

# Drinks INTERNATIONAL

Contents



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**W**ell, we have stuck our necks out and tried to put a value on the major brands that occupy our space.

Thanks to the expertise of Brand Finance, with its incredibly complex methodology, we have come up with what we believe are the most valued brands.

Frankly, there are no major surprises. There should not be, if we are doing our job correctly. The likes of Johnnie Walker, Bacardi, Smirnoff and Chivas Regal would be in most people's top-of-head best five.

The consistent pressure on all publicly quoted companies to always produce results, progress and volume statistics can mean that the worth of a product is undermined in the long term. You only have to look at how major Australian wine producers have suffered as they have chased volume and bowed to pressure from major multiple retailers. Great brands such as Penfolds, Rosemount and Hardys have lost a lot of their gloss over the past few years.

The spirits industry is an old hand when it comes to brand building and protection. Champagne is pretty good as well when it comes to knowing when to promote and/or discount and when not to.

Just as Millionaires is a special brand, exclusive to *Drinks International*, we hope to build Brands by Value in much the same way.

Christian Davis *Editor*



## Double-digit growth for Pernod Ricard

**P**ernod Ricard has reported a sales increase of 13% to €4.28 billion in its half-year results.

The group's financial statement, which pertained to business from July 1-December 31 2010, also revealed that 7% of sales growth was organic.

Pernod's 14 strategic spirits and champagne brands grew 8% by volume and 13% by value. Martel, Perrier Jouët, Royal Salute, Chivas Regal, Jameson, Ballantine's, The Glenlivet and Havana Club all enjoyed double-digit growth.

The company's four priority wine brands posted volume and sales growth of 3% – the first return to volume growth since the first half of 2007/8.

Pernod also revealed that advertising and promotion spend for the half year was up 11% to €765 million.

## Most valuable brands revealed

**D**rinks International in conjunction with Brand Finance, a consultancy that specialises in evaluating brands and companies, has published a World's Top 50 Spirit & Wine Brands by Value (see pages 25-28).

The new league table follows *DI*'s well established Millionaires Supplement – brands that have sold a million-plus cases – which is published every year in conjunction with international market research company Euromonitor.

Top of the value league are: Johnnie Walker, Bacardi, Smirnoff, Chivas Regal, Hennessy, Baileys, Absolut, Jack Daniels then two

Chinese baijiu brands, Kweichow Moutai and Wuliangye.

"We felt the time was ripe to add a complementary league table highlighting the most valued and therefore, one assumes, the most profitable brands," said *DI* editor Christian Davis.

"Volume is obviously vital to achieve critical mass but volume at the expense of margin is not necessarily a good thing and can mask whether a brand really has a franchise or not," said Davis.

Brand Finance chief executive, David Haigh, said: "Our table shows that whisky has rebounded as the world's favourite tittle."



## Diageo buys spirits company in Turkey

**D**iageo has struck an agreement to acquire Turkey's "leading" spirits company, Mey İçki.

According to Diageo the producer and distributor, which is valued at £1.3 billion, is the market's leader in raki – the biggest spirit category in Turkey – and has a "leading position in vodka".

In the financial year ended December 31 2010 the company recorded net sales of £300 million and earnings before interest and taxes of £120m.

Paul Walsh, chief executive of Diageo, said: "The acquisition of Mey İçki transforms our existing position in this fast-growing spirits market.

"It gives us leading brands in the major local spirits categories, a superior distribution network and a proven management team."

Mey İçki will be consolidated as part of Diageo

Europe and will continue to operate under the current management team.

The acquisition will be funded through existing cash resources and debt and is expected to be completed in the second half of 2011, subject to regulatory clearances.

Walsh added: "The acquisition meets our return criterion and delivers topline growth above the Diageo average, and margin expansion."

Diageo describes Turkey as a fast-growing economy with consumer spending forecast to be twice the rate of GDP growth.

Paul Walsh added: "This investment represents the continuation of our strategy to increase Diageo's presence in those emerging markets, such as China and Vietnam, which have a rapidly growing middle class."

## News In Brief

Industry stories from around the globe

Chivas Regal and Vivienne Westwood have collaborated to launch a whisky. The blend of more than 20 single malts, priced US\$495, has been limited to 2,500 bottles. Its launch will coincide with the designer's autumn/winter 2011 Red Label show in London.

**Nemiroff has reported strong growth in 2010. The Ukrainian vodka brand said sales volumes rose to \$473.6 million – \$56.8m (13.6%) up on the previous year. The company said the largest growth areas were Ukraine and Poland.**

Brown-Forman has launched a Canadian 'maple wood' whisky in Florida, Kentucky, Louisiana and Texas. Collingwood – which is 40% abv, priced at \$26.99 and available in 75cl bottles – is packaged in a flask-shaped bottle.

**The Supreme Court of Spain has ruled in favour of Pernod Ricard and the Cuban government in the Havana Club trademark dispute with Bacardi. Bacardi has claimed its challenge over the Spanish rights to the name was rejected "on a technicality".**

# Foster's in AU\$151m wine estate demerger

**F**oster's Group has announced a proposal to demerge Treasury Wine Estates at a cost of AU\$151 million.

The move, which is subject to shareholder approval in April and the Supreme Court of Victoria, will see the creation of two listed entities – Treasury Wine Estates and Foster's Group.

According to Foster's the scheme – which will see its wine business separated from its beer, cider and spirits portfolio – should be complete by May 2011.

Foster's chairman David Crawford said: "Foster's has completed a detailed evaluation of the issues, costs and benefits of the demerger and the board unanimously considers that the demerger represents the best path forward and is in the best interests of Foster's shareholders."

As part of the structural separation, independent boards and managements will be created to "enhanced focus for each entity".

Foster's added that the demerger will bring

independent capital structures and financial policies, greater flexibility, increased transparency and improved investment choice for shareholders.

Foster's chief executive Ian Johnston said: "We expect this will lead to improved performance by the businesses over time."

Eligible shareholders will retain their existing Foster's shares and receive one Treasury Wine Estates share for every three Foster's shares.

Crawford added: "The demerger will allow Foster's shareholders to benefit from owning Treasury Wine Estates shares and to participate in any value creation within that business, including from improved market conditions in the wine category."

'One-off transaction costs' associated with the demerger of approximately AU\$151m (pre-tax) will be incurred by Foster's.

The pre-tax cost includes transfer costs and advisory fees of AU\$66m, foreign exchange derivatives of AU\$26m, IT expenditure of AU\$41 and restructuring costs of AU\$18m.



**Diageo has further bolstered its duty free presence with a new retail unit in partnership with Qatar Duty Free (above).**

**The open-fronted, golf-themed "experiential unit" benefits from the passenger traffic using the 7/8 international gates on this level and from the nearby food court.**

**Passengers can try their best swing against a computer-animated screen and the top score wins a trip to Gleneagles in Scotland. Inside the unit, brand ambassadors are on hand with educational iPad applications to engage shoppers with the story around the Johnnie Walker family and to answer questions about the brand, while offering direct retail.**

**In February Diageo GTME celebrated the opening of a Bahamian bar aimed at cruise ship travellers. Christian Davis reports on p18.**

## Chilling news for red wine as Gallo introduces special blend

**E**&J Gallo has introduced a red wine that has been blended specifically so it can be drunk chilled.

Gallo Family Vineyards Summer Red is a blend of Zinfandel and Pinot Noir, has a lower alcohol content of 10.5% abv and is expected to retail, off promotion, in the UK for between £6 and £6.50.

The still family-owned and managed Californian wine producer has also introduced a GFV Merlot Rosé to further strengthen its domination of

the burgeoning rosé market.

Last year Gallo, which is once again the world's largest wine maker, promoted Rosé on the Rocks in the on-trade and floated the idea of wine cocktails with its Gallo Rosito – white Zinfandel rosé with ginger ale as a long drink.



While chilling the likes of Pinot Noir and Beaujolais is not new or revolutionary to wine aficionados for many consumers without any in-depth knowledge of wine, the idea of chilling red wine is new.

Bill Roberts, Gallo's vice president and general manager for Europe, Middle East & Asia, told a briefing that, while the average price

of a bottle of wine in the UK is now £4.58, 90% of Gallo wines sell at a higher price.

The company's Carlo Rossi Italian wine brand continues to be a bestseller in Poland while its GFV, Barefoot and E&J Brandy have been successfully introduced into South Africa.

Stephanie Gallo, vice president-marketing and granddaughter of one of the founders, Ernest Gallo, said the Barefoot brand "has the potential to be a global brand".

The Glenmorangie Company has launched Finealta at the newly reopened Savoy Hotel in London. The latest addition to the Private Edition range is a recreation of a 1900s Glenmorangie recipe found in the distillery's archives.

**The UK is Chile's number one export market for bottled wine by value, according to Wines of Chile. Results showed that while the US held the top spot in 2009, the UK became the largest importer in 2010, following a value increase of 7.2%.**

Research by Wine Intelligence shows that the US's 55-plus age group will grow as a proportion of the adult population, driving wine growth of 50% by 2020 and 80% by 2030.

**AB InBev has launched Stella Artois Cidre in the UK. Available from Easter 2011 in 56.8cl bottles and 44cl cans, the company suggests serving the product over ice.**

### TOP 5 STORIES ON DRINKSINT.COM

1. Pernod reports sales increase
2. Foster's to demerge
3. Best Bar in the World revealed
4. Master of Malt launch
5. Brown-Forman launch



## Appointments

The US Spirits division of Diageo North America has appointed **Mark Hubler** president of Open States and **Greg Armstrong** president of Control States & National Accounts. In their roles they will be responsible for "the development and execution of the company's commercial strategy for spirits in the US".

**Santiago Quevedo** has been appointed trade marketing manager and brand ambassador at Rémy Cointreau Travel Retail Americas. Quevedo will 'spearhead' marketing, development and distribution of The Edrington Group's premium brands in Canada, the US and most of Central and Latin America. Previously, Quevedo operated in luxury markets with Procter & Gamble and also spent eight years with L'Oréal.



**Santiago Quevedo**

UK lobbying body the Wine & Spirits Trade Association has appointed **Carlo Gibbs** public affairs executive. Gibbs will focus on retail issues, including licensing and initiatives aimed at combating underage purchase and possession of alcohol.



**Carlo Gibbs**

Previously, Gibbs worked for Apex Communications as a public affairs consultant and has also operated as a parliamentary researcher. Gibbs takes over from the departing **Sarah Davis**, who is joining a public affairs consultancy.

Beam Global Spirits & Wine has appointed **Albert Baladi** president of Europe/Middle East/Africa. He will lead Beam Global's growth strategy in the region and serve on the group's executive leadership team, reporting to president and CEO **Matt Shattock**. Baladi has almost 25 years of experience in international business, operations, brand development and marketing for consumer companies.

UK wine importer Buckingham Schenk has appointed **Abi Sykes** marketing and new product development manager. Sykes will take over Buckingham Schenk's product development programme and lead marketing function by developing and implementing brand strategy for new brand Viñalba. Sykes has previously worked for Direct Wines, where she held roles in product design and wine sales, while more recently she was part of the buying and merchandising team with responsibilities for brand management and product marketing.



**Abi Sykes**

Saxco, a US-based group of packaging companies affiliated to Saxco International, has appointed **James Hartman** quality assurance manager. He will head the quality assurance management team across all of the west coast-based group's companies. Hartman has more than 30 years' experience, having served in various quality assurance roles in the industry.

Diageo has announced a new global brand director for Guinness. **Oliver Loomes** has been appointed following Brian Duffy's promotion to global category director for beer.

Ara, the Malborough-based New Zealand winery, has appointed **Matthew Adams** to the role of sales and marketing general manager. Formerly, head of marketing at Pernod Ricard New Zealand, with responsibility for the Montana, Stoneleigh and Lindauer brands, Adams has 20 years of experience in the drinks business.

*Drinks International* has appointed **Roger Betriu** senior account manager, effective from April 3. Betriu will be responsible for advertising sales, primarily in design & packaging and the wine sector. Previously he worked as a sales field manager/account manager for communications company Reed Business Information, within the aviation department. He replaces **Renata Stefanovic**, who is moving to Spain.

## DIARY

### Nightclub & Bar Convention and Trade Show

**March 7-9 2011**

Las Vegas Convention Centre  
ncbshow.com

### Duty Free Show of the Americas

**March 20-24 2011**

Orlando, Florida, US  
iaadfs.org

### Alimentaria & Horexpo Lisboa

**March 20-24 2011**

Lisbon, Portugal  
alimentariahorexpo-lisboa.com

### Prowein

**March 27-29 2011**

Düsseldorf  
Germany  
prowein.de

### Vinitaly

**April 7-11 2011**

Verona, Italy  
vinitaly.com

### London International Wine Fair

**May 17-19 2011**

ExCeL, London  
2011.londonwinefair.com

### Vinexpo

**June 19-23 2011**

Bordeaux Expo  
vinexpo.com

### The Bar & Wine Show

**June 28-29 2011**

Jacob Javits Convention Centre  
New York  
thebrandwineshow.com

### Tales of the Cocktail

**July 20-24**

New Orleans  
talesofthecocktail.com

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**MAESTRO DOBEL DIAMOND TEQUILA**

**BRAND OWNER** Proximo Spirits  
**PRICE** CA\$71, US\$72, £45  
**MARKETS** US, Canada & UK  
**CONTACT** marblehead.uk.com

Maestro Dobel Diamond Tequila claims to be the first ever aged tequila that is clear. Said to be handcrafted, it is a blend of reposado, anejo and extra-anejo tequilas.

"With the clarity, complexity, crispness and craftsmanship of a diamond", Maestro Dobel Diamond is the creation of Juan-Domingo 'Dobel' Beckmann, the sixth generation director of the tequila-producing family.

Diamond is aimed at tequila aficionados and spirit lovers. It is described as: "A full-bodied palate, with bold notes of smoked wood and dried fruits. These flavours are balanced by a light nutmeg spiciness and a sweet honey finish."

**BRUGAL EXTRA VIEJO AND AÑEJO RESERVA**

**BRAND OWNER** The Edrington Group  
**PRICE** US\$27.99 (Extra Viejo) and US\$18.99 (Añejo Reserva)  
**MARKETS** Travel retail only  
**CONTACT** edringtongroup.com

Brugal, the rum from the Dominican Republic, is showing two travel retail exclusives at the IAADFS Duty Free Show of the Americas in Orlando this month. Brugal Extra Viejo Reserva and Brugal Añejo Reserva will be distributed by Rémy Cointreau Travel Retail Americas on behalf of the Edrington Group.



**BLOCKBUSTER**

**LES GARRIGUES GRANDE RÉSERVE GRENACHE NOIR, IGP TORGAN 2010**

**BRAND OWNER** Mont Tauch  
**PRICE** £8.99, €10.50  
**MARKETS** Europe initially  
**CONTACT** Antoine Leray, Mont Tauch UK sales director, aleray@mont-tauch.com and 07805 409385

The go-ahead southern French co-operative Mont Tauch has come up with a Grenache Noir blockbuster, which is said to come from vineyards between the Pyrenees mountains and the Mediterranean.

Said to have an ageing potential of two to three years it is described as a deep ruby red colour, dense and well balanced with hints of blackcurrant, damsons and spice.

It is supposed to be rather nice with red meats and game in sauce, and with mature cheese.



**PRESTIGE**

**GH MUMM CUVÉE R LALOU 1999**

**BRAND OWNER** Pemod Ricard  
**PRICE** £120  
**MARKETS** UK  
**CONTACT** general@pemod-ricard-uk.com, +44 (0) 208 538 4484

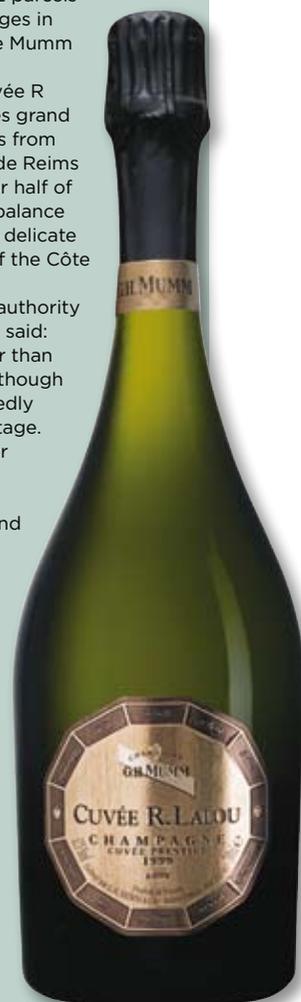
Champagne house GH Mumm has released the 1999 Cuvée R Lalou to the UK market. This is only the second bottling of Mumm's prestige cuvée.

