendous growth through this promotion."

CHINESE TOURISM TO US FALLS

Travel from China to the US fell for the first time in 15 years last year, falling by -5.7% to 2.9m visitors, according to the US National Travel & Tourism Office.

This is despite figures from the Ministry of Culture and Tourism of China showing that the total number of outbound international trips by Chinese tourists rose by 14.7% to 149.72m in 2018.

It is thought that the trade war between China and the US is the main reason for the drop. Chinese visitors

to the US continued to be the biggest overseas international spenders with a total outlay of \$36.4bn last year. Chinese tourists spend approximately 50% more revenue on average than any other international visitor to the US, according to the US Department of Commerce.

Chinese tourists continued to rank as the world's highest-spending individual travellers in 2018, with the United Nations' World Tourism Organisation (UNWTO) calculating these tourists

spent some \$277.3bn globally last year.

The top six most popular destinations for Chinese tourists were Thailand, Japan, Vietnam, Singapore, Indonesia and Malaysia, according to the China Tourism Academy and Chinese travel agent Ctrip. The US ranked seventh on the list of most popular destinations. (These numbers exclude trips to Hong Kong, which is technically a Special Administrative Region of China, along with Macau).

IMPACT OF E-COMMERCE ON ALCOHOL TRADING

E-commerce now accounts for 1.8% of the value of all global beverage alcohol sold, according to IWSR Drinks Market Analysis.

Like other sectors, the drinks industry has recognised what a critical medium the digital environment is to interact with consumers, inform them, learn from them and ultimately sell to them. Regulation has made the online retailing of alcohol more complicated than other sectors and this has stifled development — particularly in the US — but this is changing.

Wine has best harnessed the selling power of the online retail environment. Last year as much as 3.6% of all wine value sales stemmed from e-commerce outlets, a figure that translates into nearly \$8bn of sales. The rapid expansion of wine sales online has even threatened the viability of independent bricks-and-mortar wine stores in the UK. Online wine sales in the country have reached 6.5% of total sales value, prompting one leading wine retailer, Majestic, to announce that it is to sell off much of its retail estate to concentrate on its online business, Naked Wines.

The extensive number of wine producers and the diversity of choice has meant that a culture of experimentation has always existed within the wine sector. The online environment has proved to be well placed to service wine drinkers' curiosity and to educate and inform consumption choices.

The dramatic expansion of online wine marketplaces like Vivino, which after just nine years of trading now claims to have 10m different wines and as many as 35m users, has illustrated just how compatible wine selling is within the digital space.

Sales of spirits through e-commerce may not be as pronounced as wine, but IWSR research shows that around



Image: iStock.com/ChamilleWhite

\$6.5bn of spirits were sold online in 2018, a figure that represents 2% of all global spirits value sales. For example, e-commerce is now reported to be Pernod Ricard's fastest-growing channel.

Direct selling on owned-online platforms has been less effective for spirits operators than partnerships or acquisitions with established online retailers and delivery services, perhaps because it compromises choice to exclusively sell their own brands. The recent trend has seen operators partner with existing platforms to maximise exposure and showcase their brands from a different angle.

China quick to embrace online

The development of the online marketplace is happening at different speeds, with drinkers in some markets quicker to adopt new purchasing practices and habits than others.

Diageo CFO Kathryn Mikells told *Intel*: "E-commerce penetration varies market by market. In the US it is still quite low because the three-tier system creates barriers for beverage alcohol that are not present in other e-commerce categories. China is a big opportunity for us. We are gaining share in e-commerce that is bigger than our share of offline. E-commerce is also bigger penetration across Europe because you can sell spirits in supermarkets. We have partnered up with those retailers to make sure that our brands are showing up well."

Beam Suntory CEO and president Albert Baladi told *Intel*: "Globally, where e-commerce has had unfettered access to consumers, as in Western Europe, we have seen the development of spirits

in e-commerce growing very fast. E-commerce in Germany is about 10% of our business and growing at double digits. China is probably the most developed e-commerce market in the world and driving the overall spirits market. China is a place, through T-Mall and Alibaba, where brands are being built."

The reported 800m Chinese internet users have been quick to embrace the advent of e-commerce. The explosion in smartphone use, social media apps and mobile e-commerce has facilitated this shift in buying habits and meant that 6.5% of off-premise sales of all alcoholic drinks are now ordered online in China.

The e-commerce channel has proved particularly popular for wine sales in China. Encouraged by fierce competition, which has ensured low prices and fast delivery, online sales now account for 9% of sales value — that is a fifth of all off-premise wine sales, as well as online spirits sales of almost 4%. Even in markets like China where e-commerce penetration is already comparatively high, it can be assumed that the e-commerce channel will continue to take share from bricks-and-mortar retail.

Nevertheless, the potential remains for Amazon, Alibaba and other powerful online retailers to move into private label to a greater extent. Baladi said: "Long-term, as they develop their private label business, the challenge for us is to make sure that our products are must-haves and not easily replaced. We do that through a focus on quality." ●

NEXT MONTH An exclusive interview with Alibaba president FMCG Mike Hu

WHERE EAST MEETS WEST

Beam president and CEO Albert Baladi explains how the company is gearing up for its next phase of growth. *Alexander Smith* reports

It is now five years since Suntory's blockbuster acquisition of Beam Global for about \$16bn and this unlikely marriage is working well on many levels.

Beam Suntory president and CEO Albert Baladi says: "When you think about it, there aren't examples of Japanese companies buying global companies and being successful. This acquisition has been very successful for Suntory. Since the acquisition, we have outperformed the market every year and are gaining market share in the US and in international markets."

Baladi admits that there were initially cultural challenges to overcome. "There are sometimes the small things that you need to become attuned to. In meetings in Japan someone may nod their head, but that doesn't mean that they agree, as it would in the West. In the early days, we would leave a meeting thinking that everyone agreed and that wasn't the case."

"The way that people in Japan and the US process information is different. The Japanese really love detail, whereas in the US it is maybe more top-line. We had a lot of face-to-face meetings, video conferences late at night and



CEO Albert Baladi says Beam Suntory has "cracked the art of producing the perfect highball"

we gradually developed a really good understanding. Diversity can present problems, but there is also a strength from diversity. Looking at ideas and different ways of coming at them can also be very powerful and a source of strength. Today, we are in a great place."

Baladi says the East-meets-West aspect is one of the elements that sets Beam Suntory apart within the industry. "From the East, it is that focus and passion for quality and craft, and what the Japanese call *Kaisen*, which is the spirit of continuous improvement," he explains. "It is also thinking big and long term. From the West, we draw the

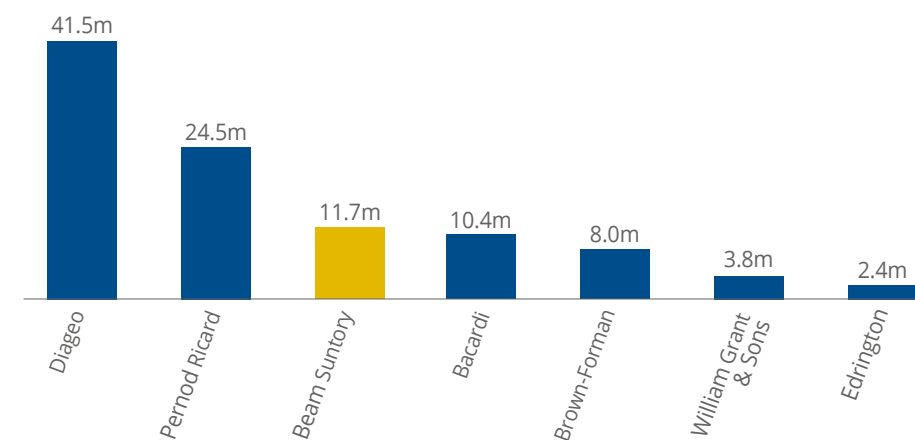
entrepreneurial spirit, the will to win and the ability to build businesses on a global basis. It is what Beam brought to Suntory — a global footprint and knowledge of how we run a company on a global basis. Combining those two things creates something unique."

Beam Suntory has come a long way as a company. It has doubled its business in the last eight years, with sales growing from \$2.3bn in 2011 today to \$4.5bn in 2018. The company's flagship Jim Beam brand has grown from 6m cases and is now surpassing the 10m-case mark.

The acquisition by Suntory in 2014 clearly came after a successful period by Beam. What we have seen since the acquisition of Beam by Suntory is the company adopt a longer-term perspective. Beam Suntory has set ambitious targets taking the company through 2030. It aims to more than double sales over that period from the current \$4.5bn to \$10bn by 2030.

The company will remain preoccupied with leveraging its rapidly growing Bourbon business. Baladi says: "We are the leader in Bourbon. We believe that our task is to make Bourbon the world's whisky. We are playing a lead role in this growth. We are investing behind the market. This is clearly underpinned by Jim →

Scale of Top Spirits Companies (Retail Sales Value \$000s)



Source: IWSR Drinks Market Analysis/Retail Sales Value

→ Beam. We have a vision of Jim Beam becoming a billion-dollar brand. You can see that the growth trajectory behind the brand has really improved since the Suntory acquisition. We used to grow at 2% CAGR until 2014, and then we started growing at 7% CAGR. We are really focused now on growing the brand on a global basis. Global expansion is a big deal for us.”

The US market remains central to meeting that overall \$10bn sales target and the company is working toward doubling the contribution from the US market to \$3bn. This doesn’t seem unreasonable given the momentum in the US distilled spirits market. Baladi points out that 2018 will be the ninth consecutive year of the spirits industry growing in the US and gaining share from beer, but warns that while there are “lots of favourable trends, there are also a lot of disruptors.”

In the US, Beam Suntory very much sits in the sweet spot of the market given its strength in the booming Bourbon, Cognac and tequila sectors. “We are turning this opportunity into profits and building a global spirits powerhouse,” says Baladi. “Back in the 2000s, going out with friends was all about beer and wine. If you go out today it is all about cocktails. The ongoing premiumisation in the spirits industry and consumer knowledge and interest in spirits is just incredible to see and the best is yet to come.”

Beam Suntory has been a big part of that growth. “We just had two consecutive years of out-performance of the spirits market driven by our Bourbon and tequila brands —and also Cognac,” says Baladi. “Courvoisier has been doing very well. We are also doing well with emerging segments like the House of Suntory Japanese whisky performing strongly. As a result, it is really pivotal how we craft the next phase of growth and where do we go from here and meet our ambition of nearly doubling the size of the existing US business, and how we look at untapped opportunities — places where we under-index.”

To better exploit those opportunities, Beam Suntory plans to adopt a more localised approach by forming several regional offices based around brand/ market combinations. “We see more opportunities to become more localised in our approach to the US market,” confirms Baladi. “This is in recognition of the diversity of the US market. We see opportunities in the on-premise and with the multicultural consumer. We are viewing the US as a cluster of must-win markets with different jobs to be done, and different investment profiles. This cluster approach will better help us deploy our resources against these opportunities.”

While the company will maintain its base in Chicago, it will set up offices in the key leading cities. It inaugurated a San Francisco office in May and opened

a New York base two years ago. It is now looking at opening offices in Los Angeles and elsewhere. Baladi says the company hasn’t settled on an exact number of regional offices. “These clusters will be brand led and market fed,” he explains. “We know what we want to do with the brands, but the way we express them depends on the consumer in that specific market.”

Premiumisation opportunity

There is also the premiumisation opportunity. Beam Suntory under-indexes at premium-and-above price points (\$20+). Just 35% of its products sell at premium-and-above levels, with 40% being the industry average. “In the last five years, we have moved our premium portfolio from 30% to 35% by injecting life into our legacy brands, acquisitions and divestitures,” says Baladi. “We have introduced a lot of innovations. This is on top of our existing brands. There is a massive opportunity for premium innovation, particularly in American whiskey, Cognac and tequila, but most other categories too. That is going to be a big focus for us.”

Baladi isn’t satisfied though. He explains that while Beam Suntory is the third-largest spirits player with retail sales value of \$11.7m, in terms of spirits above \$20, it is at the lower end of the leading spirits players at 35%. That 35% places it on a par with Diageo, but a considerable distance behind its chief US whiskey rival Brown-Forman at 72% (see chart below left). As part of that goal, Beam Suntory aims to grow the premium proportion of its total sales from 35% in 2018 to 60% by 2030.

“We have work to do in the premium space,” Baladi explains. “If you look at the premium space, we are No.5 and that tells us that maybe we are not as good as we think we are. It is a wake-up call. The underlying theme is that we have an amazing portfolio of 39 premium brands. We aren’t that far away from Pernod Ricard. We only have one premium-plus brand that has achieved retail sales value of half a billion dollars and that is Maker’s Mark. Our challenge and opportunity will be to build scale in premium and build brands that transcend markets.”



Cognac Courvoisier's HQ in Charente. Cognac has been a key driver of growth for Beam Suntory

Beam Suntory has also been gradually churning its portfolio, selling off its lower-margin Spanish brandy business for instance, and acquiring higher-margin brands like Sipsmith gin or launching successful new super-premium innovations such as Roku gin.

Pricing will also play a role. “The way we have grown our gross margin historically is that we have relied on pricing,” observes Baladi. “We believe that we are now in a position on many of our premium brands where we can build margins through pricing and mix. This year, we are going up in pricing on Courvoisier, our tequila brands and American whiskey.”

Premiumisation is also fully evident in the tequila category and Beam Suntory has led that trend through innovations. Hornitos Black Barrel has been very successful, and it is tapping into the latest cristalino trend with Hornitos Cristalino. Hornitos is now rolling out new packaging and the company has also launched super-premium craft brand El Tosoro.

