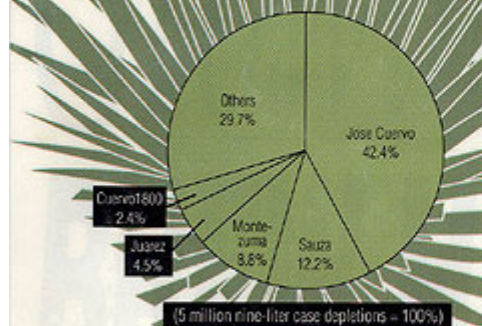


1992 - Share of U.S. Tequila Market



Source: IMPACT DATABANK © 1993

Patron and Herradura, all priced over \$30 a bottle. "People are buying the story behind them," says Freis.

"The story" goes back to the Aztec emperor Moctezuma, who presented hollowed-out gourds filled with a mildly intoxicating concoction to Cortez and his men upon their arrival in Mexico in the 16th century. The Aztecs made their special drink from the fermented sap of agave plants, which the Spaniards called *pulque*. By trial and error, the Spaniards soon discovered that they could produce a smoother drink by roasting the inside core of certain varieties of agaves. They found that the blue agave, which looks like an oversized pineapple, or *piña* in Spanish, and weighs about 150 pounds, produces the most flavorful drink.

According to Mexican law, Tequila must be made from the blue agave, which is only grown in a limited number of designated regions, and takes anywhere from eight to 12 years to mature. By Mexican law, Tequila must contain 51 percent blue agave. Up to 49 percent may come from cane or other sugars. As a result, the 100 percent agave Tequila is costlier to produce and requires government inspection to certify its authenticity and gain its seal of approval.

Harold Binstein, president of the Gold Standard chain in the Chicago area, a market that

Tequila suppliers consider an "opportunity market" due to its limited per capita consumption of Tequila, has added a few upper-niche items of his own.

He sells a super-premium line of Tequila called Porfidio, imported by American Negotiants Company in Austin, Texas, all distilled from 100 percent blue agave. Porfidio starts at \$35 per bottle for the silver and gold; the añejo (aged), bottled in ceramic, sells for \$70; and the top-of-the-line single barrel añejo, which has a green glass cactus that looks like it's growing inside the bottle, sells for \$75. Even Binstein seems to find it hard to believe. "It may be a gimmick [the superpremiums], but they're selling. This really rounds out your Tequila like single malt Scotch."

Binstein maintains, "If you merchandise it right, you make the consumers feel like they're missing something if they don't go home and make a margarita." According to Binstein, one of the keys to merchandising Tequila successfully, besides the obvious cross merchandising of margarita makings and case stackings of product, is merely having a bounty from which to choose. "We have a big department now like single malt Scotch," he confirms. "We've got about 24 feet of Tequila," more than Gold Standard used to carry, simply because they are available and consumers are curious to try them.

For price/value, Montezuma, marketed by Barton Brands, Ltd., is the undisputed leader. Ranked third in the category, Montezuma vaulted 11.4 percent to 440,000 cases in 1992 from 395,000 cases in '91, accounting for 8.8 percent of the

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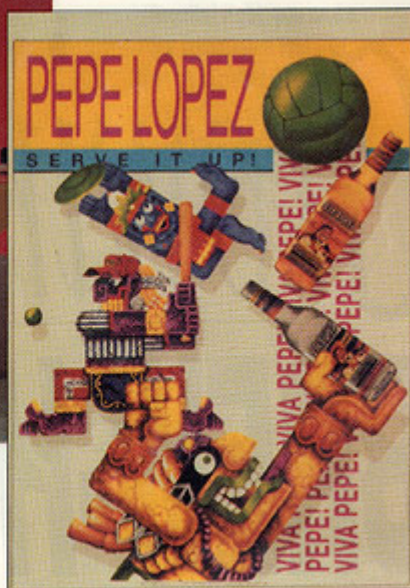
alliance with Chili's restaurants, which are growing by leaps and bounds," says Rakel. Chili's, known for its signature margarita, remains one of the fastest growing restaurant chains with more than 315 units and plans to ultimately become a 500-unit chain.

Juarez is also the Tequila in Chi-Chi's Original Margarita, the restaurant chain's signature drink, at least in 90 percent of the Mexican dinner house's total 230-plus units.

According to John King, corporate beverage manager of Chi-Chi's, at the chain's 203 company-owned units, 46 percent of bar sales are margaritas, and of all the margaritas served, 53 percent are "The Original" — that is, made with Juarez. Another 20 percent are strawberry margaritas and 10 percent are considered "top shelf." By "top shelf," King refers to Chi-Chi's Gold Classic Margarita and its 1800 Margarita, made, respectively, with Cuervo Gold and Cuervo 1800 and served on the rocks. So while the top shelf margaritas receive a lot of promotional attention and are fun for bartenders to mix, the popular-priced bread and butter brands continue to play an important role in the category and have the potential to become an



Party in a Bottle: Pre-mixed, Tequila-based margaritas, like Brown-Forman's new Pepe Lopez Margarita, are hot with consumers.



even bigger player as the mid-scale dining segment grows ever larger.

Harrison Jones, brand manager for Tequilas and rums at Sazerac Company, Inc., in New Orleans, maintains that his number-nine brand, Torada, is "the most completely branded line in the industry." Once again, Torada's 5.9 percent increase to 90,000 cases reflects only its Torada white and gold Tequila; however, the company has a full line of Tequila cocktail products.

Sazerac promotes "one-stop shopping" for margaritas, offering additional brands of Tequila,

including the super-premium

Heradura, distilled from 100 percent blue agave, and everything from the .mixés (alcoholic and non-alcoholic) to a margarita cocktail and schnapps to a

"freeze-n-squeeze" margarita, packaged in a PET bottle, to the salt to rim the glass. The completeness of the product line, supported by eye-catching p-o-s including case cards and permanent displays, translates into good business, especially in the Gulf Coast — Alabama, Mississippi and Texas, Jones says.

Presently, Tequila consumption is skewed to the West and the Southwest, with the states of California and Texas leading in per capita consumption (see map, page 34). Tequila additionally has a stronghold in Alaska and Hawaii on a per capita basis, both areas of the United States that are typically not known as "Tequila country."

But the challenge that Tequila faces today is to develop "opportunity markets," such as the underdeveloped markets in the Northeast and the Midwest. This top priority for the leaders in the category is becoming easier as everything Mexican continues to become mainstream. King of Chi-Chi's says, "Tequila is experiencing what vodka went through three or four years ago." Vodka could be one good indicator, but the recent news that salsa sales have overtaken ketchup could tell it all. □



One-stop Shopping: Sazerac has a full line of Tequila products.