It is a tribute to René Lalou, chairman of the House of GH Mumm from 1920 to 1973. Lalou devoted more than half a century to rebuilding Mumm's vineyards, which had been devastated first by phylloxera and then war. He acquired new land (almost 50ha), shaping and replenishing every parcel.

For the 'Champagne de grands terroirs', chef de cave Didier Mariotti can call upon 12 parcels from eight villages in the heart of the Mumm vineyards.

The 1999 Cuvée R Lalou comprises grand cru Pinots Noirs from the Montagne de Reims that account for half of the blend, the balance comprising the delicate Chardonnays of the Côte des Blancs.

Champagne authority Tom Stevenson said: "It's even better than the 1998, even though 1998 is supposedly the greater vintage. It shows greater minerality, slow biscuity development and a wonderfully silky mousse."



CONNOISSEURS' CHOICE



WHISKY LIQUEUR

**BRAND OWNER** Master of Malt  
**PRICE** £26.95  
**MARKETS** Global  
**CONTACT** 01892 882 555/masterofmalt.com

Whisky retailer Master of Malt has launched a whisky liqueur created from single malt scotch whisky. Sherry-matured and made using 10-year-old Speyside scotch in "small batches", Master of Malt Whisky Liqueur is targeted at "single malt connoisseurs".

It has been flavoured with 'Christmas spices' including cinnamon, cloves and two kinds of orange peel.

Master of Malt sales director Ben Ellefsen said: "The flavours we added were chosen to complement the scotch and bring it to a new level - this is in contrast to many of the mass-marketed liqueurs which use huge levels of sweetness and flavourings to hide the lack of complexity in the (often cheap, young, grain) whiskies they are based on."

Makers suggest the 70cl liqueur is served in an ice-filled tumbler and garnished with a freshly cut strip of orange zest.

NEW LOOK

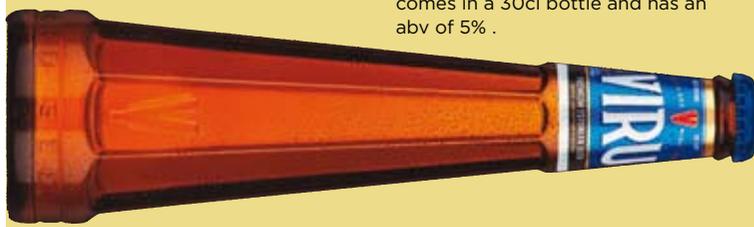
VIRU BEER

**BRAND OWNER** Baltic Beer Co  
**PRICE** €1.5, £1.32  
**MARKETS** North Americas, Europe, Hong Kong, South Korea, Japan  
**CONTACT** Paul Baxendale, Baltic Beer Company: +44 (0)7966 317 757, paul@virubeer.com

The Baltic Beer company's Tallinn-based design team has tweaked its octahedral bottle to create "greater brand visibility".

Changes include a deeper neck label, an embossed V, enhanced imagery and the screwcap has been replaced by a crown cap.

The Estonian-produced beer still comes in a 30cl bottle and has an abv of 5% .



PURITY

ICEBERG VODKA

**BRAND OWNER** Newfoundland Liquor Corporation/Signature Lifestyles  
**PRICE** £26.99, US\$44, €30  
**MARKETS** North America, Italy, Netherlands, Spain and UK  
**CONTACT** Signature Lifestyles +44 77 6773 330, ali@signaturelifestyles.com

Produced from real icebergs, the spirit contains just 0.04ppm of impurities compared with 200-300ppm in standard vodkas that are typically made with tap water. Iceberg Vodka was launched in 1995 by Newfoundland Liquor Corporation. The European launch took place last April by UK-based Signature Lifestyles.



INTENSE

ANAKENA

**BRAND OWNER** Anakena  
**PRICE** €6.99, US\$7.99, C\$10.99 (Canada) and \$9.99 (Puerto Rico)  
**MARKETS** UK, America, Canada, Puerto Rico and Brazil  
**CONTACT** sales@stratfordwine.co.uk or 01628 810606



Anakena Pinot Noir is from the Central Valley in Chile and is aimed at the on and off-trades.

According to the winery, target consumers are those "who like Pinot Noir, but don't want to spend a fortune".

The 13% abv Pinot Noir shows "intense strawberry aromas with a hint of black pepper", while on the palate it is "fresh and balanced with a long finish".

Anakena suggests the best accompaniment comes in the form of red and white meats, risotto and pasta.

ROYAL PARIS FROM BULLES DE PARIS

Got our words jumbled up describing this. We said: "Exclusive cognac and fine champagne", which, of course, would mean there is champagne inside when it is Ugni Blanc. It should have said: "Exclusive fine champagne cognac." Apologies to Bullles de Paris.

PRINCE HUBERT DE POLIGNAC COGNAC VS

**BRAND OWNER** H Mounier  
**PRICE** €20-€25, US\$30, £18  
**MARKETS** Worldwide  
**CONTACT** Carole Frugier, marketing and communication director, +33(0) 545 821 001, frugier@hmounier.fr

The Polignac cognac house has unveiled a new look. The range comprises a VS, VSOP and XO. There is a new oval-shaped bottle, new packaging and a new logo. There is a 3D website to support the range.



ROYALTY

INFORMATION

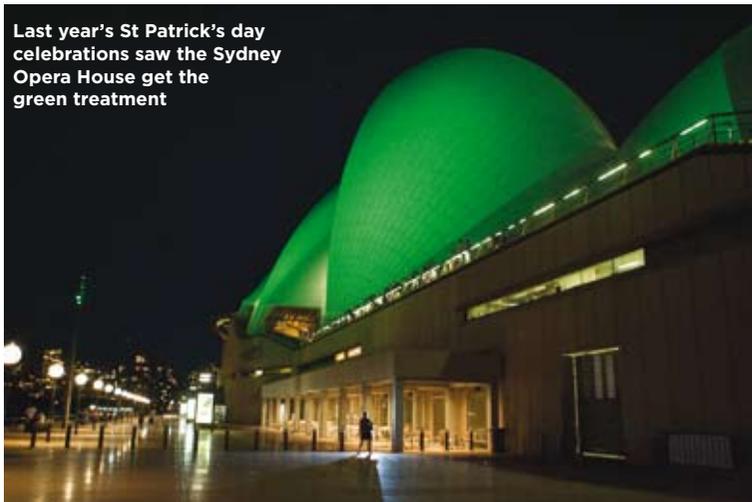
Products launched within the past two months are eligible for inclusion within this section. Please submit your products for consideration to: christian.davis@drinksint.com

## St Patrick's Day Promotions

# GOING GREEN

St Patrick's day is celebrated fondly and widely, even though it's 1,700 years since the Irish patron saint made his virgin steps (in Wales). He's credited with driving the snakes from the Emerald Isle, which is a bit of stretch – snakes are not indigenous to Ireland. Anyhow, nationality and reptiles aside, it is generally accepted that ol' Patrick was a stand-up chap. Here's what the brands are doing in his name for March 17.

Last year's St Patrick's day celebrations saw the Sydney Opera House get the green treatment



## GUINNESS TRAVELS WORLD FOR 'FRIENDLIEST DAY'

Guinness is looking to convince the world that St Patrick's day is "the friendliest day of the year" and its campaigns are designed to "explore how Guinness brings people together around the world".

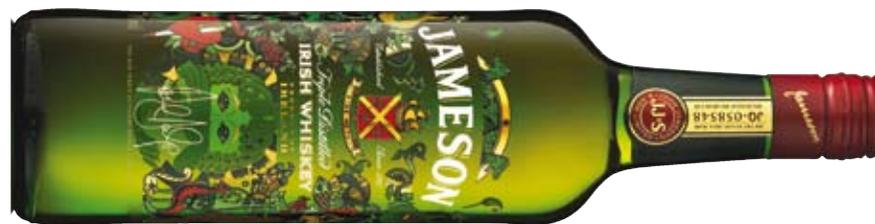
Alongside national programmes, Guinness's master brewer will be visiting a number of key markets and teaching consumers to pour the perfect pint.

In Australia, Guinness will have a presence in pubs nationally on St Patrick's day and will be pouring at the parade in Sydney.

The European focus will be on the key markets of Italy, Germany, France and Spain, where activities will include a master brewer promotional tour, pub parties, off-trade displays and promotions and digital activity.

In Malaysia, there will be a campaign to get St Patrick's day recognised as a national holiday, supported by several official street parties in Kuala Lumpur.

In the US, Guinness will be running activities alongside the college basketball tournament March Madness, which starts on St Patrick's Day this year.



## JAMESON PARTIES LIKE THE IRISH WITH THREE PROMOS

With a pledge to "allow whiskey fans all over the world to party like the Irish", Jameson is taking St Patrick's day pretty seriously.

The whiskey brand has devised a trio of global promotions, with Dublin acting as the celebration headquarters. The party's main event is headlined by dance act Groove Armada and satellite parties – as widespread as South Africa and Bulgaria – will be connected via live feeds.

Jameson FM – stationed at the city's Old Jameson Distillery – will broadcast on jamesonwhiskey.com between 11am and 5pm on March 17 and will be hosted by Irish comedians Craig Doyle and Neil Delamere, along with TV presenter Sile Seoige.

The broadcast will feature live

interviews with celebrity guests and comedians, live music and Irish-themed debates. It will be joined by 35 international radio stations. Jameson's third promotion is the launch of a special edition bottle in collaboration with Irish artist Paul Daly.

According to the brand, the bottle was inspired by the legendary Celtic illustrations in The Book of Kells, written around 800AD. Using a screen-printing technique, the image is textured while all gold-coloured elements are foiled to "highlight the brand's premium positioning and offer on-shelf stand-out".

The Jameson limited edition St Patrick's day bottle is available in the UK, Latvia, Czech Republic, Bulgaria and Travel Retail Europe.

## MAGNERS HAS SPRING IN STEP

Irish cider brand Magners has a series of springtime events planned in the UK, kicked off by its St Patrick's day promotions.

The brand has launched point of sale kits to the on-trade with the slogan It's Come a Long Way From Tipperary.

The promotion is designed to aid visibility of Magners Pear cider during St Patrick's day celebrations and Magners GB has encouraged the trade to stock up on cider to "take advantage of growing consumer demand and trends".



## DUTY FREE IS DESTINATION FOR COOLEY

Cooley distillery has chosen global duty free – its third largest market – as the avenue for its St Patrick's day promotions.

The whiskey group, which includes among its brands Kilbeggan, Greenore, Tyrconnell and Connemara, is holding tastings across the UK, Ireland, Russia, India, Middle East and Scandinavia.

The World Duty Free promotion will run in conjunction with the Cricket World cup in Delhi airport.



U'Luvka strikes US duty free distribution deal



**M**iami-based drinks distributor Horizon International Duty Free (HIDF) has signed an agreement with U'Luvka to represent the ultra-premium Polish vodka brand in the Americas duty free and Caribbean.

HIDF was set up last year by duty free industry veteran José Chao, formerly vice-president travel marketing at Bacardi Americas for 12 years. The company will also play a consultancy role in setting up U'Luvka's domestic distributor network in North America.

Chao said: "The vodka sector is crowded, with many offers positioned at many different consumer segments. However, the one segment that is expanding and taking on new consumers as it grows is the luxury segment. Economic conditions in leading countries around the world are improving, travel estimates all point to a resumption of international travel, and luxury retailers are reporting solid growth, so market conditions are perfect for a brand like U'Luvka to prosper."

Another drinks brand on HIDF's books is Vice, a 21% abv blend of Canadian icewine and quadruple-distilled Canadian vodka presented in a 50cl bottle.

HIDF will be exhibiting at the IAADFS show later this month at stand 801.

## Beam: US duty free on road to recovery

**↘** Beam Global Spirit & Wine has reported double-digit sales growth in North American duty-free during 2010 and is forecasting even better results this year.

"Going by our 2010 results, the region is looking stronger than ever," said head of North American duty free José Aponte. "We believe the worst of the recession is over and bookings throughout the North American duty free region are solid.

"In general, the challenge facing duty free relates to pricing

and maintaining the competitive edge within the different market segments. This is our forte: our results speak for themselves."

Aponte revealed that Courvoisier cognac had been the best-performing duty free brand within the company's portfolio last year, but he also singled out the growth of Cruzan rum in the Caribbean.

"Cruzan rum, which is very strong in the US Virgin Islands, Mexico, cruise terminals and onboard cruise ships, grew at a double-digit rate," he said. "This

was undoubtedly fuelled by the successful launch of Cruzan 9, as well as Cruzan Sticks—a colourful collection of five mini Cruzan flavours."

At the IAADFS show later this month Beam Global will be unveiling a number of releases for the North American duty free market, including Maker's 46, a rare new product from the small-batch bourbon brand; Jim Beam Devil's Cut, a limited edition release; Laphroaig Triple Wood; Knob Creek Reserve; and spiced rum Cruzan 9.



## Qantas wins at Cellar in the Sky

**A**ustralian flag-carrier Qantas emerged the outright winner at last month's Annual Cellars in the Sky Awards, organised by *Business Traveller* magazine.

The Aussie airline walked away with four awards: Best First Class Red (Clonakilla Shiraz/Viognier 2005), Best First Class Fortified/Sweet Wine (Morris of Rutherglen Old Premium Liqueur), Best First Class Cellar and Best Presented Wine List.

Other multi-award winners included Hong Kong-based Cathay Pacific, which won Best Business Class Red (Spy Valley Pinot Noir, Marlborough, 2007) and Best Business Class Cellar, and Lufthansa, which came away with the awards for Best Business Class Fortified/Sweet (Niepoort Late-Bottled Vintage 2004)

and Best First Class Sparkling Wine (Piper-Heidsieck Cuvée Rare).

Assessing the quality and variety of wines entered for the awards, competition judge and awards presenter Charles Metcalfe said: "Airlines are having to be more creative with their wine choices.

"Rather than choosing an expensive and well-known label, they are choosing lesser known, but more interesting wines.

The Business Traveller Cellar in the Sky Awards has been running since 1985. This year's competition, which was also judged by masters of wine Sam Harrop and Derek Smedley, as well as wine writers Tim Atkins and Joanna Simon, attracted entries from 34 airlines worldwide.

## In Brief

**✈** Zurich airport's Center Bar has been crowned the world's best airport bar at the inaugural Airport Food & Beverage Awards, hosted by Manchester airport last month. Global travel catering group SSP operates the bar.



**✈** Pernod Ricard Gulf and Dubai Duty Free ran a promotion last month on Jacob's Creek to highlight the Aussie wine's nine-year association with the Dubai Duty Free Tennis Championship. Customers had the chance to win one of 40 prizes with every purchase from the Jacob's Creek Reserve Range, including tickets to the tournament itself.

**✈** Highland Park has released a new travel retail exclusive single malt named after Viking explorer Leif Eriksson. Highland Park Leif Eriksson has been matured in American sherry oak and ex-bourbon casks rather than the traditional European sherry casks the brand is famous for. It is priced at €60 per bottle.

**✈** British Airways, the world's second largest in-flight retail operation, is to outsource its onboard retail business to concessionaire Tourvest Duty Free during the second half of the year.

**✈** Diageo Global Travel & Middle East posted volume growth of 10% in the last six months of 2010. Net sales were up 15% over the period as airport passenger numbers recovered and Diageo GTME increased its investment in the channel.

## Grant's Paris promo

**▶** Grant's scotch whisky staged its largest travel retail promotion to date at Paris Charles de Gaulle (CDG) airport last month.

In collaboration with French travel retail Aelia brand owner, William Grant & Sons set up a temporary standalone store dedicated to showcasing the brand at Terminal 2E. The references stocked included the entry-level Grant's Family Reserve, the ISC award-winning Grant's Ale Cask Reserve, the travel retail exclusive Grant's Distillery Edition and the ultra-premium Grant's 25 Year Old.

The initiative is part of William Grant's long-term strategy to boost the fortunes of Grant's through extending and deepening the product range in a manner similar to rival scotch whisky blends such as Johnnie Walker and Chivas Regal. According to the



International Wine & Spirit Research, Grant's was the 10th-biggest travel retail spirit brand in 2009, selling more than 327,000 cases.

