

Why Tequila Is Becoming The "Spirit Of The New Millennium?"

Tequila is rapidly assuming cult status primarily because it is being adopted by Generation X drinkers between 22-29. Many of these young men and women who have tried Tequila in the past are now, as they start moving out of the low-rent district into homes and condominiums, able to afford to upgrade drinking choices and are curious to try new taste experiences. The original push for them to upgrade came from recent entries on the Tequila menu. Brands such as El Tesoro Paradiso with its Cognac-like presentation, Don Julio from Casa Tres Magueyes launched with great fanfare in the United Kingdom (proving Tequila's broad global acceptance) and Lapiz in its triangular blue bottle.

These new immigrants with their top-of-the-line pricing and packaging spurred mainstream marketers including Jose Cuervo, Sauza and Herradura among others to get on board to turn a Cinderella into a Princess by creating a new international status symbol.

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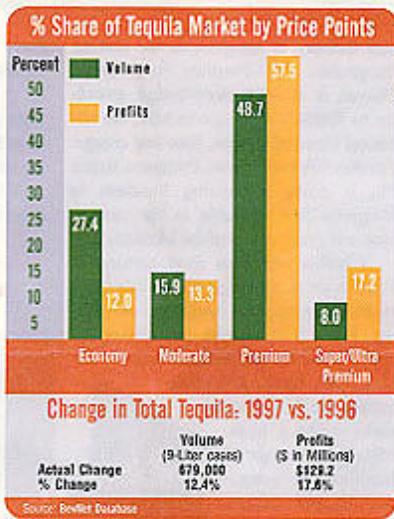
Consider Cuervo's packaging for 1800 Coleccion -- a crystal and pewter decanter encased in leather and suede giving it a "look" appropriate to a Tequila selling for a cool \$1,000 a bottle. "Anyone who uses our Coleccion in a Margarita should be immediately jailed," jokes Alan Weber, Diageo VP Brand Strategy for the category. The category leader, Cuervo (jointly owned by Diageo and the Cuervo family), was faced with a particular dilemma: how to make its products upscale without effecting its existing 7 million-case international business? The answer: Restructure.

Kay Olsen, Strategic Marketing Manager for Cuervo explains, "We will have a Jose Cuervo portfolio containing White, Gold and Añejo along with Reserva de la Familia. And we have split the line. The 1800 portfolio, easily iden-



tified by its pyramid-shaped bottle, will consist of a Reposado, Añejo, Coleccion and a Single Barrel Tequila. The Gran Centenario line will have three products -- Blanco, Reposada, and an Añejo, that all come from Alpos, a high altitude producing area of Tequila." Weber adds, "Overall, with our event marketing programs, we are promoting a lifestyle not just liquid in a bottle."

The second-ranking Tequila is not slacking off either. *Drinks International*, the London-based trade journal, recently named Sauza, which is already at 2.5 million cases annually, the "fastest-growing spirit in the world." Cheryl Palmer, VP Marketing Domecq Importers, is fully aware of Tequila's potential. "In 1997, Sauza represented more than 13-percent of the category with notable gains in our premium and super-premium brands. Tres Generaciones was up 21-percent, Conmemorativo up 8-percent, and Hornitos showed a gain of 32-percent. Our newest label, Triada, is really hot at \$45." Palmer is quick to point to Sauza's advertising, as a major reason for the success. "Our ad campaign, 'Life Is Harsh,' is irreverent and fun and designed to present the core values of the brands. It has had a



great success in positioning them." As far as supply is concerned, Palmer isn't worried. "We own our fields and have excellent relations with growers."

Tequila growth spawns related businesses and vice versa

That Tequila has become more than just an occasional tippie is evident with the number of new Tequila brands and new products to use with Tequila. Take McCormick Distillers with its first Cream Liqueur, Tequila Rose, in a black bottle for protection against ultra-violet rays as well as a very chic look. There's also a fast-growing co-





Jimmy's, Aspen, Colorado, and a 34 - Tequila brand listing.

tage industry in components for making Margaritas. E.G. Freshies Food Corp., Denver, is showing double-digit growth for its Bridal Veil Margarita Mix, an all-natural blend of lemons, lime and orange. Franco's Cocktail Mixes, Pompano Beach FL, is doing a thriving business in Margarita Salt available in the orange, blue, and green colors of the Mexican flag.