“Tequila innovation is playing a really key role as the category has been premiumising with wood finishes and other high-end expressions,” agrees Baladi. “We are taking what is today the fastest-growing tequila brand in the US to the next level. This is where we see the next wave of growth for us. Just driving the portfolio and building on the category dynamics of premiumisation, craft and storytelling.”

He explains that these premiumisation

initiatives are imperative in the face of rising agave prices. “We are managing agave costs, which is an issue because costs have gone up five times,” he says. “Premiumisation within tequila will be more important than ever to offset rising agave prices. The higher you go up in price the less price sensitive is the consumer.”

Beam is also a major participant in the vibrant Cognac market in the US through its Courvoisier brand, which sits some distance behind the market leader Hennessy. “Courvoisier in the past two years has been doing very well for us,” says Baladi. “It is a brand that at certain times of our history has gone through waves of investment, in and out, but now we are absolutely committed to Cognac and we are making a lot of investments — in brands, but also in distillery capacity and expansion. It has been on a growth curve in the US. We are taking price increases this year in the US on Courvoisier and the brand is responding well.”

Beam Suntory is also introducing innovations such as Courvoisier Sherry Cask, which has been successful in Europe and is now gaining traction in the US. The company is preparing more innovations at the XO-and-above level and also in the VSOP and VSOP-plus segments. “Cognac has been an incredibly resilient category,” says Baladi. “In the US it is very status driven and is right at crossroads of the multicultural consumer where we

want to play. For us it is a category that is very important and for Courvoisier we are earning the right to win.”

Becoming more impactful with the multicultural consumer, not only with Courvoisier but its other brands such as Sauza, is part of what is leading the company to revise its approach in the US. “A lot of this multicultural opportunity in the US is what has informed our strategy to go more local,” explains Baladi. “It is probably an area where we under-index today. Every time that we put dollars and people and focus behind that multicultural opportunity we have done well. We have been really encouraged by some of our pilots. We started recruiting multicultural specialists a couple of years ago and through the new strategy that we have deployed in the US, which is to think about the US as a cluster of markets, we are going to go much harder after the multicultural consumer — the Latin American, Asian American and African American.”

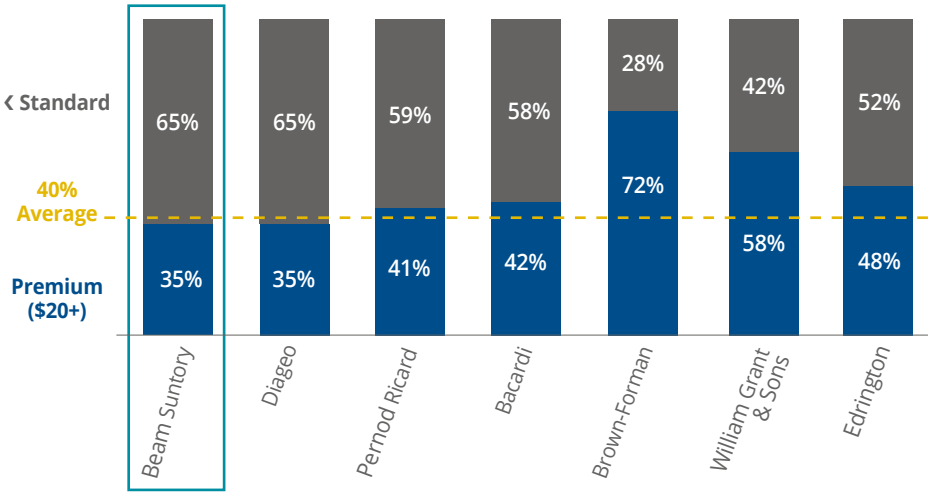
Innovative edge

Much of the company’s recent growth has been fuelled by innovation. Baladi estimates that innovation contributes more than a quarter of its annual growth. “It has been a very important pillar of our strategy,” reveals Baladi.

“We look at innovation in several different ways. One of them is how do we renovate our existing legacy brands, refresh and premiumise them? But also, how do we enter adjacent categories or introduce new-to-world innovations? Many of the House of Suntory brands, for example, like Roku gin and Haku vodka, have been developed for the Western consumer, against a certain trend, against a certain need. We always start with the consumer and the consumer occasion.”

The company is also prepared to acquire brands when there is a need. “Do we have gaps and are we on the lookout for small, opportunist acquisitions? Yes, is the answer,” admits Baladi. “There are spaces where we don’t play in today and the question then is: do we buy or do it organically? Sipsmith was our latest acquisition and has been incredibly successful. →

Premiumisation Across the Industry



Source: IWSR Drinks Market Analysis/Retail Sales Value

→ When we look at acquisitions, we ask ourselves: is it playing in premium, does it fill a gap and, most importantly, is there an interesting quality story behind the brand? It is about prioritising our organic growth, but then when we find something unique being in a position to move and acquire it with agility.”

Baladi notes that the company already has a very full portfolio and participates in most categories at most price points. “What we need to do first and foremost is build premium brands of scale on a global basis,” he says. “A lot of our capital is inward looking, fuelling investment in our brands and organic growth. It is not only on the brand investment that you must spend. It is also the upstream investment in things like distillery capacity and visitor centres.”

Investing in production

That investment in distillery capacity is significant. Many of its hottest products such as the Maker's Mark Bourbon brand or its Japanese whiskies are supply constrained. In the case of Maker's Mark the earlier investment in extending capacity is now due to bear fruit.

Baladi says: “We started investing heavily in production capacity at Maker's Mark in 2014-’15. That liquid is now coming on stream, so we are in a good place. We can grow the brand at double digits all the way to 2030 and beyond. About 88% of Maker's Mark is in the US today. It has tremendous room to grow internationally. We are pushing Maker's Mark in international markets now. There is also a big opportunity to grow it further in the US.”

Supply of its Japanese whiskies will continue to be very tight. “We remain very supply constrained. There is no doubt that as the world has discovered Japanese whisky and as the market in Japan has turned around it is putting pressure on stocks.”

There was a massive decline in Japanese whisky consumption from the late 1970s to the early 2000s. Then Suntory's introduction of the highball really took whisky into the beer space and revived demand. At the same time, the world began to recognise the quality of Japanese



Winning in Bourbon is central to Beam Suntory's ambitious plans

whisky, particularly Suntory brands such as Yamazaki 12yo, Yamazaki Sherry Cask and Hibiki. These brands have won numerous awards in the most prestigious spirits competitions.

“The combination of these two factors has suddenly created a gap because the market decline that preceded this led many companies to reduce investment in capacity,” says Baladi. “We are looking to remedy this and five years ago we began ramping up capacity in a big way. In the meantime, we are doing smart things like introducing non-age statement whiskies.” These include Hibiki Harmony at the ultra-premium \$50-\$60 range and above. It also introduced the non-aged Suntory Toki in the US in the \$35 price segment and it has performed strongly, reaching nearly 130,000 cases in just its third year.

Baladi says there is no short-term fix to the supply issue: “It depends what expression, what blend and what age statement. Overall, we should be more comfortable in about five years and can go more aggressive on our aged expressions. In the meantime, there is enormous room to grow with [non-age statement] brands like Hibiki Harmony and Suntory Toki.”

Highball steals beer share

Despite the supply constraints, Beam Suntory is performing well in Japan. “We have been outperforming the overall market in Japan for some time now,” says Baladi. “That is driven by the performance of whisky both at the standard and the premium end through the highball promotion.

Baladi explains that the highball,

which Suntory repopularised, is effectively stealing volume from the large Japanese beer market. “We have really been able to develop the highball as a better alternative to beer,” he says. “The highball is refreshing, you can session drink it and you can play with the ABVs. Suntory has cracked the art of producing the perfect highball. Then, with the incredible execution muscle that Suntory has in Japan, we can do that in outlet after outlet. It has created a massive explosion in highball consumption.”

Beyond whisky, Beam Suntory is a dominant player in the dynamic ready-to-drink (RTD) sector. Japan is the largest RTD market in the world. “Our performance in RTD in Japan has been nothing short of extraordinary,” says Baladi. “We have been growing RTDs at a double-digit rate for the past five years from a leading and very high base. Brands like -196 and Horoyoi are doing very well.”

Baladi points out that Suntory is building a third tier in Japan beyond its existing whisky and RTD business. The House of Suntory is extending into premium white spirits, notably with the successful launch of Roku gin. “Now we are seeing the emergence of premium white spirits. We are really impressed by the success of Roku in Japan. It is growing from a small base, but it is an opportunity for us going forward.” ●

NEXT MONTH Intel looks at Beam Suntory's international strategy, how it plans to win in the emerging markets and the challenges arising from disruptors such as e-commerce, trade wars and cannabis.

US WHISKEY'S LONG RUNWAY FOR GROWTH

The US whiskey industry has displayed impressive growth in recent years, but the best is to come, reports *Alexander Smith*

Global US whiskey sales continue to explode, rising by 8.7% (or 4m nine-litre cases) in 2018 over 2017 to reach a new high of 51.1m cases, according to IWSR Drinks Market Analysis. This is led by surging sales in the domestic US market, as well as a growing following in international markets.

There were many impressive aspects about that performance, but foremost is the broad-based nature of that growth. All of US whiskey's top 10 markets posted gains last year, six of them at a double-digit rate. The slowest-growing market in the top 10 was Australia at a still-impressive 4.7%.

The category's performance in the US was nothing short of astounding, rising by 8.7% to 33.3m cases. That is an increase of nearly 2.5m cases. Heaven Hill president Max Shapira told Intel: “Today, there's a continuance of American whiskey's renaissance. Everything looks very robust both domestically and around the world.



US whiskey cocktails, such as Jack Daniel's Apple Jack, have been embraced by millennial consumers

There are a few hiccups in various places and the tariffs don't help business in the EU and other places, but in general consumers continue to be very much interested in the category. The history, the heritage, the tradition, the new styles of product, the new taste characteristics and all the other elements that have been part of this industry for a very long time. That's very positive for the future.”

It is worth noting that US whiskey sales in the domestic market are only just above half of what they were at its peak in 1970, despite a much smaller population. Shapira adds: “That just shows what kind of a very broad runway and opportunity the industry has.”

There are several factors driving sales. Generally, US whiskey with its sweeter profile is more mixable and probably better suited for the palates of young millennials than Scotch whisky.

Brown-Forman CEO Lawson Whiting told analysts recently: “Approachability doesn't often get talked about. There has been an explosion of flavours and cocktails that has really changed the dynamic of the US whiskey business; it has removed the barriers that were in the category back in the 1970s when everybody drank it straight. US whiskey today combines the tradition and heritage you see in Scotch, with the modern, stylish and mixable attributes of vodka. At least half of today's US whiskey consumption is mixed. Scotch by comparison is very traditional, it is an acquired taste, which is a disadvantage among millennials.”

The number of active domestic whiskey brands on the US market →

Top 10 Global Markets for US Whiskey

Rank	Country	Volume 2017	Volume 2018	% Mkt Share 2018	% Chg Vol 2017-'18	Vol Chge 2017-'18
1	United States	30,887	33,345	65.2	8.0	2,458
2	United Kingdom	1,988	2,303	4.5	15.9	315
3	Germany	2,153	2,260	4.4	5.0	108
4	Japan	1,405	1,575	3.1	12.1	170
5	Australia	1,378	1,443	2.8	4.7	65
6	France	1,306	1,373	2.7	5.1	67
7	Poland	761	901	1.8	18.5	141
8	Canada	502	559	1.1	11.4	57
9	Russia	449	524	1.0	16.7	75
10	Brazil	333	401	0.8	20.3	68
	Rest of World	5,869	6,424	12.6	9.5	555
	Global Total	47,030	51,108	100.0	8.7	4,078

000's of nine-litre cases

Source: IWSR Drinks Market Analysis

→ surpassed 400, an increase over prior years. Many of the new craft distillers entered the category with a view toward participating in whiskey. The multinationals are also increasing their participation either through acquisitions, new-to-world innovations or by restoring old trademarks.

This has, in aggregate, created a greater critical mass of investment and so-called ‘new news’ to generate consumer interest. The growth in Bourbon tourism is both a sign of and a contributor to this growing interest. Bourbon tourists made a record 1.4m distillery stops in 2018 — a 370% increase over the past 10 years, according the Kentucky Distillers Association. The industry is in the middle of a \$2.3bn capital investment spree, from innovative new tourism centres to expanded production facilities, to meet the growing global thirst for Bourbon.

The latest data from SipSource, which looks at depletions from US wholesalers to retailers, indicates that US whiskey is maintaining momentum. SipSource consultant Dale Stratton says: “US whiskey continues to outperform the larger US spirits category. The only whiskey category growing faster than US whiskey is Irish, but that is off a smaller base. US straight whiskey is performing particularly well in the on-premise.”

US whiskey depletions for the 12 months ended 31 March 2019 were up by 3.5%, according to SipSource estimates. Within that, straight whiskey was up by 4.7% in the off-premise and 5.3% in the on-premise, while blended was less dynamic, rising by 0.6% in the off-premise and falling -0.4% in the on-premise.

Producers, both large and small, are benefiting from current consumer demand and are releasing high-end innovative product extensions. Much of the innovation has been led by smaller independent or craft distilleries. One area that they have pioneered is the creation of a new category — US single malts. These craft distillers are also releasing innovative blended whiskies by combining atypical ingredients.