Commenting on why Paris CDG was chosen as the location for the store, William Grant & Sons global marketing manager Ian Taylor said: "William Grant & Sons has a very strong relationship with Aelia – the same outlet was chosen for the global premiere of Glenfiddich 50 Year Old in 2009 with great success and in September 2010 we took the same space for activities to highlight Glenfiddich, the Balvenie and Grant's. "Grant's is a very strong brand in the airport; we have seen real success in selling the premium and super-premium offerings. Grant's also has an excellent following in the French domestic market.

So it made sense to choose [Paris] CDG, as one of the world's key airports, to take our next step and create this exclusive Grant's whisky retail store."

## US border shop HKG predicts a rosy 2011

**U**S/Mexican border store operator HKG Duty Free has forecast it expects to achieve double-digit sales increases within its liquor business during 2011.

The Laredo-based retailer, which runs six stores on the Texas border with Mexico and one on the Californian, said Mexican rather than American travellers were currently driving its liquor business. Scotch whiskies, brandies and cognacs remain the operator's top-selling sub-categories. Multiple-purchase deals are proving the most popular promotional mechanic.

According to vice-president of merchandising Marco Arilli, the well-documented drug-related gang violence within Mexico is having minimal impact on the company's business. "This issue does not affect business, but only represents logistical challenges as one crossing shuts down and another opens up. All our stores are on the US side [of the border] and there are no issues along the border on the US side," he said.

However, one issue that is affecting HKG Duty Free is product launches destined solely for the Mexican domestic market. "There was a launch of Buchanan's 15 Year Old only for the Mexican market. We have had many requests for this item but it is not made available anywhere else.

"Customers are complaining as the price/tax is high in Mexico and they want to purchase it in duty free. Most of these customers who are asking for this product trade down to Buchanan's 12 Year Old instead of going back to their local market and purchasing it at a higher retail price."

## In-flight gains for Patrón XO Cafe

**P**atrón Spirits International has announced its fast-growing coffee liqueur brand, Patrón XO Cafe, has gained its first in-flight listing with concessionaire Tourvest Duty Free onboard South African Airways and Kenya Airways.

Patrón XO Cafe experienced triple-digit growth last year and the Las Vegas-based company has attributed much of its overall 59% international sales growth in 2010 to the liqueur's performance.

The company's overall travel-retail sales last year rose 53.4%.

Patrón Spirits International COO John McDonnell said: "Patrón XO Cafe is one of the

fastest-growing products in our portfolio, domestic and duty free.

"It's now the third-largest selling Patrón product in the duty free channel after Patrón Silver and Patrón Añejo.

"Based on the trends, we predict this product will become our second largest duty-free offering in 2011."

Commenting specifically on the two African in-flight listings, McDonnell added: "In the South African domestic market sales of Patrón XO Cafe

have far exceeded our estimates, and we are excited now to offer this product to travellers on South African Airways and Kenya Airways."



## Distribution firm launches travel retail premium wine division

**F**amily-owned travel retail distribution company Harston Group has launched a premium wine division, which will exhibit at this month's Orlando IAADFS show.

Harston, which has regional offices in the UK, the US, Canada and the Philippines, is better known within travel retail for its distribution of watches and jewellery, but has spent the past 12 months establishing a portfolio of wines from both large wine-making groups and smaller specialist wineries in France, Italy, Spain, the US, Chile and Argentina.

In global travel retail Harston now represents Bordeaux-based CVBG Dourthe-Kressmann, which, according to International Wine & Spirit Research, is travel retail's leading wine brand with a 6.2% market share in 2009. The company also represents the Rolland Collection – a range of wines from Bordeaux, South Africa and Spain produced by Michel Rolland, the famous French wine consultant.

Harston will also be working with Barton & Guestier, Chilean winery Montes (initially only in Asian travel retail) and Spanish wine producer Herederos de Marqués de Riscal.

Commenting on the establishment of the new division, managing director Margaret Taylor said: "We have been studying the wine sector within travel retail for some



time. It's clearly growing and becoming more established as a viable category which retailers are increasingly taking more seriously. We believe there is definitely room to introduce medium and top-level wines into travel-retail aimed at an increasing population of wine connoisseurs."

# High flyers meet up

The International Association of Airport Duty Free Stores is holding its annual trade exhibition in Florida. **Christian Davis** previews



The International Association of Airport Duty Free Stores (IAADFS) is holding its annual trade exhibition, the Duty Free Show of the Americas, in Florida from Monday March 21 until Wednesday the 23.

The Duty Free Show of the Americas is pitched as a forum to bring together IAADFS supplier members with buyers from duty free stores and other qualified buyers.

Joe Bates, *Drinks International's* travel retail correspondent, says of the show: "It is definitely the smallest and most relaxed of the three annual travel retail trade shows.

"The dress code is far more casual than at Cannes (TFWA, September 18-23, 2011) – Bermuda shorts and flowery shirts outnumber smart suits and designer shoes. The social networking events are particularly popular and well attended."

Sunday is sports day and the same three

tournaments (fishing, golf and tennis) are held year after year. The poolside welcome picnic on Sunday, the Tuesday evening gala, which includes entertainment and the enshrined surf & turf main course, as well as a nightly watering hole, Club Americas, are other popular social gatherings.

"The show is within the hotel itself with exhibitors taking stands in the main hall," says Bates. "Companies also book suites within the hotel, which in the past has attracted criticism for drawing visitors away from the hall.

"The mood among exhibitors and suppliers will be much more optimistic than last year when the region was still gripped by the economic crisis. Passenger numbers are up at US airports and US travellers are buying liquor once more, tempted by strong promotional activity by operators that are really making an effort to raise their games in terms of store merchandising and customer service," says Bates.



**Pre-registration:** +1 202-367-1184; **At the show:** +1 407-238-4102  
**Venue:** Orlando World Center Marriott Resort & Convention Center 8701 World Center Drive Orlando, Florida 32821

## Schedule of events

### Saturday, March 19

8.00am-5.00pm Registration  
 8.00am-5.00pm Trademark Set-Up

### Sunday, March 20

7.30am-12.30pm Sports Day Activities  
 8.00am-7.00pm Registration  
 8.00am-8.00pm Trademark Set-up  
 1.00pm-3.00pm Welcome Picnic  
 6.30pm-8.30pm Opening Reception

### Monday, March 21

7.30am-5.30pm Registration  
 8.30am-5.30pm Trademark Open  
 10.00pm-2.00am Club Americas

### Tuesday, March 22

8.00am-5.30pm Registration  
 8.30am-5.30pm Trademark Open  
 7.30pm-11.00pm Gala Evening  
 10.00pm-2.00am Club Americas

### Wednesday, March 23

8.00am-5.30pm Registration  
 8.30am-5.30pm Trademark Open  
 7.30pm-10.30pm Club Americas

### Thursday, March 24

8.00am-5.00pm Trademark Breakdown

## William Grant show activity

William Grant & Sons has strengthened its travel retail team in this region. The company has recently appointed Stephen Corrigan as director travel retail North America and Pablo Boggio as brand activation manager for the Caribbean Cruise Lines and will shortly announce a new trade marketing manager for the region.

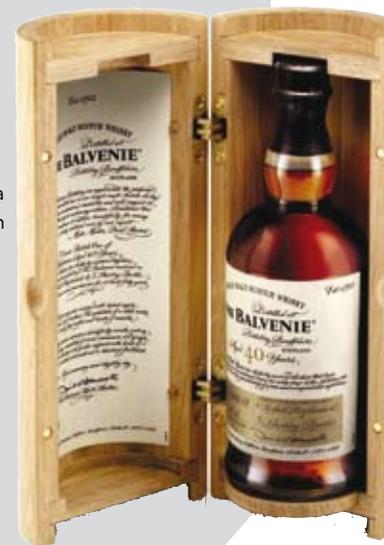
Its purchase of Tullamore Dew, the world's second largest Irish whiskey from C&C, will strengthen its presence in airport travel retail as will the rolling out of Sailor Jerry.

There is a new look for its flagship brand, Glenfiddich, which is exclusive to travel retail. The launch of Glenfiddich Age of Discovery, a 19 Year Old global travel retail exclusive, is aimed both at gifters and whisky connoisseurs.

This year sees the launch of batch three of The Balvenie Forty. The first batch of just 150 bottles was launched exclusively to travel retail; batch two is available in domestic markets across the globe and due to the demand a third batch, again of only 150 bottles, will be made available this year. William Grant says The Balvenie offers a unique range in travel retail with two global travel retail exclusives in Golden Cask 14 Year Old and The Balvenie Forty, while the limited-edition 17 Year Old Peated Cask and The Balvenie Port Wood 21 Year Old are bottled at a higher alcoholic strength and are not chill filtered as they are in domestic markets, appealing to gifters and collectors alike.

For Grant's Blended Scotch Whisky, the focus continues to be on premiumisation with the roll out of the global travel retail exclusive 25 Year Old. This is supported by the global travel retail exclusive, Distillery Edition.

The company can be found at Booth 100.



# Cruising with Diageo GTME

Diageo has decided that the travel retail channel is fit for purpose and it is going to put its immense resources behind exploiting it. **Christian Davis** flies to the US to find out what's going on

Standing on a small Bahamian island, pure white sand, clear blue sky, turquoise sea; looking out at two huge cruise liners anchored off the paradise bay, you have to pinch yourself to believe that this is work.

But work it is. A 6am start from Miami. A small chartered plane to Cat Island then an hour and a half on a boat to Half Moon Cay, approximately 90 miles west of Nassau.

Diageo GTME (Global Travel Middle East) Americas has brought us here to show us a Captain Morgan on the Rocks bar, which has been built inside what looks like a shipwrecked pirate boat high on the beach and readily visible from the tenders bringing in holidaymakers from one of the anchored two cruise liners.

Diageo people are reluctant to say how much it cost but the figure is US\$2.5 million for the whole project. It was the idea of a guy at the Holland America cruise line whose ships, along with Carnival, use the bay so its guests can have a simple day on the beach. Each liner can carry 3,000 passengers. That is a huge sampling opportunity for the second largest rum brand in the world.

In December Diageo announced it was targeting the premium rum market and Ed Pilkington, the group's global category director for vodka, gin and rum, said Diageo intends to grow Captain Morgan into a "global mega-brand".

At the end of January Gregorio Gutierrez, vice president of Diageo GTME (Global Travel Middle East) Americas, announced a concerted onslaught on the global travel market with specific attention being paid to the Americas division and to the cruise sector, which is based in Miami, Florida.

Gutierrez said the aim was to help "double the value of liquor category in travel retail, increase footfall and focus on retail



transformation, innovation and partnerships".

Diageo cites "various sources" as estimating the liquor category in travel retail to be worth some US\$6bn.

GTME is the seventh largest business within Diageo, the largest alcoholic drinks company in the world. Based in Miami, GTME's market is the second largest for Diageo's number one scotch whisky brand, Johnnie Walker. Last year GTME registered a 19% growth in net sales value. Johnnie Walker Black Label alone grew 38% in net sales taking it past the one million case mark.

Gutierrez listed his "platforms for growth" as:

- Developing relationships
- Providing a great experience
- Enriched communications
- The 'trinity' model of working with distributors and wholesalers
- Innovation and gifting
- Activating the brand
- Transforming the retail environment

The opening of the Captain on the Rocks bar on Half Moon Cay ticked many of Gutierrez's boxes, with its 'trinity' relationship with Holland America and Diageo's local wholesaler/distributor, Carisam, the fact that it 'activates' the brand, provides a 'great experience' for the daytrippers and transforms the retail environment.

At the ribbon-cutting ceremony Eric Breiding, Diageo GTME Americas' customer director, cruise channel, described the bar as: "The most iconic bar in the cruise industry."

Asked why Half Moon Cay, Matt Sams, vice-president of Caribbean Relations with Holland America Line, whose original idea it was, told *Drinks International*: "It is the highest rated port because there are no hassles, no crime, no taxis and this is what people think the Caribbean should be."

The island is expected to receive 623,000 visitors this year. Every day except five a month, two liners anchor there. Breiding said: "This is a major step for [Diageo] global travel. We want to invest





in our business and invest ahead of the market. This is a great opportunity to put the spotlight on the brand [Captain Morgan].”

Asked about Diageo’s ambitions for the sector, Breiding replied: “I cannot say we are the biggest (alcoholic drinks supplier) but we are the hungriest.”

It is estimated by the travel retail industry that approximately 23% of all air travellers do not even go into airport shops and about half those that do buy nothing. Whereas ‘buying duty free’ is very much part of the tradition of travelling for most Europeans and people from Asia, particularly the Japanese and the Koreans, for the Americans it isn’t. Gutierrez and Breiding see this as a huge opportunity.

To that end GTME, in partnership with travel retail operator DFS, unveiled a new look for the liquor merchandising in the travel retail store at the Tom Bradley International terminal at Los Angeles airport (LAX).

The strategy was to redesign key categories in the 12,000sq ft store to reflect the changing passenger mix.

LAX is the seventh largest airport in the world and the operator sees it as the gateway for and to Asia. The Tom Bradley terminal (TBIT) has seen a sustained change in its passenger mix, with more new international flights bringing a significant influx of northern Asian passengers plus strong growth from Australia and New Zealand.

John Hoover, global vice president/merchandise manager spirits, wine and tobacco at DFS, says: “The changing passenger mix is a positive opportunity to do something radical with our store space. We asked Diageo to help us leverage the latent power in the leading brands across key categories. As such they looked beyond their own portfolio and indeed beyond liquor to help us create a holistic approach that provides subtleties of flow and navigation, making the shopping experience both easy and a pleasure.”

Each category showcases the drive brands, so Diageo’s flagship blended scotch whisky gets pride of place on the whisky stand with Gold, Green, Blue, Black and Double Black taking the centre ground and the top-of-the-range John Walker on a revolving plinth.

Adam Irvine, customer marketing manager, Diageo GTME, says: “We believe the gateway American airports can offer an amazing ‘canvas’ for travel retail to engage shoppers with a premium retail experience and premium brands. Passenger dynamics are changing dramatically and will continue to do so. There is now an opportunity to really leverage the region’s potential in ways previously undreamed of.

“The DFS store at TBIT sets a new benchmark for that and is a prime example of our ambition for both North America and for global travel in general and we’re delighted to have partnered with DFS yet again, building on the success of previous ‘trinity’ projects at Changi and Abu Dhabi,” adds Irvine.

The third example was a “high-energy consumer interaction” for Diageo’s premium tequila brand, Don Julio, on concourse, in duty free stores and in restaurants and bars in Terminal D at Dallas Fort Worth airport. Working with DFASS and caterers Reata in the airport’s first ‘travel retail trinity’, the activity centres on Don Julio’s Luxury Drop concept, described as “an innovative way to enjoy the ultra-premium spirit – which brings together the concepts of shots and high-end mixology in a unique hybrid, creating a premium speciality cocktail in a smaller portion”.

So Diageo is grasping the opportunity to put its brands in front of passengers and holidaymakers, who should be in the best possible, most positive, mood.

The likes of Captain Morgan on the Rocks and Tequila Don Julio Luxury Drop give Diageo GTME the chance to spotlight its brands to a fairly captive audience.

In-flight offers have such low take up that Gutierrez and Breiding can see that going only one way.

So it’s a case of up, up and away or ahoj there for both strands of Diageo GTME’s business. For the shops, be they border or airport, transformation is the name of the activation, from passive to active.

Air travel in the US is projected to hit 350,000 by 2014 (just over 300,000 last year) so, with the Americans not using the airport shops much, there is plenty to go for. **DI**

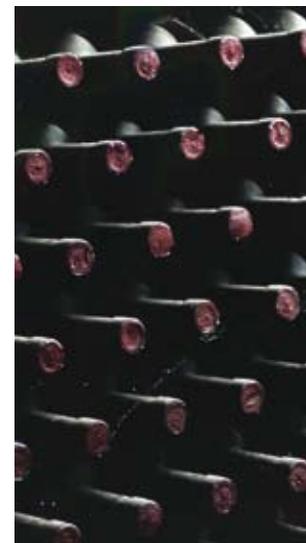
GTME	
Middle East/North Africa	36%
Europe	27%
Americas	19%
Asia-Pacific	18%

Cruise Travel	
Sector worth	US\$27bn
Passengers	18m 2010
	32m 2022
US\$50bn revenue projected	

Global Travel	
Airports	34%
Cruises	28%
Border shops	20%
In-flight	15%

# What now for the fortifieds?

The likes of sherry, port and Madeira have been having a tough time but these special wines have a future, albeit specialised. **Peter Cobb** reports



**T**his, you might think, is hardly the time to be in port, sherry or madeira. Sherry's world market has fallen from 20 million cases to 5.25 million in a generation; port has lost a million cases in 10 years; madeira's volumes are hardly significant.

