

DRINKS

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**ITALIAN MARKET: SQUARING UP TO CHANGE
WHISKIES OF THE WORLD: ECLECTIC POWER
TEQUILA: QUALITY THREAT TO IMPOSTERS
ISRAELI WINE: BROADENING HORIZONS
RUM: VARIETY ADDS SPICE**

**THE WORLD'S TOP 100
SPIRIT BRANDS**

Quality safeguards are on the table

□ PROPOSED CHANGES to the legislation governing the production of Tequila could lead to a major shake-up in the international market place. Discussions are under way between the Mexican Government, the Camera Regional de la Industria Tequilera and a number of Tequila producers which could result in a clamp down on the use of the term "Tequila".

At present, the Tequila industry is regulated by two laws - NOM-006-SCFI-1993 and the Denominacion de Origen. However, little effort has been made in the past to enforce these laws and this has resulted in very loose control. There have been several cases of "local" Tequilas turning up in the international market place and there is concern among the serious players that in some cases consumers are being seriously misled.

"If interpreted thoroughly, the laws disallow any "Tequila" which is not owned by a producer - defined as someone owning and operating a distillery within the area delineated by the Denominacion de Origen. The brand should also be registered by the owner in Mexico," Louise Walsh, manager of the international department at Tequila Herradura, told *Drinks International*.

If and when enforced, the implications of these laws are significant for many brands of Tequila which are not owned by producers. International regulation and enforcement, if the Mexican Government can be persuaded to push for them, would indeed change the face of the category as a whole.

Among others lobbying the Mexican Government to tighten the controls are Jose Cuervo. IDV's Chris Nadin told *Drinks International*: "I do believe that there are some pretenders about in the market place. It is in everybody's interest to ensure that the regulations are strengthened and there is a lot of talk about this happening now."

While any responsible company within the industry should

Arriba challenges Sierra



CHALLENGING the dominance of Borco Marken's Tequila Sierra in the German market are Dethleffsen with their Tequila Arriba, which was launched at last year's VINEXPO. Dethleffsen - better known for their traditional flagship Bommerlunder and the Norwegian import Linie Aquavit - are looking to capitalise on a buoyant market segment which is geared to younger consumers.

Arriba's growing success in both Germany and a number of other European markets, is attributed to its eye catching presentation with the cactus-top, which also acts as a salt cellar. As such it is appreciated by both customers in the retail and Horeca trades as well as consumers.

100% increase over the next two years.

By far the biggest player in the international market is Jose Cuervo which, with 1993 sales reaching the 4.4 million case mark, is also the 13th biggest spirits brand in the world. This is followed by Tequila Sauza which sold some 2.1 million cases in 1993.

However, while these two brands dominate the international market place, outside the traditional Tequila markets there is still plenty of opportunity to develop other brands. Witness the success of Tequila Sierra in Germany which now has a market share of 90% and was responsible for the rapid development of Tequila as a category in that market.

On the other side of the Atlantic, where the Tequila market is much more mature, producers of aged and 100% Blue Agave Tequilas are seeing sales of their brands grow at a rapid rate. The US accounts for some 80% of Tequila exports and trading up is becoming as much a part of the category there as it is for Scotch Whisky. □

Porfidio look to Asia

□ WHILE consumers on the domestic and mature US markets are now becoming increasingly aware of, and turned on to, the concept of 100% Blue Agave and aged Tequilas, elsewhere companies such as Herradura, Patron and Destileria Porfidio have a long way to go in terms of educating drinkers.

"This requires a lot of tedious missionary work and import partners with a vision of the future," said Porfidio's Martin Grassl. However, the company are confident that the message will

eventually get through.

The 100% Blue Agave is a legal designation given to Tequila which is distilled purely from the Blue Agave plant and not blended with anything else after distillation. However under current regulations as long as a Tequila has at least 51% Blue Agave spirit in its make-up it is legally a Tequila and producers do not have to state that it is a blend - which is something of a quality flaw as blended Tequilas account for a sizeable chunk of the market.

"As the European Tequila market matures, the 100% Blue Agave Tequila will obviously gain the same social recognition afforded to single malts in Europe since no open market economy can isolate itself from the trends in the rest of the world," Grassl told *Drinks International*.

Within the overall Tequila category, 100% Blue Agave Tequila is the fastest growing sector. It started to develop some five years ago and has been growing ever since, albeit from a small base. In mature markets such as California, 100% Blue Agave can now be found competing for visibility and space next to the finest Cognacs and single malt Scotch whiskies

in bars and restaurants.

A 100% Blue Agave Tequila can retail at anything from three times the price of Cuervo Tradicional, say, to up to eight times in the case of Porfidio's Anejo Single Barrel Tequila, prices which are more comparable to the finest single malts. "Rather than taking market share from each other, blended and single Agave Tequilas are perfect compliments in a mature Tequila market," said Grassl. "Indeed a 100% Blue Agave Tequila competes for market share against single malts, rather than blended Tequilas, as it targets the same audience."