Shapira says: “What happened was the industry for a very long period shot itself in the foot by having not

US Global Whiskey Market by Price Brand

Price Band	Volume 2017	Volume 2018	% Mkt Shr (Vol) 2018	% Chg Vol 2017-'18	Abs. Chg Vol 2017-'18
Prestige-Plus	0	1	0.0	71.4	0
Prestige	35	40	0.1	14.1	5
Ultra-Premium	1,087	1,271	2.5	16.9	183
Super-Premium	1,535	1,708	3.3	11.3	173
Premium	20,264	21,396	41.9	5.6	1,132
Standard	19,941	22,635	44.3	13.5	2,694
Value	4,167	4,058	7.9	-2.6	-109
Global Total	47,030	51,108	100.0	8.7	4,078

000's of nine-litre cases

Source: IWSR Drinks Market Analysis

much innovation, not much glamour associated with it and most analysts were consigning the US whiskey category to that great liquor store in the sky. We started to get our act together in the late 1980s and early '90s and began innovating to a greater extent. Today, you have different styles of US whiskey within the American Bourbon category, the rye category and other styles as well. You have great innovation in terms of recipes, of alcohol strength and age characteristics. Packaging has also been upgraded tremendously to make it relevant to the times. And it caught on with American consumers.”

Cocktail culture instrumental

The rise of cocktail culture in the US has been hugely instrumental and is beginning to have an impact all around the world, according to Shapira. “It isn't any one specific thing — it is many things that have come together to create this perfect cycle. Fifteen years ago, nobody ever thought we would be where we are today.”

Bourbon's move into flavours has further broadened the category's appeal, helping it to reach non-traditional demographics such as younger females. The most significant recent development in this area was Brown-Forman's introduction of Jack Daniel's Tennessee Apple. Whiting says: “We have had tremendous success with Honey and Fire. Honey was introduced eight years ago, and Fire was about five years ago. We have been relatively slower about the pace of these flavour introductions than some of our competitors. These favours remain very attractive. [Canadian whisky brand] Crown Royal Apple is approaching 2m

cases and that is the market we are going after.”

Indeed, US whiskey is a hotbed of innovation and this is helping to peak consumer interest and fuel consumer demand. Sazerac senior marketing director, Bourbons, Kris Comstock says: “Small craft distillers are exploring new styles, some larger brands are adding flavours like honey, cherry and peach. Rye whiskey is still growing, and our Sazerac Rye brand is becoming more popular. Buffalo Trace Distillery continues to experiment with well-aged Bourbons using an array of new recipes as part of our experimental program and different varieties of oak barrels, as seen with the Old Charter Oak brand.”

Many companies are experimenting with different mash bills, yeasts and finishes, according to Michter's Distillery president Joseph Magliocco. “Some other companies are producing whiskies made with techniques intended to speed up the ageing process,” he adds. “At Michter's our goal is to make the greatest American whiskey, and, though we constantly try new things as we pursue that goal, we generally take a traditional Kentucky approach.”

Much of the innovation is geared toward premiumising the category. There is also a sense that US whiskey remains under-developed at the high end and there is scope to take the category up vertically. Beam Suntory CEO Albert Baladi tells Intel: “The American whiskey category is clearly premiumising. We see massive opportunity in premiumisation. If you think about US whiskey and Scotch, there is a big price gap. Just compare single-malt Scotch with the age statements and American whiskey. US whiskey is under-priced. There is an enormous opportunity for premium →

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EXCLUSIVE: TOP 10 DUTY-FREE LIQUOR RETAILERS • TOP BRANDS IN DUTY FREE • EXCLUSIVE BIG RETAIL INTERVIEW: ALIBABA • TRAVEL-RETAIL INTERVIEWS: DUBAI DUTY FREE/DUFYR/ABU DHABI LAGARDÈRE/AER Rianta • SUPPLIER INTERVIEW: BEAM SUNTORY CEO ALBERT BALADI • DIAGEO TRAVEL-RETAIL INTERVIEW • PREMIUM BROWN SPIRITS • COGNAC IN TRAVEL RETAIL • VODKA IN TRAVEL RETAIL • PREMIUM VODKA TRENDS IN EUROPE • GIN IN EUROPE • INNOVATION IN LIQUEURS • PACKAGING TRENDS IN SPIRITS • TRAVEL-RETAIL EXCLUSIVE PRODUCTS • BERLIN BAR SHOW PREVIEW • CRAFT BRANDS IN TRAVEL RETAIL • HOW TO GET INTO TRAVEL RETAIL • THE CASE FOR WINE IN TRAVEL RETAIL • HEINEKEN TRAVEL RETAIL • CHAMPAGNE AND SPARKLING WINE IN TRAVEL RETAIL

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→ innovation.” Baladi adds: “Our small cask business is growing very fast. You are seeing brands in the \$60, \$70 and \$80 area and we are starting to break the \$100 barrier. There are opportunities there. The more we keep building the quality, the story telling, investing in our distilleries so that we can be transparent and create incredible experiences, the more we can leverage this premiumisation opportunity.”

IWSR Drinks Market Analysis data indicates that this premiumisation trend is accelerating. On a global level, super-premium sales climbed by 11.3% to 21.3m cases, while ultra-premium sales climbed by 17% to 1.7m cases. It also validates the notion that the category remains underdeveloped at the very highest segments with negligible sales at the prestige and prestige-plus ends, which is largely the domain of the Cognac and Scotch players.

This won't be far away. Bourbon is achieving high valuations at auctions and as producers create more products targeted at this prestige end it will inevitably grow. It also creates a halo

for the larger category, something the Scotch and Cognac industry has been doing for many years.

Magliocco of Michter's says: “People at home in the US and abroad are increasingly recognising that great Bourbon can rival the great spirits from other parts of the world, and this growing realisation is driving up prices of whiskies made in the US.” He notes that at an auction in London in November 2018, a bottle of Michter's 22yo Bourbon sold for £13,340.

It is the super-premium end that is currently on fire, led by the likes of Woodford Reserve and Maker's Mark. Whiting of Brown-Forman says: “Looking across the different categories in the spirits business, I can tell you that American whiskey is the most attractive category out there. The premium and super-premium segments are growing at such fantastic rates. Woodford Reserve was the right brand at the right time, and it is approaching the million-case mark with growth rates north of 20%.”

Beam Suntory's Maker's Mark should present firm competition at this super-premium end. Baladi says: “Maker's

Mark has been on a journey now of 10% CAGR pretty much for the past five years, but 90% of Maker's Mark is in the US because we had capacity issues. The brand took off much faster than we expected. Now that we have the capacity and liquid, we have started to expand it globally. Our goal with Maker's Mark is to become the No.1 craft whiskey on a global basis.”

Baladi adds: “As the category premiumises, we are seeing fantastic growth in our other Bourbons. Basil Hayden's is up 36% CAGR (2014-'18) and Knob Creek by 12%. They are still very US focused, but Knob Creek has just passed 500,000 cases at a \$45 price point. It plays in different occasions. We are seeing fantastic growth with these brands, in addition to our small-batch Bourbon brands.”

Receding craft challenge?

While the craft entrants deserve credit for much of the innovation and excitement that they have brought to the sector, relatively few are breaking through on a commercial level. Many have found attaining distribution difficult and have come to adopt the direct-sales model from the distillery. Most craft brands sell less than 1,500 cases.

Whiting says: “Some of these brands are going to break out, but the vast majority are not. A lot of them have developed nice little businesses, but I don't see many as being a threat to global brands. A substantial number are in decline right now. It is a tough business.

“It is not easy to sit around and wait five years for whiskey to mature. Many of them have made some pretty bad mistakes along the way in terms of releasing whiskies that were not ready. It is not that easy to make a really good whiskey. It is a science and an art.”

Whiting admits the craft movement was initially viewed as a threat to the multinationals. “A few years ago internally we said there's a big threat coming,” he explains. “We saw what the craft sector did to the big beer companies and expected a challenge along those lines. The fact is that threat hasn't transpired for a variety of reasons. A lot of the craft brands just don't have the size and scale and that's where they struggle



Maker's Mark is on a “very impressive trajectory in Japan” built behind the craft highball

against multinational brands. There is competition but it's Jim Beam, its Bulleit... It's the traditional Bourbon brands that we continue to compete with on a global basis.”

The pattern with craft spirits has been very different from that of craft beer, according to IWSR CEO Mark Meek. “In spirits, the iconic global brands like Jack Daniel's and Jim Beam have continued to grow, and you have seen relatively few — if any — breakout brands from the craft side,” he explains. “The multinationals should not be complacent about the competitive threat from craft, but it's not a big threat and certainly not the same threat to big brands that craft beer was. The craft spirits brands are probably more of an enhancer to the overall category. The craft whiskies have generated some excitement, but ultimately the core brands are growing even faster than the craft brands.”

International growth

US whiskey is relatively underdeveloped in international markets compared with other international categories such as Scotch. That is true in developed and emerging markets alike. Because US whiskey is relatively underdeveloped in export markets, it can target both the mature Scotch markets of Western Europe and the emerging markets of Asia, Eastern Europe and Africa.

The obvious source of that volume will be the Scotch market. Whiting says: “Globalisation of our business has been a big driver for many years now. There's still an enormous opportunity to take the

category overseas. The question is where are we going to get this growth from? Obviously, there is beer where we have been taking share from for some time, but we are mostly going to get it from Scotch. This is particularly so when you leave the US. The Scotch category is still twice the size of US whiskey.

“Over the last 20 years when we have asked where is the international opportunity? The answer was often just look at where the British imperialists went 100 years ago, that is where we are going. Scotch had a 100-year head start on American whiskey. Now we are very much taking share from Scotch. The opportunity is still very large.”

In the emerging markets US whiskey is making up for lost time, although it remains some distance behind Scotch. A good point of comparison is Jack Daniel's and Johnnie Walker. Johnnie Walker derives 53% of its volume from emerging markets compared with just 15% for Jack Daniel's. Jack Daniel's stood at just 5% in 2000.

Whiting says: “The emerging markets have been the shining star of the company for the last several years. South America, generally, has been just a very fast-growing region for us, particularly Brazil and Mexico. We also continue to get solid growth markets like Poland and Eastern Europe in general. We see a lot of emerging market potential and we are only beginning to turn our eyes to Asia.”

Look for Beam Suntory to also become a much larger player within emerging markets, particularly as it invests in route-to-market (see article

page 13). Other US whiskey producers, such as Sazerac and Heaven Hill, are also turning to international markets in a more serious way. Comstock of Sazerac says: “There is certainly growing demand for our brands in the US, but we are also beginning to make efforts in global markets such as the UK, Germany, France and Australia.”

Most of the upside to date has come from the mature whisky markets of Western Europe. US whiskey in the UK blew past the 2m-case mark last year after a 16% rise (see Asda sidebar on page 20). The category also registered a healthy 5% rise in France, taking the total volume there to 1.4m cases.

The category is displaying real strength in Central and Eastern Europe. In Poland it grew by 18.5% to around 900,000 cases last year and it is on track to surpass the million-case mark in the next year or two.

The category may lag far behind Scotch in the Asia-Pacific region, but it does have certain pockets of strength, namely Australia and Japan. Its recent performance in Japan has been impressive. US whiskey was very large in Japan in the early 1990s, but went into a long decline along with the broader brown spirits market. It has recently revived, rising by 12% to just under 1.6m cases.

Beam's Baladi says: “There is a lot of growth in the overall whisky category in Japan, led by Japanese whiskey. Bourbon is doing well and obviously the Scotch whisky brands are trying to gain share. Jim Beam has exploded. It used to be at 20,000 to 30,000 cases. We will be close to a million cases by 2020, when the Tokyo Olympics occur.” Beam's growth, he adds, is very much driven by a strong presence in the on-premise through the highball. The on-premise is a third of the brand's sales in Japan.

Baladi also notes that the company launched Maker's Mark in Japan two years ago. “Maker's Mark is also on a very impressive trajectory in Japan. It is being built behind the craft highball, which is a little more premium. US whiskey has this approachability and offers the Japanese consumer something different from what they are used to in whisky. We see a massive opportunity there.” ●

American whiskey ‘on fire’, says British retailer Asda

Asda has been outperforming the UK market on American whiskey, according to senior wine and spirits buyer Charles Craven, although the current EU tit-for-tat tariff increases on US imports — including whisky and wine — may dampen growth in future.

Nevertheless, at press time Asda reported an “overtrade on American whiskey” which Craven is very pleased with. “Our fair share as part of the spirits category is concerned is around 17% market share, but for American whiskey we overtrade at about 19%, so we actually outperform versus the market which is great,” he says. “We've got a real loyal core following on American whiskey that starts from Jack Daniel's as a brand.

But it has evolved over time into a bigger reach of other interesting and engaging products.

“We have also had a focus on rye whiskey in the last 18 months to try and put some more challenging flavours and innovation in there.”

Asda's customers really buy into it, says Craven: “We kind of have this sort of divide of an over-trade on American whiskey and an under-trade in malt whisky, so we very much put a lot of focus and emphasis on that range.

“It is a really dynamic category for us and an important one which is vital for us to get right. We are really looking at how we continue that with the use of cocktail solutions, as well as the whiskies that are to be drunk neat or on ice.”

CRAFT BEFORE CRAFT WAS COOL

While the US whiskey sector is dominated by the big multinationals it is sometimes less recognised that there a thriving and large independent sector. Heaven Hill Brands is America's largest independent family owned and operated producer and marketer of distilled spirits.

Heaven Hill, under the three generations of Shapira family leadership, has steadily built the business through internal brand development, line extensions, agency relationships and strategic acquisitions. Now the country's sixth-largest spirits supplier, much of the growth has come during Max Shapira's tenure as president. Returning to his family business in 1971 after a period on Wall Street, Shapira oversaw a period of dynamic expansion in an often-turbulent industry climate.