But there is a hard-nosed approach throughout the trade. Times are hard, people say, but we have the wherewithal to fight it out and reach the sunlit uplands. Unanimously they agree their most important weapon is the quality of their wines.

Sherry faces the biggest challenge. Thirty years ago Harveys sold 1.5 million cases in the UK, which it considered its domestic market, and another million overseas. Three Queen's Awards for Export came its way in the 1970s. It was the UK's clear brand leader in the cream, amontillado and fino sectors.

The company's TV campaign in the US had the distinction of being satirised on Saturday Night Live. It could be argued that, from this dominant position, it has been Harveys' failure to successfully address sherry's ageing consumer profile through the 80s and 90s which has led to its decline.

True, it has recently launched an oloroso and orange mix called Harveys Orange, won acclaim for its Very Old Rare Sherry and introduced a fino in an award-winning 50cl pack, but one wonders if this is not too little, too late.

Harveys, of course, remains a significant player but, increasingly, Gonzalez Byass is becoming the powerhouse in Jerez. Spain is equal with Britain in terms of volume sales and Gonzalez Byass benefits from a solid domestic platform. It has built on this to invest in export and is now in 75 countries worldwide with its own offices in Britain, America and the Far East. Japan is one of its priorities, while sales in China increased 30% last year.

Although its roots are firmly grounded in Jerez, Gonzalez Byass has successfully diversified into table wine, being present in five Denominations of Origin, including Rioja and Cava. Near the hilltop town of Arcos de la Frontera it is making an interesting red wine, Finca Moncloa, in the heart of the Jerez vineyard.

Bodegas have been slow to see the commercial

advantage of selling table wines from the region. The exception is Barbadillo, whose Castillo de San Diego, made in San Lúcar from 100% Palomino grapes, is the biggest-selling white wine in Spain. Are others missing a trick here?

## Unlikely markets

Small bodegas working in unlikely markets are doing well. France doesn't spring to mind as a hotbed for sherry, but to Fernando de Castilla it's the most important customer. To boldly go where the bigger operators aren't, the Norwegian owner, Jan Pettersen, is increasing his business in Italy, Russia and Latin America, working with "top sommeliers, who are very receptive to speciality sheries", such as dry oloroso, palo cortado, PX – and manzanilla.

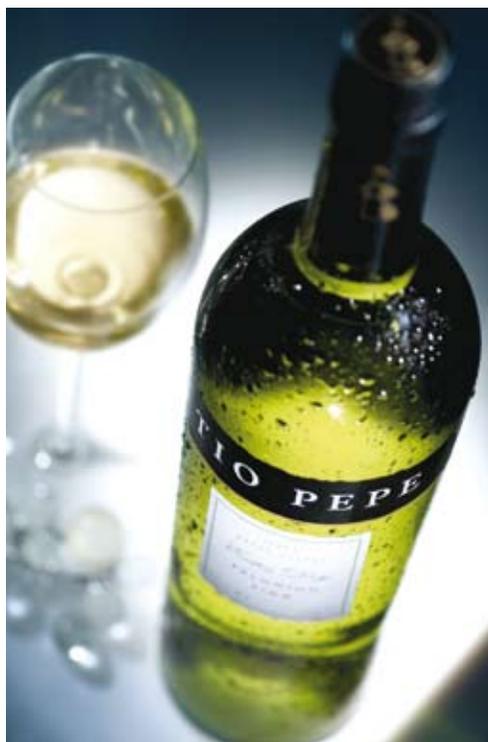
Manzanilla accounts for 60% of the Spanish market, and Spain's the one area where sherry is growing. Hidalgo's La Gitana has been awarded The Best Value Fortified Wine trophy by the International Wine Challenge. Delighted with this recognition, Javier Hidalgo sees manzanilla as a niche rather than a mass-market wine. "It's a way," he says, "to promote all that is best about Spain and Andalucia,

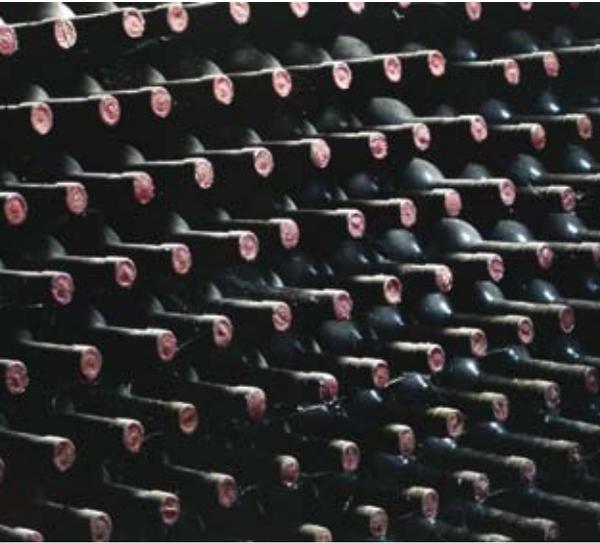
such as fun, flamenco and fiesta."

A major setback has been the decision of Spain's National Competition Commission to fine several bodegas, Fedejerez (the exporters' association) and the Consejo Regulador €6.7 million for an alleged price cartel aimed at stopping the downward pressure on own-label sherry prices. There is an appeal, which the protagonists are confident will succeed – in a case of poacher-turned-gamekeeper, they have a champion in Allan Cheesman, former Sainsbury's buyer, now wine consultant. He thinks blame should rest with British, German and Dutch retailers who have squeezed margins until "there's nothing left".

## Price worries

Price is also a worry for port producers. Last Christmas, Dutch supermarket Albert Heijn locked horns with discounter Aldi in a fight that saw prices drop to €2.99 a bottle in Holland, the world's second-largest market. Deduct duty, VAT and transport and this was clearly selling below cost. It also had a negative impact on sales of brands at €7 and upwards. This year has seen the dumping of premium port in Denmark. The market has leapt





**Storing up problems for the future?**



ahead, but at what cost to port's image?

These stunts are short term. More worrying is that shipments to the volume markets of France, Belgium and Holland have been on the slide for some time. In France, still nearly 30% of the total, the consumer is ageing and coming increasingly from lower socio-economic groups. Against the trend, French company Gran Cruz (part of La Martiniquaise) keeps strictly to its strategy of offering quality/value supported by strong media advertising. Already a clear leader in France, its sales are up 8% last year with a corresponding leap in its market share. So successful is the company in markets on which it concentrates that Porto Cruz is now the world's largest brand.

Port's long-term problem lies in the Douro. It's the most beautiful vineyard area in the world, but hard and expensive to cultivate. It runs to 38,000ha, farmed by the same number of growers. Paul Symington, chairman of his family's company, estimates there are 125,000 people whose livelihood depends on port, though it accounts for only 40% of must produced in the region. Some excellent table wine is made but sales, although increasing, are still a fraction of port's.



There is too much wine. This imbalance has been fuelled by the authorities, who have allowed the area under vine to increase by a fifth in the past decade. Symington is scathing. "I chair the biggest port company," he says, "and I've never been asked for our view of where we'll be in five or 10 years' time. While licences for planting were being granted nobody consulted us – or anybody else."

Meanwhile the Instituto dos Vinhos do Douro e Porto increased this year's beneficio (the quantity permitted to be made into port), calculating the figure in March when shipments were up 10%. This was due to restocking, particularly in the US, in the wake of the recession and had nothing to do with actual sales.

Leaving aside wine lakes and politics, port has one inestimable advantage over sherry. Small quantities of dated sherries (añadas) and VORS have lately been introduced; vintage port and aged tawnies have been around for centuries. When a great vintage such as the recent 2007 is well received by trade and investors alike, the port trade immediately has a spring in its step.

There has been innovation. The Fladgate Partnership has launched Croft Pink, creating a new rosé category. Cruz has invested in its own version of "le porto pink" to good effect in France, targeting a younger, largely female consumer. AXA has high hopes for the new Noval Black. And an increasing number of talented winemakers are making truly excellent Douro dry red wine. Anything the Spaniards in Ribera del Duero can do, is the cry, we can do just as well.

### **Tourism boost**

And there's tourism – 750,000 people a year visit port lodges; river cruises are becoming increasingly popular; Sandeman has built a magnificent visitor's centre at its winery near Pinhão, and the Symingtons are soon to open theirs at the Quinta do Bomfim.

If tourists provide incremental sales for port (and sherry), they are pivotal to the fortunes of Madeira. Here the world economy has dealt a harsh hand, as the number of cruise ships visiting the island has plummeted. The floods and mudslides of last spring

did not help either. But exports are showing a healthy increase – currently up 3%.

Madeira was once used mostly in cooking with chefs enjoying "nips", strengthening themselves and their sauce madère. Now the emphasis is on vintages, which must have a minimum of 20 years of cask ageing, and other blended, oak-aged wines.

France is the biggest export market, with Justino & Henriques (La Martiniquaise again) the main player. The Symingtons, in partnership with the Blandy family, own the Madeira Wine Company. The emphasis of both groups is on quality. Justino has invested in technology, while the Symingtons have appointed a specialist manager dedicated to selling their madeiras worldwide. The wines are stunning: madeira habitually wins armfuls of medals at international competitions.

### **Future prospects**

So, what's the outlook? The Consejo forecasts sales will continue to fall in the short term as cream and medium sherry consumers die off. But a younger generation of wine lovers is discovering how well sherry pairs with food. The stellar international reputation enjoyed by Spanish restaurants such as El Bulli and tapas bars plays well with sherry bodegas.

Port people also think volumes will decline as commodity prices harden. But marketing initiatives such as rosé, allied to the reputation of vintage and aged tawnies, will ensure port's place remains assured in traditional markets and create new opportunities in Asia and eastern Europe.

And don't write off madeira. Thomas Jefferson toasted the Declaration of Independence with it, since when it's been prized by connoisseurs the world over. In its small way it always will. And this is the crux – these great fortified wines are far too good for there to be anything other than a bright, if specialised, future for all three. **DI**

# Giving it his best shot

Lucy Britner meets Dan Edelstyn – the documentary filmmaker who accidentally ended up a vodka brand owner

**O**ften people don't start projects because they fear failure. Dan Edelstyn is not one of those people. In a rundown studio in London's east end, about 600 bottles of vodka are sitting behind an old sofa. Costumes and props are scattered around and a traditional Ukrainian lunch, with shots of vodka, is on the table.

Edelstyn's documentary project began as a way to tell the story of how his Ukrainian family escaped the country and fled to Belfast at the time of the Russian Revolution. Originally titled *Bolsheviks to Belfast*, the project was destined for a community television channel. But his grandmother, Maroussia Zorokovich, had belonged to a wealthy Ukrainian family with a sugar factory and a distillery. And a letter from his grandmother to his father that referred to the Ukrainian village of Douboviazovka revealed a new twist.

The letter reads: "When peace will be restored [sic], you must go with daddy to Russia and try to find all about my people. Think how nice it would be for you to find suddenly people who love you even without knowing you. Anyhow, you must visit Douboviazovka and walk about the park."

Having lost his father at the age of three, Dan decided it was time to make the pilgrimage to Douboviazovka and there he found a working distillery.

"The distillery is still open. It was very bizarre – especially when I met a lady who had dreamed I would come. With that and everyone remembering Zorokovich, I began walking around the village like a baron."

The distillery discovery, coupled with Edelstyn's ideals to make the world a better place, gave birth to a bigger project and ambitions for a bigger channel to screen the film, *How to Re-Establish a Vodka Empire*, on documentary channel More4.

The idea is that Dan will sell his own vodka brand, produced at the distillery, and give

20% of any profit made back to the village. He says: "This might be to provide proper sanitation or running water, maybe. At the moment, people draw water from a well."

But it's early days and, with 60% of the initial 1,000-bottle order still behind the sofa, Edelstyn has a lot of work to do.

"I did try to write several business plans but it was hard, so I decided to go about it in a way I could understand and relate to – let's order some bottles and get them into bars and sell them.

"I think someone had to have the booze burning a hole in their floor for a while. Like a punk DIY ethos."

And it is burning a hole – the duty alone was £6.99 a bottle. Add to that the cost of shipping and bottling and Dan estimates costs at £12-£13 a bottle.

He is knocking on doors and at the moment Selfridges is selling it for £29.99, so that's a fairly decent margin. He has also enlisted UK distributor Hi-Spirits, which has told Dan it may be possible to sell 5,000 cases in the first year. In London the Dukes Hotel bar and the Dorchester's China Tang bar are also stocking the brand.

"Sometimes I feel like a travelling bible salesman," Edelstyn jokes. And, just like the big book, Edelstyn has a story to tell: that fabled thing brand owners the world over long for – genuine brand heritage.

As Edelstyn puts it: "I didn't know anything about the alcohol industry but I thought because this has got a story, it's going to help. Normal people, punters, are aware that many vodkas have stories attached to them but that many of these stories are invented, constructed, with varying degrees of success."

Edelstyn also happens to be married to an artist, who came up with the striking black swallows on the bottle – a symbol of migration (to Belfast) as well as a reference



to his grandmother's dramatic description of "black shadows in the ballroom" and "black wings all over the sky", in reference to the impending Revolution.

So both the story and the bottle are a triumph. What about the liquid?

Edelstyn's online snippets of the documentary show him, prior to launch, taking the village distillery's regular vodka to expert Ian Wisniewski for assessment. The following scenes show a devastated Edelstyn as Wisniewski reveals the drink is not of a good enough standard for the price-point required.

"I was totally an outsider. To me vodka tasted like vodka and I began to think 'emperor's new clothes' and to question why we weren't making progress. It was really annoying but I wanted to get it right."

Eventually, Edelstyn took mixologist and former Grey Goose brand ambassador Alex Kammerling to the distillery and he helped decide on a wheat spirit that had the flavour profile Edelstyn wanted.

"We had to insist that we wanted one

\*How to Re-Establish a Vodka Empire will air on More4 later this year



**IT'S IMPORTANT THAT THIS IS VIEWED AS THE SMALL MAN VS THE CORPORATION. IT'S SORT OF SAYING YOU CAN DO WHAT YOU WANT AND HELP YOURSELF TO LIFE**

consistent taste from one run to the next.

The people at the bottling plant just wanted to use whatever was available seasonally and whatever was cheap. Corn-based spirit was cheaper to produce but we didn't feel it was good enough so we insisted on wheat.

"Eventually we changed bottling plants to a very strict one – the manager actually said he preferred the Communist days. Of course the spirit still comes from Douboviazovka."

Edelstyn had to hire a lorry to bring his shipment to the UK and he estimates the total amount invested in his vodka empire to be £20,000. When you stand in the shadow of giants such as Diageo's Smirnoff or Pernod's Absolut, it seems like pocket change and Edelstyn is keen for people to know that a project like this is possible without big-money backers and enormous marketing budgets.

"I think it's important that this is viewed as the small man vs the corporation. It's sort of saying you can do what you want and help yourself to life, in a way. Also, I didn't want the film to seem like an impassioned

corporate video for the vodka."

Although he says he's not heading towards a career in the drinks industry, Edelstyn hopes the vodka business may provide a port in a very stormy film industry – a stable income for his wife, young daughter and an eight-month old Border Collie, too excited to sit in on the interview.

He also hopes one day to give shares to his family, who have invested their time and money in the project.

He says: "Some of my siblings have been really helpful. My brother is a lawyer so that's helpful. My other brother bought six cases at Christmas and he's quite good at business. He used to be a director at Google. I was hoping this would be a family business and all the descendants would have a share but it hasn't quite happened like that. It is their heritage too, but I don't want to give them shares while the shares only equal debt."

Then there's a village full of Ukrainians who could do with running water. Edelstyn must be feeling a weight of expectation.

"We've been quite careful not to get people's hopes up in the village in case we fail. I'd like to see the vision in my mind move away from the fantasy."

The big question has to be, then, if Edelstyn fails, can he show his face in the village again?

"I guess I can boil this question down to 'am I afraid of failure'," he muses. "No. As long as I've given it my best shot. Often people don't start projects because they are afraid they will fail and I've come to terms with the fact that many of my projects are unsuccessful. But as long as I give them my best shot, genuinely from my heart, then I'm not ashamed of failing. I'd be ashamed if I didn't care and did it half-cocked. There are plenty of obstacles in the way of success."