However, while Destileria Porfidio's Tequilas are performing well in traditional Tequila markets, like the US, and doing well in Europe, notably in Italy, Germany, Portugal and the Czech Republic, the company are planning to concentrate their export efforts on the non-traditional

Tequila markets in Asia and further afield. Porfidio Tequila is already available in Japan, Australia, Fiji and the Philippines.

"I consider Japan a developing market with exceptional potential for 100% Blue Agave Tequila. We see the interesting phenomenon that a disproportionately large percentage of the Tequila market, as compared to the US or Europe, is made up of 100% Blue Agave Tequila, said Grassl."

Porfidio is about to be launched in Korea - and will be the first 100% Blue Agave Tequila available on this market. Other markets being targeted in 1994 are Singapore, Hong Kong and possibly China as Porfidio Tequila will on show at China's first wine and spirits exhibition in Beijing.

"As opposed to other 100% Blue Agave Tequila brands, our company growth over

the last few years has mainly come from the non-traditional Tequila markets which I personally believe is due to our pursuit of product excellence and an integrated quality approach," said Grassl. "In the US we are the only 100% Blue Agave brand which sells approximately the same volume in the non-traditional markets such as New York and other East coast states as in California, Arizona, Texas."

In addition to White, Anejo and Reposada (two month oak-aged) Tequila, Destileria Porfidio have taken the pursuit of excellence one step further and are introducing the first triple-distilled white Tequila on the market. They also have the only extra-aged Anejo Tequila and the only single-barrel Anejo Tequila. In addition the company will be releasing a Tequila which has been aged in French Limousin oak which, technically speaking, will be the first ever Solera Tequila. □

IDV extend Cuervo ties in Europe

□BUILDING on their successful relationship with Heublein in the US, Jose Cuervo International have decided to hand over the sales and marketing responsibility for their Tequila in the European Union to IDV. IDV already represent the **Jose Cuervo** brand in a number of European markets, including the UK, Germany and the Netherlands. However this responsibility has now been extended to cover the entire EU.

"The track record between IDV and Jose Cuervo has been an extremely good one. Jose Cuervo's success with Heublein in the States must have been reflected in their thoughts about what they would do elsewhere," said Chris Nadin, Jose Cuervo's recently appointed European brand director at IDV

Jose Cuervo International established a London office to service Europe, the near East and Africa in October 1993. This is now headed up by Peter McDougal who is working closely with Nadin on developing a European strategy for Jose Cuervo, on a "thinking global but acting local" basis.

"The trick is to work out how to make the brand work in all of our markets," Nadin told *Drinks International*. "But while this is being worked on we have no magical answer. We are thinking and planning our strategy together with the Cuervo team."

While Europe remains a comparatively small and immature market for Tequila, the prospects for the category, and particularly for Jose Cuervo, look good. IDV estimate that sales of Tequila across the EU stand at around 5 million litres, and that this will rise to more than seven mil-

lion litres over the next five years.

"The development of Tequila as a category in Europe is still in the early stages," said Nadin. "There is a lot of work to be done as Tequila is one of the most underdeveloped "real" spirit categories in Europe."

Jose Cuervo, and indeed IDV, are very keen to get across the message of Tequila being a spirit with heritage and authenticity. "We want to develop the premium aspects of the Jose Cuervo brand," said Nadin.

As Tequila is a "fashionable" rather than a "fashion" drink, the company believe it is here to stay. Certainly this has proved the case in the more mature US market where consumers are now trading up and drinking aged Tequila. However, because of its somewhat "trendy" image in Europe there is always the danger that the product could develop as a commodity, rather than a drink with real spirit values, and this is something which IDV and Jose Cuervo are working very hard at to avoid.

Nadin said: "The whole point now is to read the market, analyse and understand it. But we are working in the right category with the right brand which has all the right attributes."

The biggest Tequila market as far as Europe is concerned is Germany with



The Cuervo range includes a gold, Especial, and a white Tequila, Blanco

estimated sales in 1993 standing at 2.1 - 2.2 million litres. However, it is a market which has been more or less developed by one brand, Borco Marken's Tequila Sierra, which controls some 90% of the action.

Tequila sales have grown rapidly in Germany but while growth rates appear to have levelled out somewhat, the market is still developing and Nadin sees a big opportunity for Jose Cuervo there. Other markets they have starred for future development in Europe are France, Italy and the UK, together with

the emerging stars of the future Spain and Greece.

"We will be taking a country by country approach," Nadin told *Drinks International*. "Tequila will reach different stages of development across Europe like all spirits. But the main aim now, is to ensure there is a transfer of knowledge between the markets. We want to make sure one market knows what the other markets are doing."

As the world's biggest selling Tequila brand, Jose Cuervo is clearly positioning itself to achieve the same success in Europe as it has in the US, a market which has accounted for the lion's share of Tequila growth over the last 10 years. Although Europe remains relatively small, Cuervo have their sights set on higher things. □