Shapira's rejoining the company coincided with the beginnings of what turned out to be a long decline in the fortunes of the Bourbon sector as US consumers switched to white spirits. In fact, as a sign of just how far the sector fell, US sales are still only about half of what they were in 1970 despite a much smaller population. Fortunately, the industry finally bottomed out and has since rebounded strongly.

Heaven Hill Brands is enjoying a period of rapid growth in line with the overall expansion of the US whiskey category. That growth is led by the Evan Williams and Elijah Craig brands. The former is now approaching 3m cases following several years of double-

Heaven Hill Brands president Max Shapira says the independent producer helped kickstart the craft movement — 85 years ago

digit growth. The company recently introduced a new campaign for Evan Williams titled 'Bourbon Done Right'.

It seems that the company and indeed the larger Bourbon industry are doing a lot of things right. Shapira says: "Consumers continue to be very much interested in the category, the history, the heritage, the new styles of product, the new taste characteristics and all the other things that have been part of this industry for a very long time, and that's a very positive thing for the future. The best thing is even though we've come a long way in the last 10 years of expansion of the US whiskey category, today we are really only selling in the US just a bit over 50% of what we sold back in the late 1950s and '60s at its peak. That was with a much smaller population. That just shows what kind of a very broad runway and opportunity the industry has. There's a good base of business and it is growing at a very nice rate. That is going to continue for some time."

Shapira attributes much of the improved fortunes in American whiskey to heightened innovation, particularly in flavours. "There are a lot of people experimenting with taste in American whiskey," he explains. "Bourbon is far and away the leading part of the US whiskey category, but look at rye whiskey. It is fairly small relative to Bourbon, but is expanding at a rapid pace. It has a taste profile that is different from Bourbon. Others are experimenting with different grains and malt whiskeys. Those are tiny niche pieces of the US whiskey category today, but it shows the amount of interest by not only the people wanting to produce the product, but by consumers to at least



Max Shapira, president of Heaven Hill Brands

taste those kinds of extensions and innovations and characteristics."

In April, the company introduced Evan Williams Apple, the newest addition to the fast-growing Evan Williams flavours portfolio. Apple has seen significant success across the brown spirits category as the flavour has recently surpassed honey in popularity. As the flavoured whiskey category has continued to expand, both established flavours, such as honey and newer entrants like apple, are propelling the segment to nearly 10m cases, indicating that flavoured whiskeys are still a key growth opportunity.

These flavours are helping Bourbon appeal to new demographics, particularly females. This development has also been supported by the growth of cocktail culture. "There has been a very positive and controlled expansion of the way that Bourbon has presented itself to consumers," says Shapira. "You have many women today who think Bourbon whiskey is the best drink there is. Fifteen years ago, that would have been unusual. There is no question that these flavours appeal to a broad and different consumer including a lot of women, as does straight Bourbon in a cocktail. This has been very beneficial to the business."

enough stocks to satisfy that kind of demand."

The inventory issue is significant. Most companies were taken by surprise by the current boom and have struggled to keep pace with demand. This partially accounts for the lack of international ambition by some players. Most of the leading players such as Heaven Hill have subsequently invested heavily in expanding capacity and are better situated to service this demand.

Asked about the state of production, Shapira says: "That's the crystal ball question. We have today about 1.6m barrels of whiskey ageing and we continue to increase our production. We look at it frequently to see if that's enough to support the branded programme because all our brands are doing well. Heaven Hill is known for making good whiskey and being conservative in the way that we approach the market. We are not looking for 10% or 15% growth for the next 15 years. I'm not sure that even at conservative growth rates that we have enough whiskey to support everything long term."

Trademark revival

He notes that the company would like to revive several long-inactive brand trademarks but is held back by supply. "There is a lot of potential in taking a historic and dormant brand and bringing it to life again," adds Shapira. "We are interested in doing more of that, as and when supply constraints lift."

Last month, for instance, it introduced Heaven Hill 7yo Bottled-in-Bond Kentucky Straight Bourbon Whiskey. The origins of Heaven Hill's eponymous Bottled-in-Bond brand dates to 1939, when upon release, it quickly became the No.1-selling Bourbon in the state of Kentucky. Shapira says: "At a time when American whiskey is surging, we are proud to release a namesake product that really brings us back to our company's founding."

Last year's release of a limited-edition series of Old Fitzgerald Bottled-in-Bond Kentucky Straight Bourbon

Whiskey (with bottlings to be released each spring and fall) is another good example of how the company is drawing on the past for inspiration. "We brought it back to the way it was in the 1950s and 1960s in a decanter-style bottle. It is only bottled in bond and carries unique age statements of 9yo, 11yo and 13yo and is in limited supply. There are all those aspects of premiumisation that the consumer is looking for."

With a suggested retail price of \$110, it also highlights the premiumisation opportunity that exists in the Bourbon industry at the high end. US whiskey remains relatively under-priced relative to Scotch. "Consumers are looking for more premium brands today and that's going to continue for some time," says Shapira. "There is substantial and rising demand for that. You don't want to take advantage of consumers because there is some shortage of supply. There must be some balance and you must be cognisant of what consumers are prepared to pay. You also have to offer them something that is genuinely justifies that price premium."

There have been some challenges along the way. One of these has been the growth of the craft spirits industry. Shapira is magnanimous about these upstarts and says: "The craft business has added a lot to the conversation about the American whiskey category." But he also points out that groups such as Heaven Hill were the original craft producers. "We have been in the craft business for nearly 85 years," he says.

"In many ways we were the original craft producers. We feel that we, and other large Bourbon producers, are part of that craft movement because we have so many unique styles of whiskeys and have really maintained our innovative edge. We have inventories of whiskeys ranging from whiskey produced today to whiskey that is in excess of 20 years of age. That gives you a range of age statements, a range of alcohol strengths and wood finishes all of which combine to produce products that are unique and exciting and that's what consumers are looking for." ●



Evan Williams Apple taps into the flavour trend

COCKTAILS EMBRACE THE LOW/NO-ALCOHOL TREND

Low/no-alcohol cocktails are quickly becoming a mainstream on-trade trend which can not be ignored, writes *Joe Bates*

The issue of sustainability and the growth of low/no-alcohol cocktails have undoubtedly been the hot topics within the cocktail-oriented on-trade this year. In addition to these forward-looking trends, 2019 has also seen the cocktail world take a look back to mark the 100th anniversary of the Negroni and important milestones for key cocktail brands Cointreau (170) and Aperol (100).

Relentless creativity and reinvention seem to be the modus operandi of many top mixologists, but it's worth noting that for many end-consumers classic (and what many in the business might consider passé) cocktails are still hugely popular. The top 10 googled cocktails worldwide last year have all been around for decades and in some cases even longer, according to research from analytics firm SEMrush. The top five googled are: the Manhattan, Cosmopolitan, Old Fashioned, Sex on the Beach and Champagne Cocktail.

Nevertheless, cocktail culture continues to grow, making it top of mind for many spirits producers. "In the last 15 years, the cocktail scene has become more and more important for us," admits Matteo Luxardo, export director at Italian liqueur producer Luxardo. "Our products are well recognised within the cocktail industry, with the 'King' being Maraschino [liqueur]. We work closely with the bartender community, especially when it's the moment to launch new products."

Luxardo rates the US as the leading cocktail market worldwide, followed by the UK. "I see South America growing fast with incredible bartenders, but also countries like Kazakhstan, Georgia, Armenia and Ukraine are coming up very fast," he adds. "Everywhere in the world the cocktail market is growing; the quality is incredible and



Elegantly Spirited CEO Alex Carlton who co-founded the zero-proof range of spirits Stryk in the UK

the bartenders are magicians, or at the same level as chefs," he says.

Growing concern about global warming and single-use plastic has pushed sustainability up the agenda both for consumers and the cocktail bar industry. The issue is a key focus at New York-based bar Bluebird London, says its beverage director Rosario Toscano. "For us sustainability is important; for the guests it's just a selling point," he says.

"Most guests are as concerned with the sustainability of their drinks as they are food — more so wine than cocktails. But for the bar, sustainability can translate into better beverage costs as well. Use your juiced lime to make cordials; clean and reuse soda or beer bottles as your cheater bottles, encourage draft beer, which is also better for your COGS [cost of goods sold]."

Sustainability also influences operations at Dutch liqueur producer De Kuyper Royal Distillers, says CEO Mark de Witte. "Sustainability is an import aspect in the way we work, this starts at the source of production and all the way through the chain, which we are constantly challenging and improving in terms

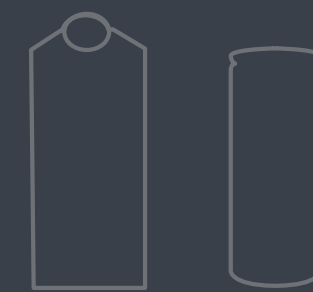
of sustainability. Teaching bartenders to work in a sustainable way, e.g. by educating them not only on the use of sustainable ingredients, but also to encourage bartenders to reduce plastic and non-recyclable waste and food spill is an integral part of our basic training."

The growth of low/no-alcohol cocktails shows no sign of stopping and is clearly a trend no major supplier can ignore. Bols creative and communications director Sandie van Doorne says: "We see the trend towards low-alcohol drinks strengthening and are fully dedicated to promoting this. We train bartenders in the Bols Bartending Academy and in workshops around the world how to implement low-alcohol drinks on their menus and how it can help their business while serving a growing consumer need."

"We launched a number of new flavours in our Bols liqueurs range that are a perfect base for a light alcohol drink. For instance, our Bols Cucumber liqueur is an excellent fit with tonic to create a refreshing, low-alcohol cocktail. Another example is Bols Ginger with soda water, a low-alcohol and low-sugar cocktail with a rich and tasty flavour. We are actively promoting these new drink concepts with our →



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→ Bols low-ABV signature drinks and through the global on-trade community, aimed at offering consumers exciting low-alcohol alternatives.”

Low-alcohol spritz-style cocktails, traditionally comprising wine, an aperitif and soda, are set to become one of the most fashionable summer serves this year. In London this August, premium mixer supplier Fentimans is opening a pop-up Secret Spritz Garden, which will offer customers a range of spritzes using Fentimans tonics and herbal garnishes grown in the garden. Cocktail expert Dino Koletsas, who has worked at establishments such as The Langham and Callooh Callay, designed the menu.

“Spritzes have a long tradition of being created to be low ABV as historically noblemen and women would ask for their wine to be weakened with water to make it easier to drink,” Koletsas explains. “The inherent low-ABV nature of the drink makes them a great choice for anytime drinking — from brunch all the way through to late in the evening, and they are 100% the drink of the summer. With their combination of lightness and diversity, there will be something for every palate.

“More importantly, they fit in fantastically with the ever-growing trend of people looking for a more positive drinking experience where the alcoholic strength of a drink is less important or even often unwanted.”

UK-based Elegantly Spirited introduced a range of zero-proof spirits called Strykk into the UK last year. The Strykk range now comprises Strykk Not Gin, Strykk Not Vodka and Strykk Not Rum. In June this year soft drinks firm AG Barr took a 20% stake in the firm, investing £1m.

Elegantly Spirit CEO and co-founder Alex Carlton says: “Over 4m people signed up to Dry January 2019, a tenth of the [UK] drinking population, a significant indicator for the potential of Strykk. But it’s not only January when consumers are choosing to moderate their drinking. It is now not only an acceptable option but a growing trend. National accounts are looking to evolve their menus further increasing the real estate offered to no/low-alcohol and recognising the importance of attracting a wider pool of guests looking to moderate their alcohol consumption. Our

signature serves are the classic serves of the spirits categories we mimic, i.e. Strykk Not Gin & tonic. However, more adventurous bartenders are using our products to offer no/low-alcohol alcoholic versions of best-selling cocktails, for example the Mojito, Porn Star Martini, Cosmopolitan, Moscow Mule and Tom Collins.”

It’s now “pretty much standard to have NA [no-alcohol] cocktails” on the menu, says Bluebird London’s Toscano. “Only a few years ago that wasn’t the case,” he recalls. “The first time I heard someone order a ‘Virgin Mojito’ I laughed. Now it’s ordered all the time. And if it’s on your menu, it has to be inventive, not just a blend of some fruit juices.” Growing demand for tapped and draught cocktails is another emerging trend. Earlier this year, Bacardi-owned Grey Goose introduced what it claims is the world’s first sub-zero draught



Romeo's Fizz Gin launched this year

cocktail tap system. Cocktails ‘on tap’ or ‘draught’ serves will become more of a staple within the on-trade sector, in both influential bars and more mainstream High Street offerings, predicts Bacardi European programming director Marc Plumridge.

“As major brands begin to increase investment and research in this sector — to make the technology more widely available and advanced, as well as more cost effective, together with a more direct focus on quality pre-batched cocktails — this will open up more cocktail occasions, which perhaps didn’t exist before or were dominated by the likes of beer and wine.”

Funkin Cocktails, a UK-based producer of premium purées, syrups, draught products and cocktail mixers,



Funkin Cocktails Pornstar Martini

is also benefiting from the trend. The company’s export sales grew by 20% last year, according to marketing director Ben Anderson. “Our key market was Ireland where we introduced a raft of new products including our Cocktails on Tap draft solution and Funkin Cocktails Shaker Packs, launched into the off-trade to enable consumers to make their own cocktails at home in a quick, easy format.

“Last year, Funkin Cocktails expanded its global footprint by signing a new distribution deal with Masoliver Group — a leading Spanish distributor of beer, wine and spirits — which saw Funkin Cocktails be made available nationally across Spain, including the Canary and Balearic Islands. The brand also entered Singapore for the first time, which further reflects the brand’s global expansion strategy.”