"Ultimately I could grow this really slowly and be in control of it. More and more places are getting the vodka so that's progress."

With no backing from a drinks giant, no enormous marketing budget and no idea about the drinks industry, has Dan Edelstyn proved nothing is impossible? I hope so. **DI**



**What are the biggest global spirits and wine brands in terms of monetary worth? Brand Finance has crunched the numbers to provide a break down, while Christian Davis gives an overview**



# The big 50

**F**or years *Drinks International* has been publishing its annual Millionaires supplement, charting the million-case spirits brands. Over the years Millionaires has become a much awaited and sought after publication.

As we all know, there is more to having a successful brand than just volume. The value of a brand is every bit as important when it comes to profit margins, future investment and the bottom line.

For the first time, *Drinks International* is publishing a league table of spirits brands by value. Brand Finance Plc is a brand valuation consultancy that deals with putting a value on company's brands, be they buying or selling.

Through a complicated matrix of calculations based on financial results, forecasts and royalty relief

(see methodology, page 28), Brand Finance has come up with the World's Top 50 Spirits & Wine Brands by Value.

The company's chief executive, David Haigh, says: "Our table shows that whisky has rebounded as the world's favourite tippie. Recessionary Americans and boom-time Chinese drinkers are both raising their glasses equally vigorously. Johnnie Walker 'keeps walking'."

For all drinks industry professionals, most of the brands are what we would expect: Johnnie Walker, Bacardi, Smirnoff, Chivas Regal, Hennessy, Baileys, Absolut and Jack Daniel's.

### **Kweichow Moutai and Wuliangye**

But then we have a couple of surprises – baijiu producers Kweichow Moutai and Wuliangye come in at numbers nine and 10 respectively. Further down,

Luzhou Laojiao and ChangYu are at 21 and 22.

Well, we all know that there are massive brands in Asia, the Indian subcontinent and South America. Millionaires gets more comprehensive and authoritative every year, thanks in no small measure to Euromonitor, which collates and evaluates the submitted production data. We know there are some 'biggies' out there but getting them to provide information so we can include them is difficult.

With Brands by Value, we start on another journey – this time with Brand Finance. We hope you find the results interesting. It is the first attempt and even if it was the fifth attempt we would not claim it to be 100% comprehensive and accurate. These things take time. By its nature, putting a value on something cannot be 100% objective. Even with all the statistics, financials and forecasts, when it comes down to it, it depends on who you ask. ▶ p26



# The story behind the brands

## 1 Johnnie Walker

Johnnie Walker is the world's most valuable drinks brand. It appeals to different segments of the market by pricing and labelling the ranges – Red Label to Blue Label. It's growing particularly strongly in Asia but has potentially achieved critical mass in the UK market.

Diageo had continued to invest in the premium Johnnie Walker brands and has benefited from a consistent marketing approach. The Keep Walking campaign has leveraged one of the most iconic design images created in the last 50 years. Drinkers worldwide instantly recognised the Striding Man.

Its foray into social media and new platforms of advertising has helped consumers engage with the brand.

## 2 Bacardi

Bacardi has embraced social media and is trying to encourage a viral spread of its campaign through Facebook and Twitter. It is probably the most widely distributed rum brand in the world and there is probably not a bar in the world that does not have Bacardi. Its versatility as a rum which goes with many mixers has underpinned its global reach.

## 3 Smirnoff

Smirnoff continues to grow and appeals to the middle range of the vodka market – it's premium but not super-premium.

It has explored the soda mixers market and also the alcopops segment. Smirnoff has engaged in a sponsorship strategy that revolves around musical events.

It will have to wait and see if it will gain a return on investment on this front.

## 4 Chivas Regal

Chivas Regal remains the benchmark for deluxe whisky. It has been consistently sold at a premium and is never discounted. It has the potential to be the first deluxe whisky that will truly break into the UK market.

This Pernod Ricard-owned whisky has launched a global TV and print advertising campaign entitled Live With Chivalry, which has been visibly implemented in Asia and Brazil, especially through the duty free channel. This campaign has tapped into a new 'maleness' which is very contemporary.

## 5 Hennessy

Hennessy has had a strong performance in North

America and in Asia. It is deemed to be the cognac market leader.

It has predominantly been targeted at a mature market but it is gaining considerable market share in the younger generation of the African American market.

This has been helped by it being referenced in several rap and hip-hop songs by famous artists such as Snoop Dogg, P Diddy and Kanye West.

## 6 Baileys

This whiskey and cream-based liqueur is in a market that is fast maturing but it is still the clear leader in the sector. It has increasingly come under threat by price-fighting equivalents such as Amarula, Carolans and Sangster's.

## 7 Absolut

The Absolut brand continues to grow, as does the vodka market. Its position in America is under significant pressure from competition.

There is a fear that it might be knocked off its perch by a growing number of super-premium vodkas.

Having said that, its wide array of flavours has helped it stay in sync with a changing market.

Brand Finance's volume figures may differ from our Millionaires figures because BF includes pre-mixed brand extensions, whereas Millionaires is based solely on the spirit

## Top 50 Spirits & Wine Brands by Value

Rank 2010	Brand	Parent Company	Domicile	Category	Brand Value 2011 (US\$m)	Brand Rating 2011	Cases Sold 2009 (millions)
1	Johnnie Walker	Diageo	Britain	Whisky	2,162	AAA	16.0
2	Bacardi	Bacardi	Bermuda	Rum	1,913	AA+	18.6
3	Smirnoff	Diageo	Britain	Vodka	1,704	AA+	28.2
4	Chivas Regal	Pernod Ricard	France	Whisky	1,413	AAA-	4.2
5	Hennessy	LVMH	France	Cognac	1,380	AA+	4.5
6	Baileys	Diageo	Britain	Liquor	1,278	AA	6.6
7	Absolut	Pernod Ricard	France	Vodka	1,127	AA	10.4
8	Jack Daniels	Brown Forman	United States	Whiskey	1,040	AAA-	9.6
9	Kweichow Moutai	Kweichow Moutai	China	Baijiu	1,017	AA-	156*
10	Wuliangye	Wuliangye Yibin	China	Baijiu	861	AA	234*
11	Ricard	Pernod Ricard	France	Anis	850	AA-	5.4
12	Grey Goose	Bacardi	Bermuda	Vodka	828	AA+	3.5
13	Moët	LVMH	France	Champagne	826	AAA-	2.2
14	Grant's	William Grant & Sons	Britain	Whisky	772	A+	4.8
15	Jose Cuervo	Diageo	Britain	Tequila	699	AA	4.5
16	Gallo Family Vineyards	E&J Gallo Winery	United States	Wine	695	AA-	20.0
17	Ballantine's	Pernod Ricard	France	Whisky	668	AA	5.9
18	Gordon's Gin	Diageo	Britain	Gin	542	AA-	4.3
19	Veuve Clicquot	LVMH	France	Champagne	520	AAA-	1.4
20	J&B	Diageo	Britain	Whisky	490	AA	4.9
21	Luzhou Laojiao	Luzhou Laojiao	China	Other	464	AA-	**
22	ChangYu	Yantai Changyu Pioneer	China	Wine	458	A+	**
23	Rémy Martin	Remy Cointreau	France	Cognac	436	AA	1.7
24	Concha y Toro	Vina Concha Y Toro	Chile	Wine	411	A+	17.3
25	Jim Beam	Fortune Brands	United States	Whiskey	384	AA	5.2

Source: Brand Finance

## 8 Jack Daniel's

Jack Daniel's is a true international success story. It forms the alcoholic component of the iconic drink JD and coke. Jack Daniel's has been able to pull off the ideal position of being an exciting brand for the young but also positioned as having substance and provenance for a more mature audience.

## 9 Kweichow Moutai

This is the largest Chinese brand in the league table. However, it is not an international brand but is the most prestigious baijiu in China, with a bottle of the premium range costing upwards of £100.

## 10 Wuliangye

Wuliangye is the second most valuable alcoholic drink in China, after Kweichow Moutai. The brands account for about 75% of the baijiu market.

## 11 Ricard

This anise-flavoured liqueur is a traditional favourite in the Francophone market. It has had considerable trouble penetrating other markets.

## 12 Grey Goose

Grey Goose has been one of the key success stories of the past decade. It has helped establish the super-premium vodka market and is the brand leader in that sector.

## 13 Moët & Chandon

The champagne market has proven resilient in the downturn and this has played to Moët & Chandon's advantage, sealing its place as the brand leader. It is backed by a huge advertising campaign by its parent company, LVMH.

## 14 Grant's

The brand has the advantage of being a family company and has the heritage that goes with it. Historically it has also benefitted from solid marketing and innovative line extensions: ale cask, sherry, etc.

## 15 Jose Cuervo

The tequila category is experiencing moderate growth worldwide and Jose Cuervo is the leading international tequila brand.

## 16 Gallo

The world's number one wine brand. However, the industry remains highly competitive and it remains hard for companies to make sustainable profit margins given the increasing commoditisation of accessibly-priced wines. Brand-building is critical in this sector.

## 17 Ballantine's

The brand has received a lot of investment from Pernod Ricard and continues to perform very

well in continental Europe. The old-fashioned packaging appears slightly incongruous to its new contemporary positioning.

## 18 Gordon's

Still the default ingredient for a gin and tonic, the brand continues to grow in 2010-11. The high-end gin market is becoming increasingly competitive but the brand has an incredibly loyal consumer base.

## 19 Veuve Clicquot

An iconic French label that pertains to be the first 'modern' champagne. The management has handled the brand exceptionally well in treading a path between travel retail/duty free and maintaining an aspirational image – for example, its eponymous tournament at Cowdray Park – in keeping with its artisan pedigree.

## 20 J&B

Another of Diageo's whisky brands, J&B has tried to update a heritage Speyside whisky brand to become a contemporary, albeit unconventional, mixing whisky. J&B performs well in North America and southern Europe and has a strong consumer franchise.

*Analysis by Brand Finance, 3rd Floor, Finland House, 56 Haymarket, London SW1Y 4RN, UK. brandfinance.com. Other commentary contributors from Brand Finance are Martin Kember and Richard Gowar.*

## Top 50 Spirits & Wine Brands by Value

Rank 2010	Brand	Parent Company	Domicile	Category	Brand Value 2011 (US\$m)	Brand Rating 2011	Cases Sold 2009 (millions)
26	McDowell's No 1	United Spirits	India	Brandy	358	AA-	40.2
27	Jameson	Pernod Ricard	France	Whiskey	350	AA	2.9
28	Jinro	Jinro	South Korea	Soju	342	A+	64.0
29	Captain Morgan	Diageo	Britain	Rum	325	AA	8.9
30	Jacob's Creek	Pernod Ricard	France	Wine	316	AA-	7.8
31	Havana Club	Pernod Ricard	France	Rum	310	AA+	3.5
32	Dewar's	Bacardi Limited	Bermuda	Whisky	307	A+	3.2
33	William Lawson's	Bacardi Limited	Bermuda	Whisky	288	A+	1.6
34	Beringer	Treasury Wine Estates	Australia	Wine	288	AA-	8.8
35	Glenfiddich	William Grant & Sons	Britain	Whisky	275	AA-	0.7
36	Bombay Sapphire	Bacardi	Bermuda	Gin	234	AA	2.0
37	Martell	Pernod Ricard	France	Cognac	230	AA-	1.6
38	Mumm	Pernod Ricard	France	Champagne	229	AA-	0.6
39	Tanqueray	Diageo	Britain	Gin	225	AA-	2.0
40	Kahlua	Pernod Ricard	France	Liqueur	219	AA-	1.8
41	Beefeater	Pernod Ricard	France	Gin	218	AA-	2.3
42	Robert Mondavi	Constellation Brands	United States	Wine	215	A+	10.5
43	Malibu	Pernod Ricard	France	Rum	214	AA-	3.3
44	Lindemans	Treasury Wine Estates	Australia	Wine	212	AA-	7.0
45	Campari	Davide Campari-Milano	Italy	Bitters	201	A+	2.9
46	Courvoisier	Fortune Brands	United States	Cognac	200	AA-	1.2
47	The Glenlivet	Pernod-Ricard	France	Whisky	200	AA-	0.6
48	Hardys	Constellation Brands***	United States	Wine	172	A+	9.3
49	Southern Comfort	Brown Forman	United States	Liqueur	171	A+	2.2
50	Skyy	Davide Campari-Milano	Italy	Vodka	125	A	3.2

\*2008 cases sold \*\*Data not available \*\*\*Now owned by Accolade Wines

Source: Brand Finance

# Brands by Value



David Haigh, founder and chief executive of Brand Finance



## About Brand Finance

Brand Finance Plc is a leading brand valuation consultancy focused on advising strongly branded organisations on how to maximise value through effective management of their brands and intangible assets. Since it was founded in 1996, Brand Finance has performed thousands of branded business, brand and intangible asset valuations worth trillions of dollars.

Its clients include international brand owners, tax authorities, IP lawyers and investment banks. Its work is frequently peer-reviewed by the big four audit practices and its reports have been accepted by various regulatory bodies, including the UK Takeover Panel.

Brand Finance is headquartered in London and has a network of international offices in Amsterdam, Athens, Bangalore, Barcelona, Cape Town, Colombo, Dubai, Geneva, Helsinki, Hong Kong, Istanbul, Lisbon, Madrid, Moscow, New York, Paris, Sao Paulo, Sydney, Singapore, Toronto and Zagreb.

## About Brand Finance's methodology

The methodology employed in this Brand Finance Top 50 Spirits & Wine Brands by value uses a discounted cashflow (DCF) technique to discount estimated future royalties, at an appropriate discount rate, to arrive at a net present value (NPV) of the trademark and associated intellectual property: the brand value.

### The steps in this process are:

- Obtain brand-specific financial and revenue data
- Model the market to identify market demand and the position of individual spirit brands in the context of all other market competitors

Three forecast periods were used: Estimated financial results for 2011 using Institutional Brokers Estimate System (IBES) consensus forecast. A five-year forecast period (2010-2015), based on three data sources (IBES, historic growth and GDP growth). Perpetuity growth, based on a combination of growth expectations (GDP and IBES).

Establish the royalty rate for each spirit brands.

This is done by:

- Calculating brand strength – on a scale of 0-100 – according to a number of attributes such as asset strength, emotional connection, market share and profitability, among others
- Determining the royalty rate for each of the revenue streams mentioned in step 1
- Calculate future royalty income stream
- Calculate the discount rate specific to each brand, taking account of its size, geographical presence, reputation, gearing and brand rating (see below)

- Discount future royalty stream (explicit forecast and perpetuity periods) to a net present value – ie: the brand value

### Royalty relief approach

Brand Finance uses the royalty relief methodology, recommended by the International Valuation Standards Committee (IVSC) and recognised by the ISO 10668 Brand Valuation Standard. It determines the value of the brand in relation to the royalty rate that would be payable for its use were it owned by a third party. The royalty rate is applied to future revenue to determine an earnings stream that is attributable to the brand. The brand earnings stream is then discounted back to a net present value.

The royalty relief approach is used for three reasons: it is favoured by tax authorities and the courts because it calculates brand values by reference to documented third-party transactions; it can be done based on publicly available financial information; and it is compliant with the requirement under the IVSC to determine Fair Market Value of brands.

### Brand ratings

These are calculated using Brand Finance's BrandBeta analysis, which benchmarks the strength, risk and future potential of a brand relative to its competitors on a scale ranging from AAA to D. It is conceptually similar to a credit rating. The data used to calculate the ratings comes from various sources including Bloomberg, annual reports and Brand Finance research.

### Valuation date

All brand values in the report are as at 31st December 2010.



**W**eingut Freiherr von Gleichenstein has, in German wine terms, a lot going for it. Some excellent vineyards

on the volcanic Kaiserstuhl in Baden, top-quality wines made from the “Pinot trio” of Weissburgunder, Grauburgunder and Spätburgunder – and the kind of name that says “German” more clearly than an elongated bottle shape and an indecipherable label.

At about €15 a bottle locally, its Weissburgunder Spätlese is decent value too, but there’s a problem: von Gleichenstein sells just about everything it can make locally, exporting just a few thousand bottles a year to Norway and Ireland.