Whether Mexican food service or Tequila drinking is growing faster is a question restaurant operators are asking. Growth in Tequila has obviously been fueled by the boom in Tex-Mex spicy foods. But haute cuisine Mexican restaurants report a huge, often unanticipated business in premium Tequila drinks. Mexican ethnic cuisine has moved out of its North American Latin roots into the international arena, particularly the UK and Northern Europe, and has taken Tequila with it to sometimes unexpected places:

- Aspen, Colorado is associated with upper-income consumers and trend-setters. Here, the hugely successful Jimmy's American Restaurant and Bar is a celebrity hang-out for the likes of highly visible personalities such as Kevin Costner and Michael Douglas. These Tequila aficionados and others can choose from a backbar showing of 34 Tequila brands.

- In Moscow, the trendy Santa Fe Restaurant sells 1,000 shots of Sauza every month plus an equal number of Margaritas

every week according to John Cotter, a director for Rosinter Group.

- Gothenburg, Sweden is about as far from Jalisco as you can get, yet in this manufacturing city home of Volvo automobiles, the newest and busiest of its watering holes is El Paso and the featured drink? You got it, Tequila. Skoal!

"I haven't the vaguest idea why, but people are calling for Tequila"



When all the marketing experts are finished analyzing, it remains for retailers to have the last word. Many of them are bemused by Tequila's growth. One Eastern retailer told us candidly, "I haven't the vaguest idea why, but people are taking to Tequila with alacrity. That's fine with us." Hot sellers: Herradura and even its \$300 Supreme, Patron, Cuervo's Reserva de la Familia, all premium brands.

It's a fact. Tequila is on the cutting edge of demand. Can it stay there? Even its name says "Yes!"

In Spanish "Tequila" means, the "rock that cuts," which derives from the rocky *terrior* in which the agave grows.

Here's a spirit type that's been there, seen it and is continuing to "do it."

Herbert Silverman is a veteran newspaper and magazine writer. His current assignments are U.S. correspondent for the UK-based *Drinks International*; spirits writer, *Global Wine News*; and contributing travel editor, *Art News*.

PORFIDIO DISTILLERY GOES UPSCALE TOO



Anyone visiting Puerto Villarta, the fashionable resort area in Mexico's Jalisco state, is sure to want to visit the latest tourist attraction. Only this isn't a wax museum filled with animatronic figures, it's a real state of the art \$4 million Tequila distillery opened after five months of construction for the purpose of producing Porfidio ultra-premium tequila.

Martin Grassl, the founder of Distileria Porfidio recognized the possibility of supply shortages and determined not only to build a bigger, better distillery but also to make one that has little resemblance to large industrial Tequila "factories" or the "down-home" country distilleries.

Architect Carlos Gonzalez Rico who designed a 15,000 square foot complex of small buildings each devoted to one step of the production process and all connected by a zigzag path cutting through lawns and gardens.

Right now, the distillery is awaiting a formal license number from the Mexican government before goods manufactured there can be shipped. Then the receiving area can hold three tons of agaves under a canvas roof, the plant's cooler is capable of producing 700 liters of agave sugar each day; there's a century-old hand-operated stone wheel for extracting juice from the agave pulp. The modern aspects of the distillery come into play in fermentation using a system (reportedly the first in Mexico) of closed tanks where the juice ferments naturally over a period of four days as compared to the more "industrial" four hours of chemically-induced fermentation.

When the 140-seat, open view restaurant/tasting area is completed later this year, the complex will stand as further proof that Tequila is no longer a

"down-home" spirit. Today, it has come of age taking its place alongside the other classic international spirit types in quality, prestige, and versatility.



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