RTD cocktails are another growth area. One company which sees untapped potential to grow the premium end of this emerging segment is Canadian firm Duvernois Creative Spirits, the producer of Romeo’s Gin and Pur Vodka. Following the successful launch of an RTD gin-and-tonic last year, the company launched two 7% ABV canned RTDs into Quebec this year: Romeo’s Fizz Gin (gin, lemon juice, cane juice and soda) and Pur Vodka Moscow Mule (vodka, ginger, lime and Quebec maple syrup).

Duvernois vice-president executive Stéphane Rochefort says: “People are trading up, but if you look at the RTD category there is no innovation. The price point is always pretty much the same time; it remains a convenience item. We want to give consumers the opportunity to buy a high-quality cocktail that’s ready to drink.”

Clearly, the on-the-go cocktail opportunity (along with the make-it-at-home cocktail consumption occasion) are part of a growing drinks trend where the bartender is no longer front and centre of the action. ●

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ANY COLOUR YOU LIKE ...AS LONG AS IT'S PINK

Pink drinks have never been more in vogue. *Joe Bates* reports on one of the hottest drinks trends of 2019

From gin and wine to liqueurs and cider, pink-hued drinks are all the rage among the important Instagram-loving millennial customer demographic. Pink has traditionally been associated with femininity and, from the 1970s onwards, the gay rights movement. However, over the past six years the colour's supposedly calming, nostalgic and flattering qualities have made it widely accepted among millennials. Pink, in its various shades, is now the colour of choice for fashion designers, stylists, celebrities and social media influencers.

Rosé wine, once dismissed as cheap, mass-market plonk by critics, has experienced a surge in both popularity and reputation over the past two decades. Globally, rosé wine is forecast to grow at a CAGR of 2% between 2018 and '22, adding incremental growth of \$24m, according to a new report by Technavio.

Hollywood celebrities and rock stars such as Angelina Jolie, Brad Pitt and Jon Bon Jovi have all launched their own rosé labels. French luxury goods giant LVMH, the owner of world-famous marques such as Dom Pérignon Champagne and Hennessy Cognac, snapped up the cru classé rosé producer Chateau du Galoupet, a



In the pink: Bottega Rosé Gold, strawberry-infused MOM Love gin and Edinburgh Gin Watermelon & Lime

17th-Century estate in the Provence for an undisclosed sum in May.

"We have definitely noticed sales growth of rosé wine in recent years: our Bottega Rosé Gold is on this trend and its sales are growing at double-digit rates," says Sandro Bottega, owner and manager director at family-owned Italian wine and spirits producer Bottega. "Rosé wines, especially the sparkling ones, are more difficult to produce; they are more elegant, they sport an outstanding charm and their image attracts female consumption."

Bottega believes that many indigenous French and Italian wines could boost their sales if they were presented as rosés. "Rosé wines don't belong to one country, they are global," he argues. "We believe that the sparkling wines and those that are neither brut nor sweet have an innovative charge that appeals to those who approach wine for the first time."

Bottega currently produces four sparkling rosé wines: the floral and fruity Bottega Rosé Gold, made with pinot noir grapes grown in Lombardy;

'Il Vino dei Poeti' Venezia DOC Rosé, a blend of pinot noir and raboso piave grapes, harvested in Treviso and Venice; 'Il Vino dell'Amore' Petalo Pink Manzoni Moscato Rosé, a sweet sparkling wine made from rare hybrid Monzani moscato grapes; and newly launched Bottega Stardust Rosé, also made with the Monzani moscato varietal presented in a pink glass bottle decorated with diamond-cut crystals (pictured bottom left).

Bottega is hopeful that the prosecco DOC will back a proposal to allow sparkling rosé within the prosecco appellation, a move which could provide a further boost to the already hugely popular Italian sparkling wine. "Prosecco Rosé will offer a new, alternative version of prosecco; it will be slightly different from the 'white' version, but will express the same characteristics underpinning its success: an easy-to-drink wine that is easily matched with food and can be enjoyed by a larger public — not only for its fresh, uncomplicated taste, but also for its less demanding price." →



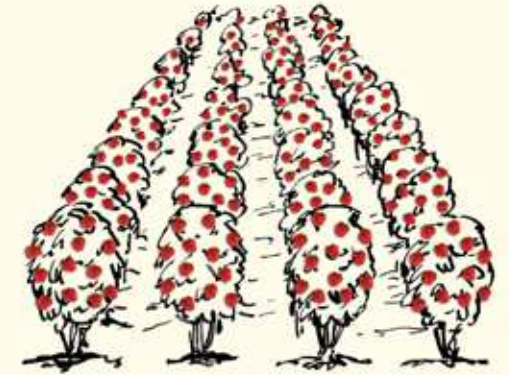
THE DO'S AND DON'TS OF PINK GIN

OR
GROWING RASPBERRIES THE PINKSTER WAY



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Here it is in all its glory, *Rubus parvifolius* (the raspberry bush to you and me), ready for the Pinkster Season.



OUR PRODUCTION LINES

Row upon row of beautiful natural raspberry bushes is all we need to create the subtle fresh taste of Pinkster.



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Great big juicy fruit, just ripe for the picking and bursting with delicious Pinkster flavour.



Deliciously dry with a hint of real raspberry and an exceptionally smooth finish.

REAL RASPBERRIES. IT'S A PINKSTER THING

pinkstergin.com

→ Bottega hopes approval for this historic change will be made before the next harvest in September, but cautions that this is “not a certainty”.

The pink drink craze has also lifted the fortunes of what might be described as the ‘granddaddy’ of the rosé wine world: Mateus Rosé. The slightly fizzy Portuguese wine was launched in 1942 by Fernando van Zeller Guedes, the founder of Sogrape, in an iconic bottle inspired by the flasks worn by soldiers during WWI. “In the 1960s, ’70s and ’80s, several celebrities — Jimi Hendrix, Queen Elizabeth II, Steve Jobs and the Portuguese fado singer Amália Rodrigues — were fond of Mateus Rosé wine,” reveals João Gomes da Silva, Sogrape board member for Mateus.

The brand is still available in more than 120 countries and last year sales hit a 10-year high of around 20m bottles. The year was also memorable for the unveiling of refreshed bottle design. “Mateus now has a taller and more elegant bottle and a renewed modern label in lighter tones to convey its freshness,” says da Silva. “It is a more premium and contemporary look for a brand born in 1942 that keeps setting sail to explore new markets. Through this evolution, Mateus reinforces its lifestyle positioning and connects with younger consumers by challenging new generations to explore different moments to enjoy Mateus.”

Da Silva reveals that although the UK, Spain, Germany and France are still Mateus Rosé’s main export markets, sales have been growing faster at double-digit rates in Denmark, Eastern Europe, Australia, Brazil and Nigeria. “There are still a lot of people in this world that haven’t tasted Mateus, especially younger targets, so we are working on several markets like Portugal, Spain, the UK, Australia and Switzerland in order to be present at medium-size events and festivals where we can give Mateus to taste. The feedback is very positive, especially now with the new bottle that looks more modern and trendier. Social media has been also a powerful tool to raise brand awareness and engagement. Nowadays we continuously interact with over 350,000 fans worldwide.”

Pink gins were the driving force of the UK’s gin boom last year, accounting for

around three quarters of the astonishing 751% growth for the flavoured gin category, according to Wine and Spirit Trade Association figures. The flood of pink gin launches has continued into 2019. Notable newcomers include Edinburgh Gin Watermelon & Lime, launched in June as a travel-retail exclusive with Dufry, and strawberry-infused pink gin MOM Love from González Byass.

Swedish brewer Kopparberg moved into spirits in May with Kopparberg Premium Gin. It followed this with Kopparberg Premium Gin Strawberry & Lime, a 37.5% ABV gin which launched in over 700 Greene King pubs in the UK, and in the British supermarket chains Asda and Morrisons. A month later, to capitalise on the potential for impulse sales, the company introduced a 5% ABV RTD line: Kopparberg Premium Gin Strawberry & Lime mixed with lemonade packaged in 25cl cans.

Rob Salvesen, head of marketing at Kopparberg, says existing gin and cider drinkers are the target for the company’s gin range. “We wanted Kopparberg fans to find the same delicious, natural taste that is in our cider in our new gins. Equally, we wanted to offer gin-lovers something new to the market in the pink gin category as the demand for it increases.”

Does pink mean more sugar?

While the flavoured gin boom remains in full swing, recent media scrutiny in the UK has focused on health fears over the high sugar content of many pink gins, which producers are not required to list on packaging. An independent study by Eurofins Food UK Ltd, found that some of the best-selling pink gins in the market contain up to 15 teaspoons of sugar in a standard 70cl bottle.

In response, Quintessential Brands is spending £800,000 (\$899,000) on a UK ad campaign highlighting the fact that Greenall’s Wild Berry and Blueberry gins contain no sugar. “With our flavoured gins, the sweetness comes from the natural berry flavours infused with our Greenall’s Original London Dry gin,” says Greenall’s master distiller Joanne Moore. “We work hard to balance the botanicals and natural flavours to create a smooth taste, so we don’t need sugar to mimic smoothness or mouthfeel.”

Pink is also the colour of choice for



Baileys Strawberries & Cream is selling as well as Baileys Original Irish Cream in some locations

some leading cider producers this year. Irish cider brand Magners introduced Magners Rosé, a light blush 4% ABV, semi-sweet apple cider in a 33cl can, into the UK on-trade in July. Bespoke stemless glassware was created for the line extension, which it is suggested is served over ice with an apple slice garnish. The launch is supported by a PR, social and advertising campaign using the strapline ‘Your New Crush’.

Diageo introduced a limited-edition Baileys Strawberry & Cream liqueur last year. Diageo global travel innovation and marketing director Anna MacDonald says it has been a “huge summer hit” in travel retail. “The liquid is a luscious combination of rich flavours, and we’ve found the vibrant colour, design and quality packaging has created huge appeal and talkability among consumers. These factors, combined with much-loved Baileys, has proven the ultimate recipe for success.”

“We’ve had brand ambassadors delight travellers with tasting opportunities in over 15 locations, including larger-scale activations in London Heathrow and Dublin airports. This approach has been vital to engaging and recruiting new Baileys fans,” she adds, noting that in some locations Baileys Strawberries & Cream is selling as well as Baileys Original Irish Cream.

From subcategory to subcategory it would appear that pink drinks are in favour. Although sales are inevitably skewed towards the summer months, pink seems set to stay as the colour of choice for drinks buyers during key gifting periods, such as Valentine’s Day and Christmas. ●



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ASDA UPS ITS GAME

Easter is usually big for the UK-based Asda supermarket group, but this year was “phenomenal” for the alcoholic beverage business, with an outperformance of “roughly 21%” against the overall market, according to the group’s senior beer, wine and spirits buyer Charles Craven.

“We knew we were looking at a less competitive Easter than in previous years, so we had an opportunity across total wine,” says Craven. “It was a real opportunity to do a better job and we ran overarching activity in line with what the market was doing by 6% and 7%.”

“That was our new mechanic in line with what Tesco and Sainsbury’s were doing at a similar time.”

The lower price band was set to engage and encourage shoppers to buy into the value wine offer. “Four pounds was the limit, because under that you’ve got duty, plus VAT and we can’t legally go below that,” says Craven.

He adds that the lower price band was “great value” for Asda shoppers who were able to shop the entire range with more confidence to trial new products.

Asda’s extensive wine range is designed to be very flexible thanks to the retailers’ wholly owned International Procurement & Logistics arm, which directly sources 50% of all its wine.

“We are on a journey of how to actually get people to trade through the category and part of this range change is new innovation in prosecco — both from a quality perspective, but also organically,” says Craven.

Customers increasingly want

Asda senior beer, wine and spirits buyer Charles Craven talks new ranges, essential own-label, branded spirits, US whiskey and Brexit.

Doug Newhouse reports

products that are better for the environment, their lifestyle and health, and this is now “definitely part” of Asda’s focus, he explains.

Relatively new growth areas, including Extra Special English sparkling wine, is also a focus for the group. “English sparkling wine has potential for further expansion in future,” observes Craven. “It is not the easiest sell because customers question why they are paying more for an English sparkling wine than they would for Champagne. But once they understand the nature of the product and they have actually tried the wine it makes a big difference.”

Focus on crémant and cava

Crémant from the Loire is also getting more focus in the Extra Special range and gaining ground in the on-trade, with sparkling wine “very much moving away from the New World options that customers don’t seem to find value in”. Craven says Asda’s response is to put more focus back into the traditional areas, with another future project now lined up to bring customers back to the cava category. “We know that there is a bit more of a push in the on-trade and that the quality is there,” he says. “Customers probably underestimate the quality of cava for the price they pay.”

Craven also acknowledges that cava in general did have a “problem” in the past which was partly self-made due to very low pricing. “Yes, they have driven it down and the risk now is that prosecco is kind of going the same way,” he admits. “There is a lot of competition at the £6 price-point level on prosecco, both through discounter levels and ourselves, then matching that value to offer to our customers. But whether that is sustainable is the key question.”



Craven emphasises that Asda must ensure its products are valued properly and acknowledges it is “very hard” to get prosecco back to where it should be.

Asda, he says, is therefore looking to expand the range to protect the category for the long term, with prosecco rosé seen as a “really exciting” and viable option for 2020.

Craven is similarly excited about the role of Asda’s own-label wine and spirits offerings, which he believes help to underwrite customer confidence.

“Extra Special is our premium-tier own-label and we have a number of great quality products under various names within the wine category,” he says. “Our Extra Special Albariño Spanish white has been in the range a long time and it gets a lot of quotations and awards. We also have a fantastic Extra Special chenin blanc from South Africa that has always done incredibly well, and our saucerre and pouilly-fumé have always been very well received.