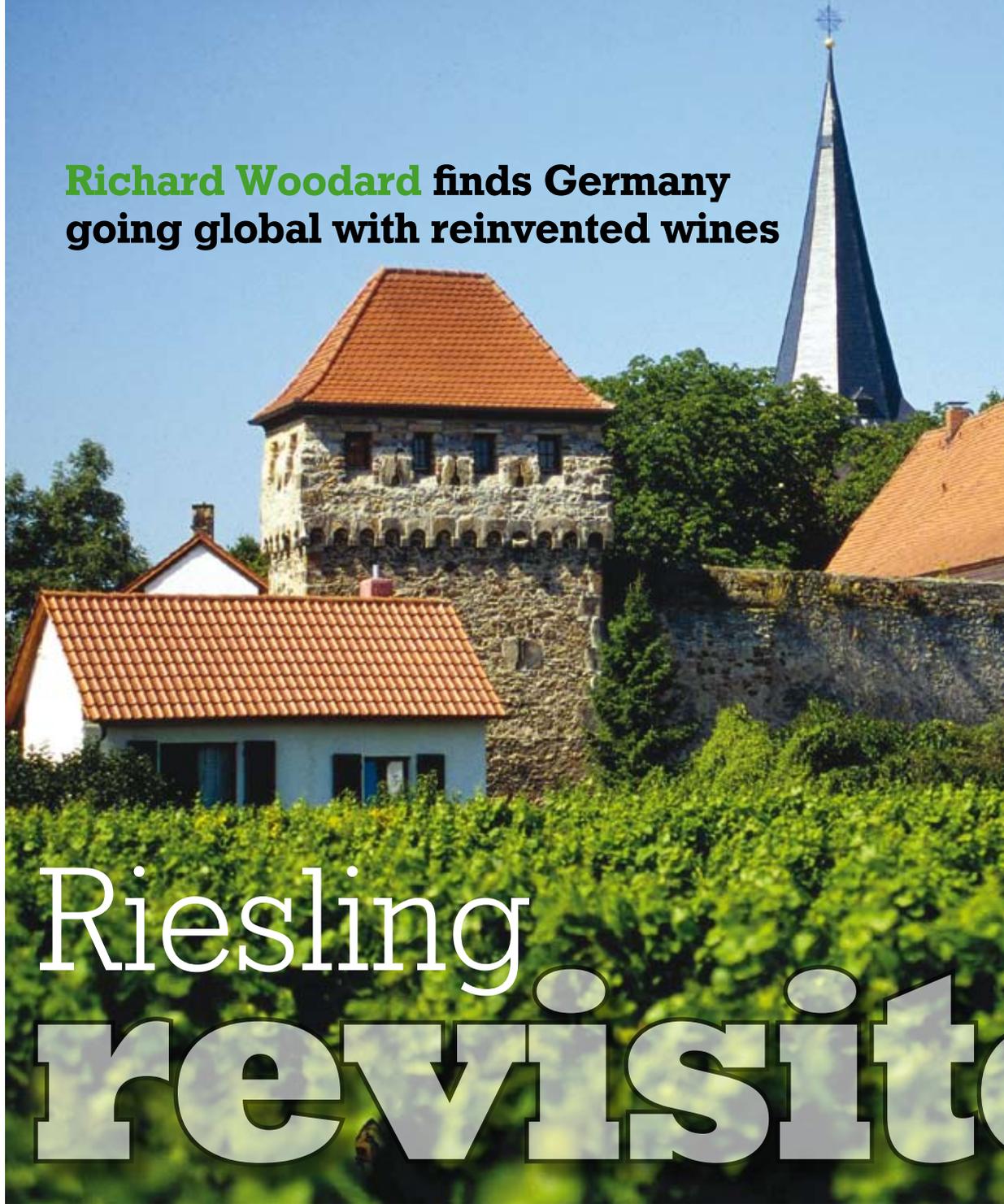
For a German wine industry keen to expand its market presence beyond ubiquitous Riesling and old-style cheap ‘n’ sweet stuff, this illustrates the dilemma. From Baden to the Ahr, wineries are showing themselves capable of making Pinots of world class – but good luck trying to get hold of them.

The thirst of the local market has another unwanted effect for export destinations: rising prices. Leading Pinot Noirs from the Pfalz, for instance, can easily top €40 a bottle and, by the time these wines make it to a restaurant list in London, they’re keeping company in price terms with some serious wines from the Côte d’Or. Quality notwithstanding, which is going to be the easier sell for the sommelier?

Steffen Schindler, marketing director at the Deutsches Weininstitut, asks for patience. “We have to build the reputation,” he says. “It’s very short-sighted to think that because you sell your good wines now locally, regionally and nationally, this is good for the future.

“You have to look beyond the short term. If you want to be competitive in the long run, you have to be successful

## Richard Woodard finds Germany going global with reinvented wines



internationally too. We have to find our best Pinots in London, New York and Tokyo. Quite a few producers know that and do actively promote their Pinots.”

To be fair to von Gleichenstein, it is to a certain extent hamstrung by supply constraints – the company has just 30ha of vineyards – and may look to expand exports in two years’ time when 15ha extra come on stream.

Others, such as Friedrich Becker in the Pfalz, have acquired such a strong reputation that pricing and availability become less significant issues, while others still – Weingut Neiss, also in the Pfalz, springs to mind – represent the hope for the future to which Schindler

alludes: good-quality, realistically priced wines from limestone-rich vineyards. Even a single-vineyard Spätburgunder, modelled on the Grosse Gewächs cru idea, comes in at a reasonable €20.

But there’s no good reason why Germany can’t compete with Pinots at lower price ranges too. As Schindler points out, the Baden region has more Pinot Noir than all of Australia, and the



## German Wine



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The Pfalz is home to wineries of high repute



also been well received.”

At Langguth, marketing director Armin Wagner believes there is an imperative to try to promote German wines beyond Riesling, not least because many other wine-producing countries are focusing on the variety in 2011, intensifying competition.

“Pinot Noir is one of the varieties that look promising because Germany is producing good-quality Pinot Noirs at different price levels, yet none of these price levels can compete on price alone,” he says. “But the style of German Pinot Noir is different and specific, and should give a good chance in many markets.”

Wagner also highlights Rivaner or Müller-Thurgau, which he says “is producing a style of aromatic, mild and approachable wine that most consumers easily connect to Germany. The variety has not achieved much international awareness yet, but it is a potential that German producers can exploit – and Langguth will do”.

The question remains of where these wines – whether they be Riesling, Rivaner, Silvaner or members of the Pinot trio – will be sold.

Looking to the future, Asia is an obvious target – especially given the compatibility of German wine styles with many aspects of Asian cuisine – but the Deutsches Weininstitut will not for the moment open an office in China, instead preferring to dip its toe in the water by attending wine fairs and inviting trade and journalists to the Prowein trade fair in Germany.

“So far they drink a lot of red wine, especially people not educated about wine yet – they think wine is red,” says Schindler. “But in Asia, people do learn extremely fast. I’ve never met people so eager to learn. As soon as people get more educated in wine, they’re trying to discover other wines. We have a very great chance with our fruitier styles of wine.”

China’s ascent has brought it into the top 10 export markets for German wine, but Japan is flat after a decade of sales declines and image problems. Other markets in growth include Hong Kong, South Korea and Singapore.

But what about the markets closer to home in central and eastern Europe – which in theory should require less investment of time and money (not to mention air miles)? Neighbouring markets are doing well, says Schindler, but Russia is a problem,

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recent injection of younger blood into senior positions among the local co-operatives suggests a more dynamic and far-sighted approach in the future.

“It took Riesling more than 10 years to get where it is today,” points out Schindler. “We have no huge budget, so it’s all grass-roots work.”

Grauburgunder in its more commercial guise – Pinot Grigio – could be one of the keys to this diversification, especially in the hands of brand-builders such as FW



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Langguth and Reh Kendermann.

Nik Schritz, managing director of Reh Kendermann, points to products such as Ziel, a Pinot Grigio/Chardonnay blend on sale at UK retailer the Co-op, as an example of Germany even outdoing Italy in the Pinot Grigio stakes.

However, he admits that the grape’s popularity in the domestic German market presents a challenge, especially after the very small 2010 harvest (see box). “The shortage... has led to a range of innovative blends with other grapes,” Schritz says. “We have just introduced Black Tower Silvaner/Pinot Grigio in place of pure Black Tower Pinot Grigio due to last harvest’s shortfall, and this has

**Armin Wagner: time to promote German wines beyond Riesling**



DRINKS INTERNATIONAL 31

despite its position as Germany's fourth most important export destination.

"What we send to Russia are very, very basic wines," admits Schindler. "If what you present there first is your bottom quality, then you have a big problem trading up. That's the problem we have in Russia and we can easily be replaced by other countries."

Among the producers, both Langguth and Reh Kendermann are working hard in Asia and experiencing significant growth. After the relaunch of Kendermann's Black Tower brand in 2010, attention is shifting to the revamp of Langguth's Blue Nun range later this year.

"This will not only be a repackaging, but will include contemporary new wine styles and varieties that we think will keep the brand growing and overperforming for our partners and ourselves for the years to come," says Wagner.

Blue Nun and Black Tower remain German wine's most famous names – some would say notoriously associated with the category's boom in the 1970s and its subsequent decline. Could these brands now lead the charge for a reinvented German wine category, embracing a wider variety of styles and price-points? **DI**



## Caught short: Germany's 2010 harvest

With the world slowly recovering from the near-meltdown of the economy, export sales of German wine are increasing too (ignoring a statistical glitch which has made most European markets look distinctly unimpressive at the moment).

According to Deutsches Weininstitut marketing director Steffen Schindler, the US has returned to 2008 levels, and the Scandinavian markets in particular are registering notable growth.

Not the best moment, then, to have your smallest harvest for 25 years at just under 8m hectolitres – affected by general climatic conditions, not to mention a devastating hailstorm which hit parts of the Pfalz.

"This causes problems because we have been selling our wines quite well in recent years, so we don't have huge stock availability," says Schindler. "Especially in the smaller regions, we might have problems of not enough wine to last through 2011."

The worst-affected grape varieties were earlier ripening examples such as Müller-Thurgau, while there was less impact on Riesling.

Nonetheless, Schindler expects price rises. "There is less Riesling out there and the demand is growing at the same time," he points out. "If we have 25% less wine, we cannot raise prices by 25%, that's for certain, but there will have to be some corrections, especially at the upper end."



### German wine exports by volume and value, MAT to October 2010

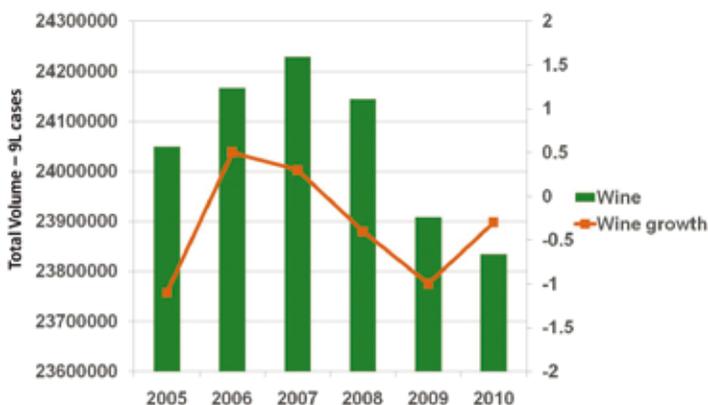
Country	Vol (m hl) to Oct 09	Vol (m hl) to Oct 10	Change (%)	Value (€m) to Oct 09	Value (€m) to Oct 10	Change (%)
US	260	311	+19.7	85	101	+19.7
UK	469	319	-31.9	74	50	-33.0
Netherlands	345	250	-27.6	50	36	-28.5
Russia	171	211	+23.2	19	21	+9.0
Norway	54	55	+2.0	17	19	+10.5
Sweden	154	129	-16.4	19	17	-11.6
Canada	52	52	+0.2	14	15	+10.9
Japan	31	31	+1.6	13	13	+0.7
France	89	69	-22.8	16	12	-28.2
China	20	30	+54.6	6	9	+48.0

Source: Verband Deutscher Weinexporteure

NOTE TO STATISTICS: According to the German Wine Institute, the figures for most European markets registered significant declines because of a change to the methodology used to compile the figures.

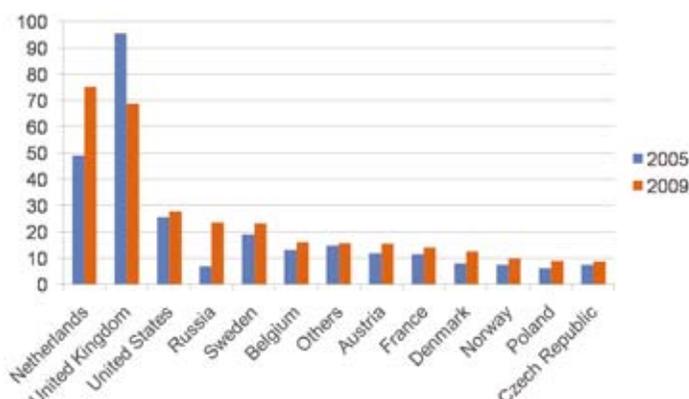
# Germany by numbers

**Evolution of the wine market in Germany 2005-2010**



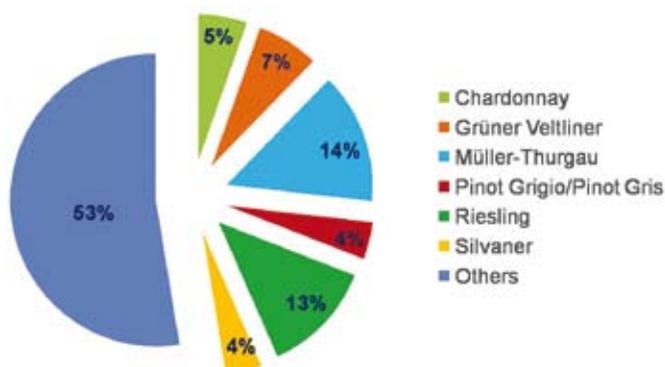
In 2010, 238 million 9-litre cases of wine were sold in Germany. The overall 2010 volume performance improved on the 2009 dip, with sales declining by just -0.3% compared with -1% in the previous year. The recession has been the main reason for the dip in 2009. However not all categories face declines – for example, non-grape wine. This performed particularly well with total volume sales growth of almost 3%. The introduction of flavoured fruit wine variants aims to make it more popular outside its traditional consumer base in the Rhineland. Other sparkling wine grew by more than 1%, benefitting from consumers trading down from champagne.

**Exports of German wine by country in 2005/2009 Volume**



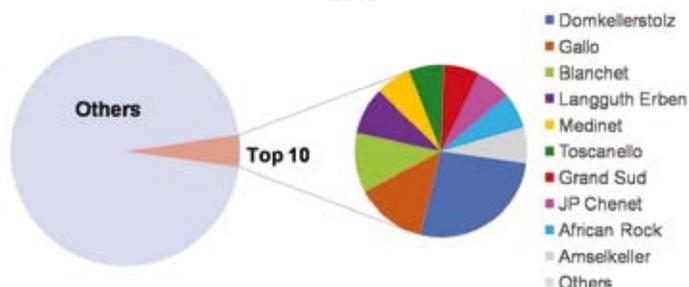
The main export markets for German wine remain, above all, the US, Great Britain and the Netherlands. It is important to note that, despite a growth in total exports, the export volume declined due to the impact of the economic crisis on the US and UK markets in 2009.

**Volume % breakdown of still white wine by grape varietal in Germany - 2010**



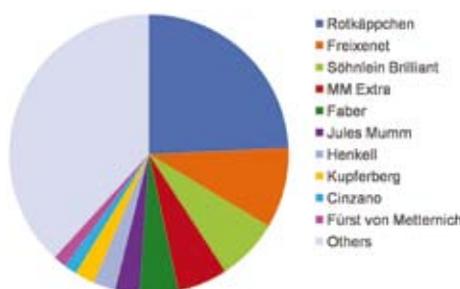
Grape varieties consumed in Germany continue to be in particular the white Müller-Thurgau variety, ahead of Merlot and Riesling. White wine varieties combined continued to lead consumer demand over, while red wine varieties continued to be mainly the domain of imported wines, notably from France and Italy. The market is further featuring a wide range of some 100 grape varieties. Around 20 remained of commercial importance and accounted for another 10%-20% of volume sales. The remainder were wines that were a blend of two or more grape types.

**Top 10 Still Light Grape Wine brands in Germany 2010**



The market remains dominated by domestic manufacturers, with imported products playing a minor role. But over the past five years the role of imported brands has become more important, with wines from South Africa being among the main beneficiaries, not least due to the advantageous exchange rate.

**Top 10 Other sparkling wine brands in Germany (excludes Champagne) 2010**



The leading wine company on the German market remains the domestic Rotkäppchen Sektellerei GmbH with 5% market share. This can largely be attributed to the company's strong presence across sales of Other Sparkling Wine, with a market share of almost 34%. The company has seen an ongoing expansion over the review period.



Messe Düsseldorf/Tillmann & Partner, Abdruck

**Hamish Smith** previews this year's ProWein in Dusseldorf

# Come one, come all



Messe Düsseldorf/Rene Tillman

**A**s an odd year, 2011 is a busy time for the wine and spirits industry. With only weeks separating them, the three biggest shows – ProWein, the London International Wine Fair/Distil and Vinexpo – are all in (their respective) town. Of course, there's the usual jockeying for supremacy, with crowding over floor space, footfall and international participation aplenty. But of the three, raising the first glass is ProWein – the Düsseldorf-stationed exhibition from March 27-29.

### Exhibitors

Now in its 16th year, ProWein is a wine event that's reached maturity. For 2011 it has a record 3,500 exhibitors billed – a significant victory over Vinexpo, which boasts 2,400, and LIWF with 1,200.

“We are completely booked-out. We have a waiting list, but no space left,” says the event's director Danila Avdiu.

Exhibitors are of 50 worldwide extractions, but a breakdown reveals a leaning towards Old World producers. Eight hundred exhibitors are from Germany, 700 from Italy, 630 from France, 500 from Spain, 360 from Austria and around 300 from the New World. “We also have a big participation from the Portuguese companies,” says Avdiu.

Eastern Europe is also well represented with 100 exhibitors from Bulgaria, Estonia, Georgia, Croatia, Moldova, Montenegro, Romania and Slovenia.

Among the more established long-haulers making an appearance are New Zealand, the US, Chile, South Africa and Argentina.

New Zealand Winegrowers is supported by 17 of its wineries and can be found at Hall 6, Stand E72. Also in Hall 6 will be Brazil with

▶ p38

# ProWein Preview

Messe Düsseldorf/Tillmann & Partner Abdruck



Messe Düsseldorf/Rene Tillman



## The ProWein particulars

**Organiser** Messe Düsseldorf

**Contact** +49(0)211 4560 900 / [www.prowein.com](http://www.prowein.com)

**Venue** Düsseldorf, Exhibition Centre Halls 3, 4, 5, 6, 7 and 7a, Entrances Nord and CCD.Süd

**Day ticket** €37(cashiers)/€28+ postage (online)

**Three-day ticket** €59 (cashiers)/€51+ postage (online)

ProWein organisers Messe Düsseldorf have introduced a new entry system. With an e-ticket, visitors will now be able to print their own visitor badges on entry, avoiding manual processing and long queues. "This is a real benefit for our customers", says Avdiu, "it'll be a really fast lane".

11 exhibitors, Uruguay with nine and India with 10, while Japan will be making its ProWein bow in Spirits Hall 7a. In total there will be 300 spirits exhibitors, 70 of which will be dedicated spirits companies.

### Visitors

Visitor numbers are forecast to be around 36,000 this year, a number significantly shy of the 50,000 expected at Vinexpo. But, according to Avdiu, the daily visitor number is the true measurement of footfall.

At ProWein – a three-day, not five-day, event – that's 12,000 pairs of legs through the doors each day, 81% of which are "involved in purchasing decisions at their company".

ProWein has in the past been accused of having an over-representation of northern and eastern European visitors, but to Avdiu Eurocentricity is common across all the big shows. "There's no wonder that most visitors to wine shows come from Europe. You have free business with no regulations – except for the Scandinavian states."

She adds: "In Italy you have around 10,000 sommeliers, in Germany 800. In Japan there are only 200-250 importers – so there are only

200-250 potential visitors." Members of the wine trade will also have the opportunity to learn more about industry qualifications with The Institute of Masters of Wine. The showcase will take place from 16.30-18.00 at the Down2Earth stand, Hall 6 G90.

### Events

Since last year ProWein has grown a few thousand square meters and is measuring-up at around 80,000m<sup>2</sup>. Six halls will house the many exhibitor stands and more than 300 events.

According to Avdiu, ProWein's focus is on encouraging dialogue among professionals, so the vast majority of events are at the stands of the exhibitors. "It's so visitors don't have to leave the hall [they are in]," she says.

Of the big events, the grand attraction is probably the central Wine Tasting Zone in Hall 6, where 1,000 international wines will be showcased under the themes Experiencing Trends: Tradition vs Modernism, and The Impact of Oenology on the Style of a Wine.

After last year's debut, Down2Earth – the collaboration between Argentina, the US, Chile, New Zealand and South Africa – is back, with a series

of seminars, tastings and wine and food pairings in Hall 6. "The five countries have a remarkable marketing cooperation," says Avdiu. "They rent one space of around 100sqm to make the topic of New World wines more public. They know that they are competitors but they give the visitors the possibility to taste and compare the new wines of the New World. It's such a progressive idea."

The Special Show this year is Wine's Best Friends, with worldwide delicacies and fine foods partnered with wine, also in Hall 6.

Hall 4 will be the place to go for green-minded buyers. Armed with a special pocket guide, visitors will easily be able to find the 150 organic wines on show.

And trade journal *Weinwirtschaft* will be running a tasting of the "top-wines" from the international organic segment in Hall 6. The German Wine Institute's Trio Pinot will also be on show this year, with exclusive Pinot Noirs, Pinot Gris and Pinot Blancs at stand G86 in Hall 4.

Perhaps one of the event's biggest draws comes from outside of the ProWein perimeter. Düsseldorf restaurants, clubs, bars and wine stores are signed up and will be holding events under the banner ProWein Goes City.

Armagnac has pinpointed three countries as target audiences for this year. **Richard Woodard** looks into the spirit's plans for expansion

# Market forces

Photo: Shutterstock

**I**f last year's 700th anniversary celebrations were all about armagnac's past, the first few months of 2011 are looking firmly forward to the sector's future as it targets new markets – with a strong focus on the Asia Pacific region.

Generic body the Bureau National Interprofessionnel de l'Armagnac has its sights on three export destinations over the next three years – China, Japan and Australia – while maintaining activities through its teams of ambassadors in core markets like the US and the UK.

The choice of China comes as no surprise, but Japan and Australia have raised a few eyebrows among the region's producers, some of whom are privately questioning the wisdom of prioritising a declining market like Japan in particular.

As such, there's probably no better time to run the rule over these and the other main markets for armagnac, with the input of the producers whose export

efforts will help to shape the evolution of the sector over the course of the BNIA's three-year programme.

## China

There's no denying the logic of the BNIA's targeting of the emerging market for luxury goods – a country whose love of expensive red Bordeaux, cognac and blended scotch whisky apparently knows no bounds.

"We have to be there because the market is so huge we can't afford not to," says BNIA head of communications Sandra Lemaréchal. "We will place armagnac as the high-quality alternative to cognac, but we can't handle things in the same way as with the other countries."

To that end, the BNIA has enlisted a local PR agency – arguably a smart move in a country where local knowledge is crucial – and will target opinion-formers at five or 10 events.

But if the speed with which China has developed as a drinks market encourages producers to scent an early return on their investment, they should beware, says Denis Lesgourgues of Château de Laubade.

The company has an employee based in Shanghai and has been working there seriously for three or four years "and now it starts a little bit to pay off", says Lesgourgues.

He adds: "It's so complex as a market and so new and so different. The knowledge and the education about armagnac is obviously very thin. That's not so much what worries me because it's already a huge market for cognac, and armagnac should find its place there as the most premier and artisanal brandy from France – representing savoir-vivre, art-de-vivre, the high end.

"What is more difficult is the distribution. We have to really find the right partners who believe

**Laid down ready for new markets such as China, Japan and Australia**

► p42



## Mixed reactions to mixable Blanche

Blanche, Armagnac's mixable white spirit and the youngest appellation contrôlée in France, excites widely varying reactions from producers around the region.

Some simply don't make it and react with a noncommittal, uninterested shrug when you ask their opinion; others are enthusiastic embracers of a product which could theoretically blaze a trail for armagnac into the style bars of the world.

Perhaps the biggest obstacle for consumers is the counterintuitive concept of a mixable white spirit coming from a brandy-producing region. "I think that it is a little complicated to promote because our customers know that armagnac is brown so it takes time to explain this new appellation," points out Florence Castarède, of Castarède Armagnac.

This may help to explain why leading players such as Janneau and Pernod Ricard-owned Marquis de Montesquiou are yet to produce any blanche, although Janneau's Fabio Massimo Giovinetti is maintaining a watching brief – and insists the quality of the company's distillate is well-suited to making the product.

Thanks to strict rules drawn up by the BNIA and adopted by producers, there's no doubting the quality of blanche as an eau-de-vie that marries purity with character, but the dilemma lies in the marketing.

Ryst-Dupeyron, for instance, labels its Crystaly Blanche as Wine Vodka from Armagnac, using a bottle that owes more to the polmoses or distilleries of Poland than anything you'll find in Gascony.

But Denis Lesgourgues of Château de Laubade is wary of apeing vodka too closely. "I think it has a future and it's a fantastic, wider proposition to the regular armagnac," he says, "but this market is very difficult because the category is not a category.

"We are not a vodka, we are not a grappa. We are still finding our way. Is it major in our sales? Definitely not. 'Real' armagnac will remain our major focus."

Laubade launched Blanche in Las Vegas in 2007, enjoying early but only transient success in the gambling hotspot's top bars. However, that early success grabbed people's attention and now Vegas is a strong destination for Laubade's high-end aged armagnacs such as XO, Extra and its strong line-up of vintages.

"Blanche has been a great way to introduce our brand that is now the leading armagnac in this market," says Lesgourgues. "But at the end of the day, what sells is the 'real' armagnac – Bas-Armagnac, aged in oak."



in armagnac and who will think about the future of armagnac. We have been learning so much, but we don't pretend to have the truth about what should be the best for our brand."

Lesgourgues advises seeking regional distribution, simply because of the size of the country and the huge differences between cities such as Shanghai, Hong Kong and Shenzhen.

Florence Castarède of Armagnac Castarède has been visiting China for five years, agreeing that the biggest challenges are to find the right partner and to build a reputation in a brand-hungry market that adores names such as Lafite, Hennessy and Chivas Regal. Castarède has a few "interesting" contacts there now and expects to start operating in the market soon.

Janneau is in a similar position – looking for the right partner despite a historic presence on the market from when it was owned by Martell and benefited from Seagram's strong local distribution network. Janneau's Fabio Massimo Giovinetti needs no convincing of the potential of the market – but thinks it is difficult to "get a grasp" of the country and access the right kind of distribution.

There's also widespread agreement that armagnac has a big challenge in terms of consumer education, although it can build on the existing reputation of cognac and accentuate its points of difference –

artisanal products, diversity, vintages.

Benoît Hillion, commercial director of Dartigalongue, sees another positive for the sector in its "better price/quality equation than cognac", while Marquis de Montesquiou's Bruno Gazaniol highlights the Chinese aspiration to premium French products – particularly those which can match luxury packaging to the quality of their liquid.

But China won't be for everyone – not yet, at any rate. Jacques-François Ryst of Ryst-Dupeyron is cautious about the fact that Chinese consumers know little or nothing about armagnac today. "It's definitely a market for the future, but it will take time and no doubt the kind of investment that we just don't have for the moment," he says.

## Japan

Probably the most controversial of the BNIA's chosen target markets, Japan was historically a strong destination for armagnac, but has been in steady decline for nearly 20 years amid economic stagnation – and has slipped out of the sector's top 10 export markets as a result.

It's a market that most of the Cognacais have given up on, but the BNIA's Lemaréchal believes armagnac has a stronger French image (d'Artagnan etc) than its rival and can build on the Japanese love of French cuisine through an association with chef/ restaurateur Alain Ducasse, a cult figure for Japanese foodies with a strong local presence.

However, even Lesgourgues is uncertain, despite Laubade's strong position through a Mitsubishi-owned distributor/wholesaler/retailer. Highlighting the reduction in corporate budgets and the on-trade, he asks: "Can it go back to what it was in the past? I am not sure, but I really doubt it because wine has taken more and more of a position, and maybe the consumer has changed as well."

Giovinetti is similarly dubious, recalling Janneau's previous strength through a Seagram/Kirin distribution joint venture, and hankering after the kind of high-profile position now enjoyed by single malt whisky.





“If we can get the Japanese to look at armagnac in the same way as malt whisky, it would be great,” he says. “That’s beginning to happen in other markets, but in Japan at the moment we haven’t really prospered.”

Ryst at least is more optimistic, basing his positivity on Japan’s love for French cuisine and products, but warns that it is vital to present armagnac as a “cultural” product to be discovered by connoisseurs.

And Philippe Layus-Coustet of De Montal has found some success by tailoring its product presentation to the market, presenting the company’s vintages in 20cl bottles on a wooden tray for restaurants and clubs. “The 20cl bottle is a very cute gift idea which suits Japanese consumers,” he says. “Moreover, we are pushing Blanche de Montal as a trendy cocktail ingredient for sophisticated clubs.”

### Australia

At first glance, not an obvious destination for armagnac to target. “We were looking for a country where nobody else is,” says Lemaréchal. “In Australia they have a very high standard of living and a strong wine culture. They also have a taste for healthy, natural products which come from the earth. Terroir is very important.”

For the moment, however, producers have little to say about their plans for the country. Janneau is the market leader, says Giovinetti, with listings in the major chains. “We look forward to growth,” he says. “But there again, why Australia? There is definitely growth, but we know that Australia has fairly high taxes on alcohol and it’s not that easy.”

### Other markets

The BNIA focus on China, Japan and Australia does not mean that armagnac will spend the next three years ignoring other destinations, especially core markets such as the US, UK and other western European countries.

Of all of these, the US is the strongest priority for most producers. “I think the BNIA should put all its efforts into the US,” argues Giovinetti. “The US has to



have the most immediate potential for armagnac. It’s all about premium spirits, it’s been growing and it will grow again, and really the BNIA should do something more about that.”

Giovinetti floats the idea of “five or six” producers banding together to present a stylistically diverse collection of armagnacs to the market, pooling their resources and championing an initiative not unlike Diageo’s hugely successful Classic Malts range (although it’s highly doubtful whether armagnac can match the multinational’s marketing budget).

Laubade has been operating in the US for a decade, taking over a small importer in New York to provide a logistics and service base for its various transatlantic trade partners. Lesgourgues admits that the market has gone through a “tough time”, particularly for top-end products such as vintages, but cautiously points to recovery in the shape of increased sales of US\$40-\$80 blends.

The challenges of the price-conscious, economically fragile UK market are well-documented, but this remains a priority market for all the major players. At Marquis de Montesquiou, Gazaniol has pursued a two-pronged strategy: luxury products such as Cuvée d’Artagnan and Louis 1er, alongside a new, more mixable VSOP launched in new packaging last year. “It’s a market of connoisseurs,” he says. Janneau’s Giovinetti

### Provisional armagnac export shipments, 2010

Main markets	Volume (hl pure alcohol)	Change vs 2009 (%)
UK	673	+5.3
Germany	521	-3.9
Russia	487	+25.7
Italy	428	+24.3
Spain	393	0.0
US	325	+28.2
<b>Total (all)</b>	<b>4,869</b>	<b>+14.0</b>

Source: BNIA (NB provisional figures, not complete)

also sees potential closer to home, finding new distribution in the company’s historically weak domestic French

market, and voicing satisfaction with growth in the UK through importer Fells.

“I think armagnac still has a way to go in Europe,” he argues. “People think it’s too mature, but if we want to appeal to the consumer of single malts, armagnac could provide a new taste. While the big multinationals are all looking at the Far East, we could concentrate on Europe.”

So, while the BNIA will spend the next three years focusing mainly on China, Japan and Australia, the producers have their own priorities and targets. Sometimes these will coincide with the generic strategy, sometimes they won’t – and it would be wrong to suggest that the sector is wholly united and pushing in one single strategic direction. It all amounts to a global picture for armagnac as diverse, fascinating and complex as the product itself. **DI**





## Premium Bar Ingredients



# What's cooking?

**As cocktail recipes start to resemble nothing so much as gastronomy, **Jaq Bayles** finds out what are the must-have premium ingredients – and why**

**B**artenders are borrowing more from the kitchen as the culture of the celebrity chef creeps into cocktail creation. And herbs and spices have become flavour of the month – and indeed the year – when it comes to premium bar ingredients.