“We are now bringing 10 new Extra Special wines into the category and trying to branch out a little on choice with the offers we now have from Spain and South America — that has been a real focus for us.”

Own-label spirits are also delivering “massive and exciting growth

opportunities” under the Extra Special label, explains Craven. “Gin has been a big focus and we have new flavours coming in from our special range, with an expansive range of gin liqueurs in 50cl bottles under Extra Special.

“We also have gin flavours at 40% ABV in 70cl bottles coming through and some really exciting education around our new Extra Special gin range.”

Added to this is a new range of Extra Special soft drinks, flavoured tonics and lots of advice for customers around perfect serves and cocktail solutions on Asda’s website.

Engaging new shoppers is key

Craven says the strategy is around new shopper engagement and education on how best to drink its own-label products. The company is also introducing a ready-to-drink (RTD) own-label range.

“This is something we’ve done previously under a sort of separate exclusive label, but we have some great products and we are proud of them, so we want to put our name on them,” explains Craven.

At the same time he adds that a lot of other cocktails in premix form are being removed from the range as they have lost popularity with customers over time.

Today’s “hard data-led industry” sees Asda heavily reliant on getting the beer, wine and spirits product mix right, utilising a combination of hard sales information, e-commerce, numerous listening groups and other insights.

“It is vital for us to understand what the long-term trend opportunities are, where the focus seems to be, how the three areas of beer, wine and spirits complement each other, and what is in shared baskets,” says Craven.

“Our shoppers have a certain amount of money to spend and we want to make sure that they are getting the best value. We also need to target what they are looking for and what the trends are that they are telling us. This is crucial to keep the category evolving and our customers coming back.”

Asda has also identified more recent insights from its “numerous listening groups”, including those raised by minimum unit pricing in Scotland.

“It is vital to get our customers’ insight and crucial to understand what they want to see in our shops,” explains Craven. “One of the first things that we needed to understand is we had an opening price-point range on own-label spirits that overnight instantly became the same price as our entry branded lines [due to minimum unit pricing].

“So we needed to understand whether they still had a relevance or a role to play with our customers — what do they expect to see? Interestingly, there is loyalty in all of these different areas, although we could have taken an extreme view that these lines no longer have a role to play. But actually the shopper feedback is they like what they like, and they have been used to drinking these products for a number of years.”

In this respect, Craven acknowledges that many own-label offerings have effectively evolved into “go-to reliable brands” for repeat customers, so they should retain protected status.

“On top of that, pack size was also interesting because how do customers understand the true value?” he asks.

“In the past, bigger packs meant better value, but in the new world of minimum

unit pricing there was no variation. You paid the amount for the liquid that the minimum unit price determined.” He says it was important for Asda to understand whether different sizes still had a role to play — even though there was no longer potential value benefit in buying bigger sizes. This was relevant from the perspective of consumption management and in terms of the impact on individual customer basket spends.

Craven says the exercise provided “really good” information for Asda management, along with other shopper insights gained from minimum unit pricing. The change effectively saw premium become more accessible as the step up from core range to premium reduced. At the same time, shoppers adapted their consumption patterns by drinking less but better quality.

“There have been a lot of positive learnings we’ve taken out of it,” says Craven. “We’ve still got plenty more to learn on how we give the best possible value to our shoppers in Scotland and the range will continue to evolve, but our real learning was to see how it goes and don’t do anything too drastic.”

Asda will take a similar approach with its Welsh stores when minimum unit pricing is introduced in Wales early next year.

Shift to own-label brands

Interestingly, Craven says Asda’s overall own-label spirits business was “traditionally small” compared with its total spirits business, but has become much bigger over time. At the same time he points to “a real shift away from the traditional brands into own-label”.

Asda’s own-label spirits business is “probably still under 10%” of the total, says Craven, “but it would previously have been under 5%. You’d love to be able to say that it is going to be 20% of the category. For us it is the best way to offer the best value to our customers. Quality is crucial and provided that it is there, they will tend to seek better value for money.”

The one downside with own-label, acknowledges Craven, is that Asda →



Champagne and sparkling wine aisle at Asda’s Bexhill branch in East Sussex, UK

→ doesn't have the marketing budget to really drive home the quality message. He also emphasises that it is important to continually maintain a keen focus on responsible drinking at all times. "This is at the forefront of everything we talk about and we are really strict on who we are targeting, why and what the drinking occasion is," says Craven.

Brexit challenge

Brexit represents yet another major challenge ahead for Asda, says Craven. It is potentially a buyer's nightmare in terms of second guessing if, what, when and how it will all play out.

"It is impossible to plan for something that you have no control over," says Craven. "We just need to make sure that there are no short-term slip-ups from a supply-chain perspective. That's the crucial one."

Craven says last March's stop-start-stop deadline saw some internal interest in building advance stocks to prepare for customer stockpiling from anticipated higher costs.

"We needed to protect what was important for our shoppers and we did do some of that on some key core volume lines, but again it is the unknown," he says. "What we were planning for more was actually a pre-emptive stock-up from our shoppers that actually didn't translate to the level that we expected. Not just in beer, wine and spirits, but across the board."

"We needed to ensure that we were protecting availability on core volume lines and everyday essentials. For us, Brexit was far more about our core everyday essentials than the beer,

wine and spirits category in isolation."

Of course, any change in costs and tariffs that may or may not have applied had the UK enacted Brexit in March — along with the potentially huge impact of the now abandoned £12bn Sainsbury's/Asda merger — all remain unknown quantities. What is clear is that Asda management now considers the matter closed and it is back to business as usual.

Looking at the beer, wine and spirits sectors as a whole, Craven says his six-strong team comprises three traditional buyers and three with a focus on product sourcing. He says the team tries to be consistent between its in-store and online offerings, with the latter in particular described as "a big growth area" — never more so than in the run-up to Christmas.

"We take lots of learnings from previous seasons, what happened in the market and what we can do better," Craven says. "It constantly evolves, and it becomes a longer period of time. It starts in September now, so it is vital to get it right and ensure we've got the best offer all the way through for our customers."

Asked what percentage of Asda's beer, wine and spirits sales are accounted for in the last four months of the year, Craven says it is currently running at 40%, although it varies by category. "For wine particularly there is a significant uptick when it comes to Q4," he says. "From a beer point of view it is a bit more consistent through the year and weather is a big factor."

For instance Asda saw beer sales rise during the 2018 FIFA World Cup which was televised from Russia and coincided with good weather in the UK. Latching onto these opportunities, Asda has recently promoted special deals for those watching sporting events in the UK, such as the England and Scotland men's World Cup football qualifiers, the women's World Cup football and the World Cup cricket tournaments.

Offerings include special prosecco wine and other deals, along with discounted beer offerings including Budweiser and Corona.

Such targeted promotions are increasingly successful, although very little gets close to the beer, wine and



Asda rolls out own-label gins

Asda has added five new gins and two non-alcoholic botanicals to its well established own-label range.

The UK supermarket group has taken a lead with its own-label wine and spirits division in recent years, including an innovative response to the revitalised flavoured gin business.

The retailer said: "One of the really interesting things about the rise of gin has been that people have been looking for a mixture of great taste, new flavour combinations, and a real sense of theatre."

The Walmart-owned company responded by creating its own "vibrant sweet-shop-inspired gins" in three flavours: Lemon Sherbet, Pear Drop and Parma Violet (£18). The final two creations are the Extra Special Scottish Gin (lavender blossom, nettle and gorse) and Extra Special Berry Gin (blackcurrant, blueberry and blackberry).

It has also launched two Extra Special non-alcoholic botanical drinks (rhubarb/ginger and premium), which retail for £15. A range of Extra Special tonics has also been created.

spirits sales during the Christmas season. Craven says having the "best possible Christmas offer" is crucially important, as is evolving the beer, spirits and wine range and ensuring existing customers remain excited about Asda's festive activity. If it also attracts new customers to Asda's beer, wine and spirits range, then so much the better, says Craven. ●

CHINESE MARKET SHOWS SIGNS OF MATURITY

Volumes may be down, but a recent report from Wine Intelligence shows the market for imported wine in China is maturing, which is probably a good thing

At first glance, 2018 may look like a rough year for members of the Chinese wine trade: the imported wine volume in the country has seen its first decline since 2014. In 2018, imported wine volumes have declined by -7% to 56.7m cases compared with 2017, while value rose by 2.1%, according to data from IWSR Drinks Market Analysis. This is the first decline by volume since 2014, however, the imported volume is still higher than it was in 2016.

Domestic wine sales fell by an even greater -11% to 85m cases.

Connected to this, consumers appear to be drinking wine slightly less, and less often. Per capita consumption in 2018 was 1.2 litres versus 1.3 litres in 2017.

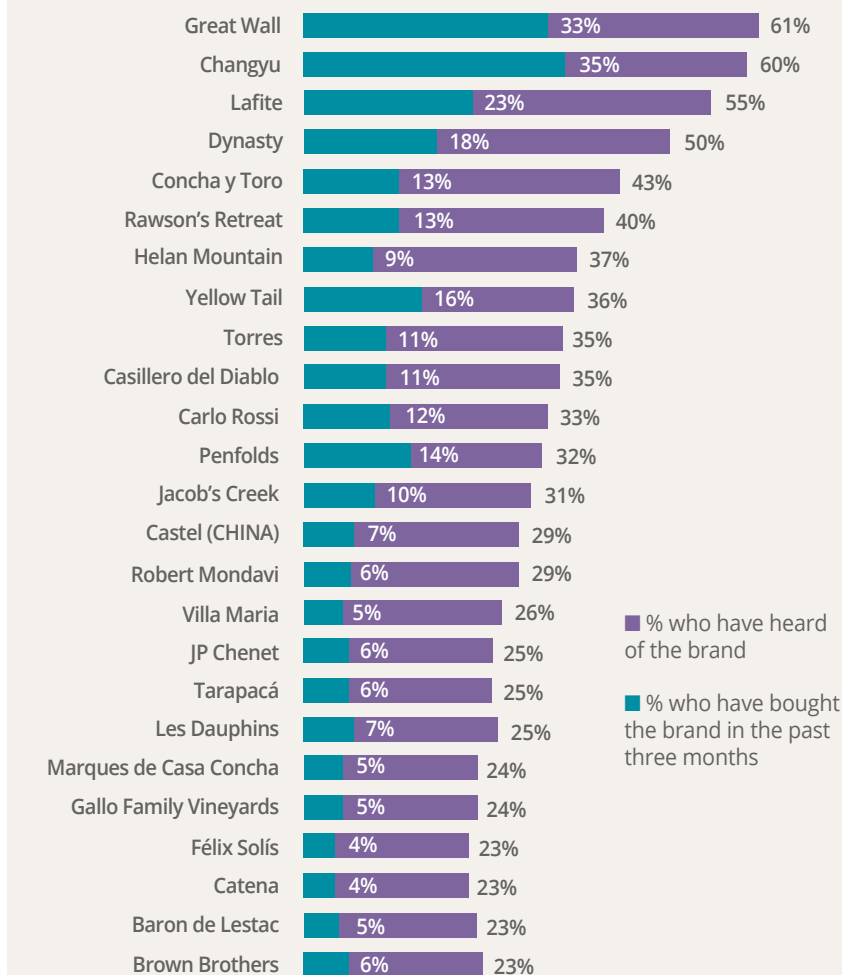
Trade experts believe this can be explained by the following factors:

- Low-end market losing traction.
- Consumers moving towards 'drinking less but better' as they are becoming more selective and looking more for quality.
- Market is slowly digesting the large volumes of wine imported from previous years.

More players than ever, such as distributors, importers and retailers, have entered the field, perhaps fragmenting an already complicated market. The new *Wine Intelligence China Landscapes 2019* report indicates that China is evolving into the sort of wine market that the world's producers and exporters would recognise: more transparent, more stable, and with a population that is increasingly knowledgeable and able to buy product they trust at a reasonable price.

Consumer tastes are broadening in terms of countries of origin and styles. For example, more wines are available

Top 25 Wine Brands in China by Awareness and Respective Purchase Level



Base = All Chinese urban upper-middle class imported wine drinkers (n=2,000)
Source: Wine Intelligence 2019, Vinitrac® China, March 2019

from a wider variety of countries, shown by wine volumes growing for more origin countries between 2014 and '19. Although France is still the leader of the market, its share (currently 14%) is gradually declining as Australian (+5% to 12.3%) wines gain popularity alongside other countries, especially Chile (flat at 8.3m), Italy (flat at 3.3m cases) and South Africa (+19% to 1m cases). Australia and Chile have both benefited from free trade agreements with China. French sales were hard hit, falling by -20% in 2018 over 2017 to 19.3m cases. Spain also

suffered, falling by -10% to 6.8m cases.

According to Wine Intelligence, domestic producer Changyu is the most powerful wine brand in the Chinese market, outperforming all other brands for purchase and connection, closely followed by the domestic brand Great Wall. Australian brands perform well in the Chinese wine market, with two Australian brands, Yellow Tail and Penfolds in the top five most powerful wine brands in China as a result of their high connection scores. French wine-producer Lafite is the most powerful imported wine brand in China, with →



The weather has a huge influence on beer sales

→ the highest awareness, purchase and connection scores of all imported brands. Wine producers are exploring different ways to reach consumers, such as the internet, social media platforms and DTC (direct-to-consumer) channels.

This diversification could mean two things. On one hand, the market is increasingly fragmented, which makes it even more challenging for players to become established. However, it is also a sign that the market is progressing.

One trade expert noted that the Chinese market is starting to look a lot like other international markets in terms of the range of wines offered, and ways distributors reach consumers. While some distributors confirmed that it is becoming difficult to keep their heads above water, others who have been in the market for longer, said they haven't really felt the cold winds. In fact, more than ever before, they believe there's a positive outlook for the Chinese wine market as consumers are maturing.

Traditional perceptions of Chinese wine drinkers paint a picture of those who don't know much about wine, aren't really into it and who drink wine mainly for health benefits. The wine they most likely go for is a red Bordeaux. But this picture is increasingly outdated.

Impact of e-commerce

Wine Intelligence's *China Landscapes* 2019 report found that the typical wine drinker in China drinks wine more for pleasure than medicinal purposes. So they are looking for better-quality wine, and it doesn't matter as much to them if they must spend more. They also now drink all types of wine, including sparkling. Their country of origin repertoire has expanded both by awareness and consumption, which is evident in both IWSR and Wine Intelligence data. As consumers become more knowledgeable about wine, and more wines become available to them, it's inevitable that they become more selective about what they drink. This may partly explain why, despite declining volumes of imported wine, value has remained relatively stable, growing by 2.1% in 2018.

E-commerce is another factor contributing to the spread of wine appreciation. About 46% of consumers

Online Retailer Usage in China: Tracking

Rank 2019	Retailer	2017 % n= 1,000	2018 % 1,000	2019 % 2,000	Mid-term	Short-term
1	JD.COM	30	42	38	▲	▼
2	Tmall.com	34	33	35	●	●
3	Amazon.cn	24	22	23	●	●
4	Jiuxian.com	22	20	19	●	●
5	Sam's Club	13	15	16	▲	●
6	Taobao.com	15	14	16	●	●
7	Wine9.com	17	14	16	●	●
9	Yihaodian	16	13	11	▼	●
10	Yesmywine.com	14	10	9	▼	●
11	Aussino World Wines	9	9	9	●	●
12	Jiumei.com	12	10	9	▼	●
13	12580wine.com	9	9	9	●	●
14	Wangjiu.com	9	7	9	●	▲
15	GJW.COM	11	8	8	▼	●
16	1919	N/A	5	7	N/A	●
17	Jiuq.com	6	6	7	●	●
18	Pudao Wines	7	4	7	●	▲
19	Wine stores on WeChat	N/A	N/A	6	N/A	N/A
20	Vinehoo.com	N/A	N/A	6	N/A	N/A
21	Everwines	4	4	6	●	▲
22	Cheers	4	2	5	●	▲
23	None of these stores	0	1	1	●	●

% who mainly use the following retailers to buy wine

Base = Those who buy wine to drink at home

▲ / ▼ Statistically significantly higher/lower than previous waves at a 95% confidence level

Source: Wine Intelligence 2019, Vinitrac® China, March 2017-March 2019
n>=1,000 Chinese urban upper-middle class imported wine drinkers

have bought wine from online stores, and the penetration of online shopping is around 40%-plus across most segments, including the older drinkers aged 40 to 54. Chinese consumers buy online mostly due to the diversity of options available, both in terms of brands and varietals.

The fact that online retailers offer better or cheaper wines is now less of a motivation for consumers to buy online. While these behaviours haven't changed on a frequency level over the years (i.e. they aren't buying more wines), they are spending more than they were before. This is another sign that consumers are 'trading-up' as they become more sophisticated.

JD.com and Tmall.com are the two dominant online channels, with 38% and 35% of respondents saying they have bought wine from the two retailers respectively. Although comments and reviews on shopping websites are the

most used source of information among Chinese wine drinkers, they are also perceived as the least reliable sources of wine information compared with in-store signage and producers' websites. Word of mouth remains the most used and trusted source, while traditional media is a reliable source but is less used. While WeChat and Weibo may have helped with spreading the wine culture, reviews from influencers on these platforms are considered less reliable.

Though the proportion of those who buy from specialised shops has declined since 2017, it remains the dominant wine-buying channel in China. Other channel usage levels remain stable. ●



To purchase the Wine Intelligence China Landscapes 2019 report, contact Emily Carroll at emily@wineintelligence.com

ASIAN SPIRITS AND BEER BRANDS IN THE ASCENT

The latest Brand Finance spirits and beer rankings confirms Asia's rising power, says *Alexander Smith*

Chinese baijiu brand Moutai retains its status as the world's most valuable spirits brand with an impressive 43% increase in brand value to \$30.5bn, according to the latest report by Brand Finance, the brand valuation consultancy.

As China's most prestigious baijiu brand, Moutai has recorded healthy brand-value growth since last year, a nod to its heightened brand presence and large-scale marketing campaigns. Chinese baijiu brands dominate the rankings, with Wuliangye (brand value +10% to US\$16bn) and Yanghe (+16% to \$9.1bn) defending their second and third-place positions respectively.

Wuliangye, despite recording lower brand-value growth than its baijiu counterparts, recorded strong share-price growth in the latter part of 2018. Luzhou Laojiao (+40% to \$5.4bn) knocked Diageo-owned Johnnie Walker (+8% to US\$4.6bn) into fifth position, making it a Chinese top four for the first time.

All baijiu brands have had to contend with several years of sales-growth stagnation, a result of the Chinese government's crackdown on lavish spending. However, demand is now on a sharp upward trajectory, which will no doubt further boost brand values in the coming year. South Korean soju brand, Chamisul, has also seen a significant increase in brand value, growing 94% since last year to a brand value of \$649m. The

Brand Finance Top 10 Most Valuable Spirits Brands 2019

Rank 2019	Rank 2018	Brand	Country	Brand Value '19	Brand Value '18	% Brand Val Chg
1	1	● Moutai	China	\$30,470	\$21,243	+43.4
2	2	● Wuliangye	China	\$16,038	\$14,635	+9.6
3	3	● Yanghe	China	\$9,060	\$7,795	+16.2
4	5	▲ Luzhou Laojiao	China	\$5,371	\$3,825	+40.4
5	4	▼ Johnnie Walker	United Kingdom	\$4,644	\$4,297	+8.1
6	6	● Jack Daniel's	United States	\$4,335	\$3,517	+23.3
7	7	● Hennessy	France	\$3,869	\$3,306	+17.0
8	10	▲ Bacardi	Cuba	\$3,657	\$2,378	+53.8
9	8	▼ Smirnoff	Russia	\$3,497	\$3,235	+8.1
10	9	▼ Gujing Gong Jiu	China	\$2,703	\$2,451	+10.3

Source: Brand Finance June 2019

spirit, made using rice, barley and tapioca, is popular among millennials as well as older consumers.

Patrón is highest new entrant
Super-premium tequila brand Patrón is the highest new entrant in the ranking at No.14, with a brand value of \$2.2bn. The tequila boom shows no signs of slowing down, with the spirit's popularity continuing to grow worldwide. Patrón has recently focused its marketing efforts on highlighting the brand's rich artisanal production story. Patrón was fully acquired by spirits giant Bacardi Limited in mid-2018, opening up vast opportunities for growth in foreign markets, which could stand the brand in good stead for the year ahead.

Diageo-owned tequila brand Don Julio also rated highly. In addition to measuring overall brand value, Brand Finance also evaluates the relative strength of brands, based on factors such as marketing investment, familiarity, loyalty, staff satisfaction and corporate reputation. Alongside revenue forecasts,

brand strength is a crucial driver of brand value.

According to this criteria, Mexico's Don Julio (brand value +77% to \$536m) has retained its title as the world's strongest spirits brand with a Brand Strength Index (BSI) score of 88.05 out of 100. Don Julio, hit the million-case mark in 2018, which is impressive given that it sells at a relatively high price. The brand largely attributes its success to the way in which its tequila is crafted, its excellent mixability and the effective capitalisation of its network of influencers, particularly high-profile DJ ambassadors. Also in tequila, Jose Cuervo saw brand value rise by 4.4% to \$578m.

Vodka brands were well represented despite the slowdown of the global vodka category with Smirnoff (at No.9 following an 8% rise in brand value to \$3.2bn), Absolut (No.12 after an 11.5% rise to \$2.15bn), Grey Goose (No.13/+11.5% to \$2.15bn) and Finlandia (No.34/+16.1% to \$422m). Diageo's Cîroc has recorded an extraordinary increase in brand value, up 113% to \$941m. The brand, which first became internationally recognised in 2007 when it announced a partnership with rapper Sean 'Diddy' Combs, has thrived under his marketing direction. →



→ Whisky was well represented in the list, led by fifth-ranked Johnnie Walker (+8.1% to \$4.3bn) and sixth-ranked Jack Daniel's (23% \$4.3bn). No.15-ranked Chivas Regal (+18.8% to 1.7bn), 16th ranked Crown Royal (+67% to \$1.3bn) and 19th-ranked Jameson (+19.5% to \$1.1bn) all ranked highly. Hennessy was the top-ranked Cognac brand with a brand valuation of \$3.89bn. Rémy Martin (No.18) and Martell (No.25) also made the list.

Chinese brands top beer table

Chinese brands also performed well on Brand Finance's Top 25 Most Valuable Beer Brands ranking. China's Snow is the fastest-growing brand in this year's ranking having broken into the top 10 for the first time, with an impressive 52% rise in brand value to \$3.7bn. Snow is the best-selling beer in the world, clocking up 101.2m hectolitres (hl) of beer sold per year, more than double that of Budweiser's sales. The brand, which historically has only been sold in China, has made a number of strategic partnerships in order to raise its global presence, notably with Dutch brewing giant Heineken and America's Molson Coors.

Tsingtao (+49% to \$1.7bn) has jumped up nine places in the ranking, more than any other brand. The brand continues to retain its loyal customer base in its home country and is also the most exported Chinese beer, sold in over 100

countries and regions globally. As with other Chinese brands, Tsingtao faces fierce competition from other global brewing giants but despite this, Tsingtao has recorded strong sales growth over the last year. Brand Finance CEO David Haigh says the Asian, particularly Chinese, beer brands saw the highest brand-value growth. "With demand for beer at an all-time high in China and predictions of inflated growth over the coming years as a result of greater disposable income from the emerging middle class, this trend looks set to continue," he adds. "If these brands begin to expand beyond China and into new markets, we could potentially see some very stiff competition to established Western beer brands."

Nevertheless, Budweiser claimed the top spot as the world's most valuable beer brand for the first time, overtaking long-standing leader Bud Light. Budweiser's brand value has increased 6% to \$7.5bn, following the immense success of its global sponsorship campaign of the 2018 FIFA World Cup. The campaign, the brand's most expensive to date, reached 3.2bn football fans globally, facilitating accelerated growth in new markets including South Africa, Colombia, China and Australia.

Budweiser and Bud Light (-5% to \$7bn), the flagship brands of Belgian brewing giant AB InBev, have had to contend with the changing consumer drinking habits across the US. The

general decline in beer consumption across millennials, and the preference for healthier alcohol-free alternatives have contributed to the slowdown in their brand-value growth compared with previous years.

The AB InBev portfolio still dominates the rankings however, with 11 brands claiming spots in the top 25, down from 13 last year. The brewer closed the third-largest acquisition in history in 2016, after merging with SABMiller, and has since been tackling its mountainous debt pile, predominantly through sales drives.

Innovative Scottish craft beer brand, BrewDog, is the highest new entrant in the ranking in 19th position, with a brand value of \$1.5bn (see related interview on page 39). Now 11 years old, the brand is undertaking ambitious growth plans across key international markets, with new breweries and bars in the pipeline both at home in the UK and abroad. Its flagship beer, Punk IPA, is already the No.1 craft beer in the UK and the brand is striving to make it the beer of choice internationally.

The brand is committed to expansion, with gin and vodka already in its portfolio, it is widening its reach further by entering into the whisky market, in a bid to make it more playful. In 2018, BrewDog announced its foray into the hotels business, opening the doors to the world's first craft beer hotel, The DogHouse.

According to the criteria used by Brand Value to evaluate the relative strength of brands, Colombia's Aguila is the world's strongest beer brand with a Brand Strength Index (BSI) score of 88.41 out of 100. Aguila (brand value down 18% to \$1.1bn), part of AB InBev's portfolio, is Colombia's second most popular beer and its consistently low price ensures high customer retention. The brand, which has sponsored the national Colombian football team since late 2014, lowered its prices further in 2018 to celebrate the FIFA World Cup. ●

Brand Finance®

The Brand Finance Spirits 50 2019 report is available at brandirectory.com/reports/spirits-50-2019

BREWDOG'S 'SHARK ON STEROIDS' EXPANSION

BrewDog has recruited almost 116,000 craft beer crusaders to its community and £72.6m in investment through crowdfunding. Doug Newhouse reports

Craft beer and spirits company BrewDog likens its approach to international expansion to "a shark on steroids". It launched its mission to "revolutionise beer" 12 years ago and has been named in the *Sunday Times* Fast Track 100 list of the UK's fastest-growing companies for a record seven years.

The company started in 2007 by James Watt and Martin Dickie — who brewed tiny batches, filled bottles by hand and sold their beer from the back of a van — is now Scotland's largest independent brewer and has over 1,500 employees. Last year it secured a place in *The Sunday Times* Best 100 Companies To Work For.

BrewDog now operates four breweries — Ellon and Overworks in Aberdeenshire, Scotland; Columbus, Ohio in the US; and Berlin, Germany — and exports to 60 markets globally. A new brewery in Brisbane, Australia, will open by the end of the year. It also has 80 bars in 60 countries, as well as a hotel (the DogHouse) and beer museum at its Ohio brewery, the BrewDog Distilling Company, Hawkes Cider, and two Draft



BrewDog's Ellon HQ in Aberdeenshire, Scotland

House pubs (in London and Aberdeen). The company became the world's first crowd-funded brewery when it launched its 'anti-business' model 'Equity for Punks' in 2009, offering people shares in BrewDog online. More than 1,300 people invested. Four more rounds of Equity for Punks followed, bringing the total number of shareholders to over 70,000 in 2017.