With efforts to create their own ingredients marking out the high-end cocktail bars, there is a call further down the rankings for ready-made ingredients which emulate this attention to detail that not all bars have the staff, time or capacity to source themselves.

“We’re borrowing from the kitchen – not just in technique, but in ingredients. We may call ourselves bar chefs,” suggests Copenhagen-based mixologist Humberto Marques, who to this end has put together a comprehensive list of how to combine herbs, fruits and spices in cocktails.

Others have famously gone further,

notably Tony Conigliaro, a Heston Blumenthal of the drinks world, who has a laboratory above his bar on 69 Colebrooke Row in London where he redistills spirits using a rotary evaporator. One of his creations is a vodka infused with horseradish.

But while some of the world’s finest style bars may be reputed to have members of staff dedicated daily to chipping ice off blocks in their cellars, many others rely on more convenient methods to deliver their essential ingredients, which is where the likes of Funkin, Monin and Fever-Tree find their forte.

Mixologist Ben Reed, who has helped create Funkin’s latest range of fruit blends, Funkin Pro Fusion, says: “The trends that are emerging in top-end cocktail bars around the UK today are ones that set the high-end bars even higher up in the world rankings. The tendency to create many of the

ingredients in house seems to be the presiding one.” But, as he points out, “the average bar is still buying in lime juice”.

However, those bars still want their ingredients to be of the finest quality, offering consistency as well as ease of use and probably providing an element of cost control too.

Funkin’s marketing manager, Jaye Stahlhut, says for the Fusion range the company originally looked at around 30 prototype mixes put together by Reed before shortlisting nine and taking them to the Imbibe Bar show 2010.

There, some 400 delegates sampled the range and the Fusion cocktail competition also helped to reduce the nine to the final three: Blackberry & Madagascan Vanilla; Mango, Red Pepper & Hot Pimento; and Mango, Calamansi & Lime.

“The range is intended to inspire creativity,” says Stahlhut – an **p46**



**Ben Reed: ‘The tendency to create many of the ingredients in-house seems to be the presiding one’**

# Premium Bar Ingredients



attribute that seems to intensify in the bar scene with every year that passes.

James Coston, brand ambassador for syrups-maker Monin, says the drinks industry has developed hugely from the days of the simple cocktail. "Herbs and spices are very popular at the moment and bartenders are experimenting with more exotic and extravagant flavours.

"Bars and pubs need to meet customers' demands by offering new and exciting drinks but at the same time can't afford to ignore the classics, which are currently enjoying a revival. Getting that balance right is essential to staying ahead of the competition.

"Now bartenders are having to develop new ideas and flavours and find things to wow people and get their taste buds tingling. They are

finding ingredients they haven't found before. Things that can be a risk – that's why cocktail menus can be so vast and go from the simple to outside the box."

And with that comes a new sense of bartending as "no longer just pouring a drink – it's seen as a skill, interpreting new things".

Monin has a list of some 100 flavoured syrups – and it is Coston's job to alert bartenders to that fact.

While some flavours may be easy for mixologists to create, there are others that might fox even Blumenthal.

There's basil, cardamom – even bubblegum and peanut butter – in the Monin range. "We're trying to make products you maybe can't make yourself. We don't think a bar would be able to make a liquorice syrup with any sort of success," says Coston.



James Coston

"The Daiquiri is very in-vogue, especially raspberry and strawberry flavours. Bartenders are also trying out more unusual Daiquiri recipes, for example adding Monin Bubblegum syrup, which is particularly popular with female consumers."

Funkin's Stahlhut says it's the hard-to-source ingredients that have become a focal point for bartenders now used to not having to rely on their local greengrocers for year-round fruit options.

And one company which knows the importance of provenance to bartenders is Fever-Tree, the founders of which seem pledged to go to the ends of the earth for their ingredients. Among the list are quinine from the Congo, ginger from the Ivory Coast and lemons from a single grove in Sicily.

The company's sales manager, Tom Armstrong, says the company's tonic water is performing particularly well as the gin category undergoes a surge in popularity, while ginger beer seems to be the latest must-have ingredient.

He adds: "As ever bartenders seek to perfect every drink they serve and to add their own personal stamp. One of the things I've noticed recently is the quest to deliver the perfect G+T – serves range from the style of the glass used to the garnish it's presented with."

The age of experimentation is clearly in full swing as exotic flavours and authentic products become ever more accessible to bartenders thanks to the pioneering efforts of the companies providing back-bar staples.

With food and drink pairing moving well beyond what colour wine goes with what colour meat, cocktails and aperitifs will no doubt become even more daring in their use of these culinary-inspired ingredients over the coming months and years. **DI**

## The expert's view



Copenhagen-based Humberto Marques, of Mix Sensations (mixsensations.com), gives his take on current bar trends

### What's in fashion at the moment cocktail-wise?

I dare to say it is still the classics. Bartenders still have this obsessive fanaticism with the 1800s and earlier. We can see a lot of speakeasy

style these days. But I do believe it is really important and educational to know and appreciate the bar culture beginnings, but we are definitely moving on to more progressive ideas in this industry.

### What are bartenders experimenting with most?

Developing their own cocktail bitters is something bartenders are doing, from herbs, fruits and spices, and spirit infusions is another example I find really interesting because it means we are progressing more and more. Also we have started producing our own syrups of herbs, fruits and spices.

More and more ideas and experiences come along and I believe this will be the new trend in the future – we always will be connected through the bar culture of the past but we will move on a more progressive level.

Ice has become as important an ingredient as any other, due to modern advances such as premium ice machines which produce high-quality ice and crushed ice to suit guests' expectations while meeting quality standards.

### What is your favourite cocktail recipe of the moment?

#### Eucalyptus Martini

Created back in 2004 In Edinburgh at Oloroso cocktail bar (where Marques was mixologist) this soon became well known in the city and a favourite of guests and bartenders.

#### Ingredients

5cl Tanqueray gin (other recommended gins – Plymouth, Millers gin, G'Vine )  
3cl home-made eucalyptus syrup  
3cl fresh squeezed lime juice  
1.5cl Cointreau  
Dash egg white

#### Method

Dry shake and shake all the ingredients over ice and double strain into a cocktail glass

#### Garnish

Floating eucalyptus leaf



## RIGHT ROYAL INDULGENCE



To celebrate a certain upcoming wedding, throughout April the Not Afternoon Tea menu at Harvey Nichols restaurant the OXO Tower Brasserie will receive the Royal treatment.

Guests at the London venue will be given the option to upgrade to a Royal Not Afternoon Tea featuring desserts with a Royal theme accompanied by a matching champagne cocktail.

Guests choosing the Royal option will also get a wedding favour to take away.

OXO Tower pastry chef Penny Wabbit's creations are said to be "fit for a Princess".

Among the choices is The Chocolate Indulgence tasting menu, comprising Cocoa Nib Mousse; Bitter Chocolate Tart, Macadamia Nut Praline; Chocolate Rum Fondant and White Chocolate Tonka Truffle. They are paired with Dark-ari cocktail: Havana Especial rum and Myers's dark rum shaken with fresh lime juice and sugar, with touches of cherry bitters and dark cacao.

## WINNER'S WARM GLOW

Finlandia has announced the winner of its International Vodka Cup. Romanian bartender Eduard Gabriel Glisca will now embark on a Finlandia training trip to further hone his skills and expertise.

Glisca, whose winning drinks included Madagascar (aperitif), Passion Love (long drink) and Mali (quick mix), said of his win: "This was my third year trying to compete in the International Finlandia Vodka Cup. It is unbelievable to win. I have worked hard over the past 12 years on my craft and my heart is accelerated with this victory."

Following months of regional heats, which began back in September last year, the search to find "the world's freshest bartending talent" reached its climax in Lapland in February. The cocktail competition saw competitors from 32 countries and the final took place in the Ice Bar of the Lainio Snow Village in Finnish Lapland, 200km north of the Arctic Circle.

More information on the contest is available on [finlandia.com](http://finlandia.com).



## SMITH'S SIPS

**DI's Hamish Smith was at the 2011 Cognac Summit where the big question was: Can you measure pleasure?**

The word 'summit' conjures imagery of political brinkmanship, the thrashing out of peace accords or perhaps poverty-eradicating debt reduction.

So when *Drinks International* was invited to The International Cognac Summit 2011, expectations were giddily grand, albeit in the more sober context of drinks. The Cognac Bureau (BNIC) far from disappointed.

For the 40-strong throng of sommeliers, journalists and bartenders assembled for the event, the bar had been raised. Gone were yesteryear themes of cognac cocktails. In for 2011 was: Can You Measure the Pleasure? According to the BNIC, this was the first attempt by any spirit category to quantify the pleasure of tasting.

To aid us in our quest for quantification was a device that was rapidly dubbed The Cognaculator. With this mighty machine in one mitt (imagine a calculator from the 80s - not a nifty scientific one) and a cognac in the other, we went about the business of translating oral emotion into breakthrough data.

Here came the clever bit. At regular intervals over a three-minute period the group assigned numerical values (from one to 10) to the pleasure they experienced. The data was then zapped to a boffin-manned computer

and, before you could say Cognaculator, we were confronted with a wall-mounted graph representing the pleasure effect of what had by then entered our stomachs.

For many of the participants, measuring pleasure was a daring endeavour, but one with a problematic premise. Pleasure is, after all, a subjective emotion, driven by taste, mood and context, so relating numerical values is tricky. In practice we were measuring intensity - not pleasure - which, granted, lacks the rat-a-tat-tat rhythm of rhyme, but more than makes up for it in meaning.

So what of the results? As one would imagine, the numerical value assigned to pleasure (or even intensity) declined with time in linear fashion. Nothing surprising there.

And what of the summit's conclusions? Some raised the idea of the Pleasure Zone - a window of flavour intensity between 45-90 seconds - others raised the idea of the Cognac Clock as a mode of pleasure indication.

And then there were those who just raised eyebrows.





## THE CUBISTS ARE COMING



Petrosian has introduced the Caviarcube as an accompaniment to aperitifs and cocktails. The pressed caviar garnishes are stored in oil-filled glass jars, each holding 18 pieces, and are available in the US and Europe. Here are a couple of Vodka Martinis – or, as the people at Petrossian would have it, Caviar-tinis.

They use 45ml of Russian vodka, a drop of vermouth and are shaken, not stirred.

### THE SLICE & DICE

Top a thin slice of cucumber with a Caviarcube. Pierce both with a cocktail stick, ensuring the other end of the stick rests on the bottom of the glass, while the cucumber and cube end is not submerged.

### THE RUSSIAN TRADITION

Place a lemon twist in your Caviar-tini. Pierce a Caviarcube or two and rest on the side.

## STATES GET RARE TREAT FROM THE BALVENIE



The Balvenie has launched a US search for craftsmen and artisans to take part in a new initiative – The Balvenie Rare Craft Roadshow.

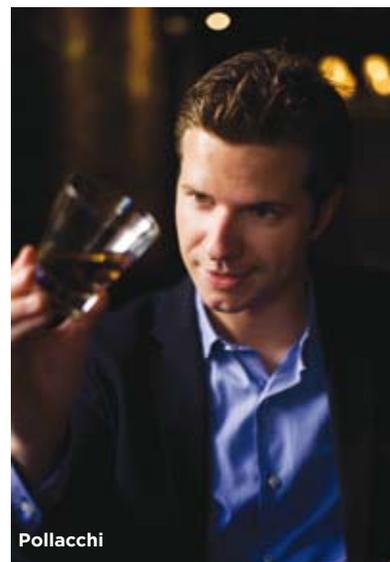
The event is a celebration of craftsmanship that will travel the US “discovering and honouring the people who maintain a dedication to the practice and preservation of traditional crafts”.

The Balvenie ambassadors, Andrew Weir and Nicholas Pollacchi, will go from city to city in a suitably handcrafted Morgan Car, visiting the workshops, studios and stores that are keeping rare crafts alive, learning more about the craftsmen and their respective crafts along the way.

From brewers, vintners and cheesemakers to apothecaries, bicycle makers and all points between, The Balvenie Rare Craft Roadshow aims to discover and celebrate the burgeoning community of like-minded American artisans.

“We are thrilled to begin our journey in search of the best craftsman this nation has to offer and cannot wait to see what we uncover,” said Andrew Weir, Eastern US ambassador for The Balvenie.

The Balvenie Rare Craft Roadshow will kick-off on March 10. Interested participants can learn more about the programme and sign up by visiting The Balvenie Rare Craft Roadshow website at [balvenie.com/roadshow](http://balvenie.com/roadshow).



Pollacchi



Weir

## NEW FAVOURITES ON AMERICAN BAR SCENE

There's a saying in Ireland: “What's the bars?” It's means “what's happening/what's the gossip?”.

This month at *Drinks International*, we've been searching for “the bars” on exciting US openings.

The behemoth nation is never short of a new offering and among our favourites is The Astor Room, 34-12 36th Street, Astoria, Queens.

The new venue says of itself: “The Astor Room was originally build as the commissary to the studio opened by the legendary Adolph Zukor in 1920. The studio soon became home to Paramount Pictures and, during the next 20 years, over 120 silent and sound films were produced here...”

The venue is designed to be a contemporary take on an American supper club.

From the cocktail list you can sip a Valentino (vodka, gin or rye, Campari, sweet vermouth, orange twist) for \$10 or a Filmograph (brandy, lemon juice, kola tonic) for \$10.

Maude's Liquor Bar has been causing a stir (and a shake) down in Chicago. The cocktail list is beautifully simple with “sparkling”, “stirred” and “smashes” to choose from. We'd opt for a Smokey Violet smash – made with peaty scotch Laphroaig. If heavy's not your bag, try a St Germain Fizz (Death's Door vodka, Aperol, St Germain and soda).



# Captain Morgan rocks

Captain Morgan and his Morganettes were on hand for the official opening of the Captain Morgan on the Rocks bar on the Bahamian paradise island of Half Moon Cay (see pages 18-19).

A splendid time was had by all. Bemused cruise liner day trippers were treated to free t-shirts, head bands, wristlets and necklaces while benighted journalists and Diageo organisers looked on.

The good captain worked his piratical boots off entertaining everyone while the scantily clad Morganettes provided the male fraternity with something other than the gorgeous views of sun, sea and sand to look at.

Not sure what Capt Jack Sparrow, aka Johnny Depp, would have made of all these shenanigans. As for how the middle-aged cruise passengers would react if the Black Pearl hove to, one dreads to think. A tot of rum may help...



# Havana Club's cruise line-dancing days

Havana Club rum is busy telling the world about all things Cuban – even cruise ship holidaymakers on the Baltic Sea.

The Pernod Ricard brand joined forces with Viking Line and its Cuban Dance Revolución cruises.

Six vessels salsa-ed their way through the icy waters and punters enjoyed concerts by the “legendary” Finnish band Leningrad Cowboys.

The dance floor was lit with a rotating Havana Club light, with 130 Cuban dancers and six cigarmakers from Cuba, to give an “authentic Cuban atmosphere on all vessels”.



## BOOK SHELF

### The Finest Wines of California

**By Stephen Brook**  
A beautiful book, as we have come to expect from Neil Beckett and the rest of the World of Fine Wine team. When it comes to California, Stephen Brook MW is as good as it gets. For anyone interested in wines from the Golden state, this is it.  
**Published by Fine Wine Editions**  
**Price: £20**



### Platter's South African Wine Guide 2011

**Oliver Cameron**  
Publishing is importing a limited quantity of this annual guide and orders can be placed via [oliver-cameron.com/platters](http://oliver-cameron.com/platters). The 2011 guide is 604 pages of news, reviews and ratings of more than 800 producers and brands, including 58 new entries and 6,000 wines. Also included is extensive information on where to go and what to do in South Africa's wine regions.  
**Price: £15.99 (\$26.99 for non-UK orders) including delivery**



## DRINK AND BE MERRY

A drink a day keeps the doctor away. According to an article published in the *British Medical Journal*, moderate drinkers are 14%-25% less likely to get heart disease, compared with teetotallers. The article is a review of 30 years of research.

Lost in TRANSLATION

IT IS UNBELIEVABLE TO WIN. I HAVE WORKED HARD OVER THE PAST 12 YEARS ON MY CRAFT AND MY HEART IS ACCELERATED WITH THIS VICTORY

FINLANDIA VODKA CUP WINNER  
EDUARD GABRIEL GLISCA



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