The latest crowd-funding drive, Equity for Punks V, where BrewDog shares have been offered at £25 each has seen the number of shareholders grow to almost 116,000 (headed up by founder Watt with 24.7% of the issued share capital and Dickie with 21.6%).

All Equity for Punks V investors are being entered into a prize draw, BrewDog Millionaire, with one winner set to take home £1m in shares. Participants also receive 'thank you' incentives in the form of free meals, drinks and invites to BrewDog events.

The crowdfunding scheme has just been extended to April 2020 and BrewDog has unveiled a new way to invest — via cryptocurrency.

Unorthodox maybe, but effective — especially if sufficient funds are



BrewDog's DogHouse Columbus hotel in Ohio

raised to help fund the next round of BrewDog's development. Equity for Punks V has raised £5.6m so far, with the initiative as a whole raising more than £72.6m in crowdfunding to date.

Equity for Punks V will help fund: two breweries in Asia — with a promise to open a brewery in China by 2020; a fully immersive beer experience featuring a hotel, brewery and beer museum in London; the launch of the firm's brand new 'Hop Drop' chilled beer delivery service later this year; and 20 new 'outpost' BrewPubs in Germany, France, Spain and Italy.

If Equity for Punks V is successful, it →



BrewDog is giving new investors the chance to win £1m in shares through Equity for Punks V

→ will support the creation of 200 new jobs, says BrewDog, and help it raise the production capacity at its Ellon facility.

BrewDog aims to raise the stakes even higher if the crowdfunding round raises more than £7m “up to a maximum stretch goal of £50m”. In this scenario, BrewDog promises to increase its investments four-fold in Germany, France, Spain and Italy to £16m, and to boost investment in Ellon from £1m to £8m and in DogHouse London from £1m to £9m. Significantly, it will also up its investment in BrewPubs in Asia to £6m.

All of which sounds strategically sound and a far cry from the different and anarchic image BrewDog likes to portray to its loyal fan base.

BrewDog is a very fast-growing business: last year it increased its gross revenue by £60m to £171.7m, as it consolidated its claim to owning three of the top best-selling craft beer brands in the UK off-trade: BrewDog Punk IPA (said to be worth £9.3m), BrewDog Elvis Juice (worth £8.8m) and BrewDog Dead Pony Club (£6.8m).

Earlier this year BrewDog bolstered its spirits offerings with the launch of its boilermaker whisky series, created for those wishing to sip or pair spirits with the company's beers. For example, blended Scotch Skeleton Key, created by Duncan Taylor, is designed to complement BrewDog's Jet Black Heart stout or its chocolate-nutty-vanilla tasting Zombie Cake ale.

Rye whiskey Torpedo Tulip was created for BrewDog by the Zuidam Distillery in the Netherlands to partner with its Dead Pony Club pale ale, while Transistor is a Scotch blend created by



The boilermaker series of whiskies from BrewDog



The BrewDog Distilling Company aims to “bring some life into the Scotch whisky category in the UK”

the Compass Box company to pair with BrewDog's flagship Punk IPA beer.

Pairing spirits with its brews is just one small part of BrewDog's grand ambitions for its spirits business following last November's high-profile appointment of David Gates as the new MD of BrewDog Distilling. Gates previously worked for Diageo for 27 years, as global whisky category director and Johnnie Walker global brand director.

Noting the magnitude of the opportunity, Gates says: “The opportunity to shake up the spirits category with the industry's biggest disruptor was just too good to pass up. What BrewDog has done for the beer industry is nothing short of awe-inspiring, you can't help but be impressed with the energy, vibrancy and unapologetic attitude they've injected into the category. It's that same creative flair and obsession for quality that I hope to bring to the spirits portfolio.”

BrewDog's shareholders will carry similar hopes, especially following the considerable investment and infrastructure put into place on the spirits side — an effort which resulted in “a rejuvenated spirits range” being launched earlier this year. The range includes LoneWolf gin, Zealot's Heart gin, Rogue Wave vodka and the aforementioned boilermaker series.

BrewDog also plans to launch an “authentic spiced rum” by distilling white

rum spirit and ageing it with botanicals in oak. The company clearly has further spirits ambitions, although it emphasises that it will be “reclaiming Scotch for people who believe that you don't need to be able to recite the five different whisky regions of Scotland to enjoy it”.

Gates acknowledges “the incredible job” done by BrewDog's head distiller



David Gates MD of BrewDog Distilling

Steven Kersley and his team in effectively putting The BrewDog Distilling Company on the map and promises to bring the same “innovative and courageous attitude to the spirits world”, especially in the whisky category. Gates says that while huge strides have been made in whisky, it is his belief that the industry “still lacks

real innovation” and he promises to change this by creating more excitement, new playfulness and greater creativity into spirits.

Gates says his mission now is to work to revitalise Scotch in its home market: “A huge part of what we are trying to do is to try to bring some life into the Scotch whisky industry in the UK,” he explains. “We are on a massive mission to try and get Brits to fall back in love with their national drink.”

“When you've worked in it for as long as I have — 27 years — you really care about it and to see the state of Scotch whisky in this country it is actually a bit disappointing when you see the vibrancy elsewhere in the world.” ●

CAN SHERRY FINO-LLY REINVENT ITSELF?

The latest headline figures for the global sherry business make for depressing reading. Worldwide volumes slumped -4.9% to total 3.97m cases in 2018, according to IWSR Drinks Market Analysis. The fortified wine's top three markets — Spain, the UK and the Netherlands saw volumes decline by -0.8%, -1.8% and -15.4% respectively. Of sherry's top five export markets, only the US, in fifth place, posted growth, a modest 1% to 173,000 cases.

Despite the gloom and doom, leading producers are upbeat about the prospects for higher-priced Finos; so-called ‘en rama’ sherries, basically minimally filtered Finos and Manzanillas, as well as PX and vintage sherries. Suppliers are also optimistic about sherry's increasing use as a cocktail ingredient and the growing popularity of Spanish tapas-style cuisine for which sherry is an ideal match.

Alfonso Roldán, international sales manager at Bodegas Williams & Humbert, says branded sherries are faring better than cheaper private-label varieties and that there is a trend towards wines with a clear indication of age. “Traditional wineries in Jerez have been launching new concepts like ‘en rama’ or vintage sherries,” he adds. “Like in Spain, England and the US, special and premium sherry brands have been introduced onto the wine lists of the bespoke gastronomic establishments. Unfortunately, the growth in this market segment has not outweighed the losses in the standard brands and private label.

“Williams & Humbert was the first Bodega in the Jerez region to launch a sherry with indication of age on its label: Dry Sack 15yo,” says Roldán. “We already pioneered the elaboration of biological vintage sherry with the launch of the first vintage Fino of Jerez.

“Carrying on in this innovative spirit, we continue to diversify and launch wines which are included in the segment of very special sherries. A recent example is the first Organic Fino 2015, and Canasta 20yo Cream.”

Despite the dismal sales figures for sherry, upbeat producers are focussing on the fortified wine's, high quality, diversity and versatility. By Joe Bates

The category as a whole is in decline, according to Diego Talavera, international sales director at González Byass, the owner of Tio Pepe, the world's best-selling Fino. “But those producers concentrating on premium sherry production are seeing that they are able to hold their own in the international marketplace,” he adds. “Special-edition sherries and top-end, niche launches of very special sherries are areas that González Byass has been concentrating on for a number of years and this strategy is reaping rewards.

“Initiatives like the launch of the Las Palmas range and Tio Pepe En Rama, along with our Finite wines sherry portfolio, is sparking interest at the top end of the market and with a new generation of sherry drinkers.”

Talavera is keen to stress that Tio Pepe Fino remains the world's best-selling Fino with nearly a 45% market share. “We are also leaders in the Oloroso and PX categories with Alfonso and Nectar, holding 20% of the global market,” he says. “Similarly, for Amontillado and Palo Cortado, González Byass brands continue to be the most well-known with leading brands Viña AB and Leonor.”

Industry-wide promotional events such as the International Sherry Week (ISW), a celebration of sherry in over 30 countries each November organised by the industry body El Consejo Regulador Jerez-Xeres-Sherry, and the Copa Jerez, an annual international gastronomic food-and-sherry-pairing competition, are key to raising the



Williams & Humbert's Canasta 20yo and Dry Sack 15yo. Harveys Bristol Cream has been given a new look

drink's profile overseas, according to Talavera. “Both are very important promotional opportunities and González Byass is a firm supporter,” he explains. “These international initiatives are instrumental in keeping the noise level up on sherry for consumers and trade with ISW and to the top end of the global on-trade with Copa de Jerez. ISW is growing its levels of engagement and penetration with consumers year on year and is also building impact with bars, shops and restaurants competing in many markets.”

Talavera is also very enthusiastic about sherry's potential as a cocktail ingredient. “Especially in markets like the US and UK, top bartenders tend to call top brands for their cocktails and because of the heritage and quality of our brands, Tio Pepe and Matusalem, we tend to be the mixologist's first choice. As proven by Tio Pepe being nominated as the world's top-trending sherry for three year's running by Drinks International magazine. “We →

→ take this sector very seriously and have been running the Tio Pepe Challenge now for five years and in 2019 held national finals in 16 countries worldwide.

“This annual competition that seeks to find the world’s best sherry mixologist was launched by González Byass to inspire bartenders and mixologists around the world to create original, great-tasting cocktails using sherry as their main ingredient. Regional masterclasses and heats are held in each nation through the first part of the year to decide the country winners, who gain the chance to fight it out at the grand final in Jerez at the Feria del Caballo each year.”

Like González Byass, Osborne Group sees growth in the fortified wine market coming from the premium, super-premium, ultra-premium and prestige price segments both in Spain and the UK. “This is a clear indication of the growing, yet niche, trend in qualitative sherry winemaking and an increasing interest from consumers and wine lovers,” says Mariangel Lezama, global marketing manager wines. “Since premiumisation remains a key feature in both markets, it is the basis of our portfolio and route-to-market strategy. An example of this is the recent appointment of a new importer/distributor in the UK for our sherry range with the objective to deliver against our strategy.”

Lezama argues that education is key to encouraging younger generations to try sherry for the first time. “Last year’s launch of the 360° integrated-campaign ‘Why not?’ in Madrid and



González Byass launched the Tio Pepe Challenge to inspire sherry-based cocktails

London, led by the Jerez-Xérès-Sherry Regulatory Council, has been crucial in helping us drive category awareness by reaching out to a younger audience, tackling new consumption moments and offering different consumption propositions, like the Rebutito & Mint, or our very own Mojito del Sur — its combination of Fino Quinta, peppermint, Angostura bitters and ginger ale which results in a refreshing and light cocktail that proves a great introduction to new consumers.”

Chance in China

In October last year, Osborne Group started to sell its sherry, wine and Spanish hams with Chinese e-commerce site Tmall. Of China’s potential as an emerging sherry market, Lezama says: “The sherry (and sherry-style) category saw a double-digit growth in China in 2018, with a CAGR of 35.3%. The growth is driven once again by the diversity of style and its versatility when it comes to food-pairing. Sherry is no longer seen as a sweet drink to end a meal, but it has made its way everywhere from an aperitif to pairing with a whole menu.

“Styles like Palo Cortado pair fantastically with spicy Asian food. The 17% to 18% CAGR growth of our sherries in China exceeded that of the category by almost 8%, and we aim to continue driving penetration and availability where the Chinese consumer expects to find our brands.”

The sweet Harveys Bristol Cream brand — a blend of four different sherry types from the ‘solera’ of different casks of different ages — has been run by Whyte & Mackay on behalf of Philippines-based parent company Emperador since 2016. Harveys brand manager Isabelle Hamilton says Harveys remains the best-selling sherry in the world with the UK its biggest market.

“Although the category is in

decline, Harveys remains in position as the strong No.1 brand — over 60% bigger versus the second-largest brand, and performs ahead versus the market,” she says. Outside the UK, Hamilton says the brand has most potential in the US and Canada, while a launch in Spain is planned for this summer.

In 2018, Harveys Bristol Cream packaging was redesigned for the first time in 15 years. “It’s iconic blue bottle was refreshed with a colour-changing label that tells you when it’s hit the perfect serving temperature,” says Hamilton. “The refreshed packaging was brought to life together with the new communication ‘Best Served Chilled’. This was the first time we were actively telling people to store the product in the fridge.

“Anecdotal research showed that most people store their sherry in the back of a cupboard from Christmas to Christmas, thus hampering the taste. Chilling the liquid, serving over ice with a wedge of orange was a revelation for many Harveys consumers.”

Along with the bottle refresh, Harveys Bristol Cream has invested more than £250,000 in off-trade promotion, with sampling and activation at point-of-purchase in store and online. “The on-trade sees a moderate drinking trend and more sociable drinking where consumers are going to the on-trade earlier and leaving earlier,” explains Hamilton.

“The aperitif culture is set to expand beyond Mediterranean Europe and this convivial ritual suits many compelling modern trends: a desire for quality over quantity, lighter drinks and the growing importance of foodie and snacking culture, which goes well hand in hand with the Spanish way of drinking sherry.

“To educate consumers to serve their sherry chilled, to open up a whole new taste experience, unlocking the rich, mellow and long-lasting finish, remains our key challenge.”

There are clear signs of life for the premium end of the sherry market as producers explore new styles and promote sherry as an aperitif, cocktail ingredient and accompaniment to food. Whether this can broaden and even offset the steady, long-term decline of the overall sector remains to be seen. ●



Osborne Group says there is a growing, yet niche, trend in qualitative sherry winemaking



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