

# LIQUOR GOES HIGH-CLASS

Tiger Export market development manager Hoshang Mehta: "We need to develop close relationships with our retail partners and both need to understand each other's businesses in detail. Retail partners need to be open and flexible - trying out new ideas, new products, new positioning ideas and concepts."

**LIQUOR IS GOING UPMARKET AS CONSUMERS BECOME EVER MORE SELECTIVE. TIGER EXPORT MARKET DEVELOPMENT MANAGER HOSHANG MEHTA SAID: "TRAVEL RETAIL SHOPPERS ARE MOVING INTO A MORE DISCERNING ZONE WITH NICHE PRODUCTS AND SPECIALTY BRANDS EVOKING A LOT OF INTEREST." IF WE'RE GETTING CHOOSY ABOUT OUR BEER, WHAT OF MORE TRADITIONAL PRODUCTS IN THE LIQUOR CATEGORY? ROSS FALCONER REPORTS.**



According to Destileria Porfidio export director Martin Grassl: "There is a definite international trend towards white ultra premium spirits. Surprisingly, this trend has not been shared by Asian countries other than Japan. Therefore, Porfidio targets the aged tequila market primarily in Asia as opposed to other markets where white premium tequilas are in the process of replacing aged ultra premium tequilas." He reported impressive growth of 200% per year in Russia.

Asia in particular is becoming a more interesting market for premium spirits. Distilleria Bottega president Sandro Bottega said the company's sales are growing at a rate of 5-10% per year, highlighting Asia as the most notable growth area. He said: "There is no doubt that Asia is more interesting for high level and top quality liquors. Asians, especially the Japanese and Chinese, are interested in Italian products - the symbol of style." He tempered that slightly, expressing "moderate optimism" for growth in the super and ultra premium segments. "Some of the very expensive spirits - over \$200 - are finding it difficult to grow," he said.

## LOW-COST REVOLUTION

There appears to be a shift away from consumers simply replenishing home supplies towards viewing travel retail as an overall experience and experimenting more with new categories, innovative brands and niche products. Tiger's Mehta said: "Ice wine, liqueurs, craft beers, single malts and

premium cognacs seem to be getting on their radar and into their shopping baskets. Some consumers are even looking at travel retail brands fulfilling a sense of discovery about that location or country, wherein products crafted in that country or representative of that region are appealing to bring back as souvenirs of their visits."

The idea that liquor is bought mainly as a gift rather than a consumption item is propounded by Bottega: "In general, premium spirits have more appeal, but it depends on the area of the world. In some areas like Italy and Spain, customers prefer local spirits in order to buy a destination gift." Mehta agreed: "Liquor is seen as a key gifting tool and an essential value for money purchase in duty free." It is this value for money that Mehta contends has made consumers very price sensitive. "Astute shoppers will know where to get the best bargains. The price equation as compared to buying in the domestic duty paid is also an overbearing parameter in the minds of the shopper," he said.

There is something of a metamorphosis taking place in Asia Pacific with a burgeoning low-cost carrier (LCC) market. This, of course, prompts speculation as to what differences, if any, there will be in the buying habits of LCC passengers. Changi has committed to a dedicated LCC terminal and drew the conclusion that the majority of passengers using it would be no different in their ability to spend than those travelling on full service carriers. On the contrary, it concluded that, due to lower fares, there would be more leisure passengers travelling more often - and they have a higher propensity to shop. Mehta, however, disagrees: "The



The Bombay Sapphire display at Hong Kong International airport includes a display of a large Bombay Sapphire bottle made entirely from Swarovski crystals and a blue Bombay Sapphire bar to host samplings.

budget airlines will increase the volume of business through airports but this may have minimal impact on travel retail given that these consumers are not largely looking at airport shopping opportunities."

#### WORLDLY EXPERIENCES

So, there is apparently no consensus on the potential impact of LCC passengers, which is perhaps not surprising given that it is a new market in the region. The impact of the increasing number of Asians travelling west is a different story. Mehta said: "As the pace of Asians travelling to western markets increases, they are bringing back with them more worldly experiences and brands. Premium branded items are still very popular with the core travel retail consumers from Japan, Hong Kong, Singapore, Korea and Taiwan."

Sergey Pletnev, global account manager airport shops, Heineken Duty Free & Travel Retail, agreed: "Traveller numbers have been growing by leaps and bounds in this region. The Chinese and Korean travellers are spending a lot

of money on gifts, and alcohol is a very traditional gift item, so there is good potential for alcohol products in Asia-Pacific."

Destileria Porfidio has certainly enjoyed success with its premium brands, with sales quadrupling over the last two years. Grassl said: "In our category, the trend is clearly towards high-end aged 100% agave tequila, not blended tequilas nor white high end tequilas."

Bottega reports good results in Malaysia, Japan and Indochina, with overall growth of around 15% year-on-year. "We are happy to say that sales are growing thanks to the effort we continuously spend on various markets. The most popular product is Grappa Alexander," he said. The company is also performing well in inflight retail. "The product launched on United Airlines some months ago, and performed superbly.



Swissair, which has launched a special 20cl size, ranked our Grappa in the top three products sold onboard. Alexander Spray, the only Grappa with an atomiser, is becoming more and more popular as well," said Bottega.

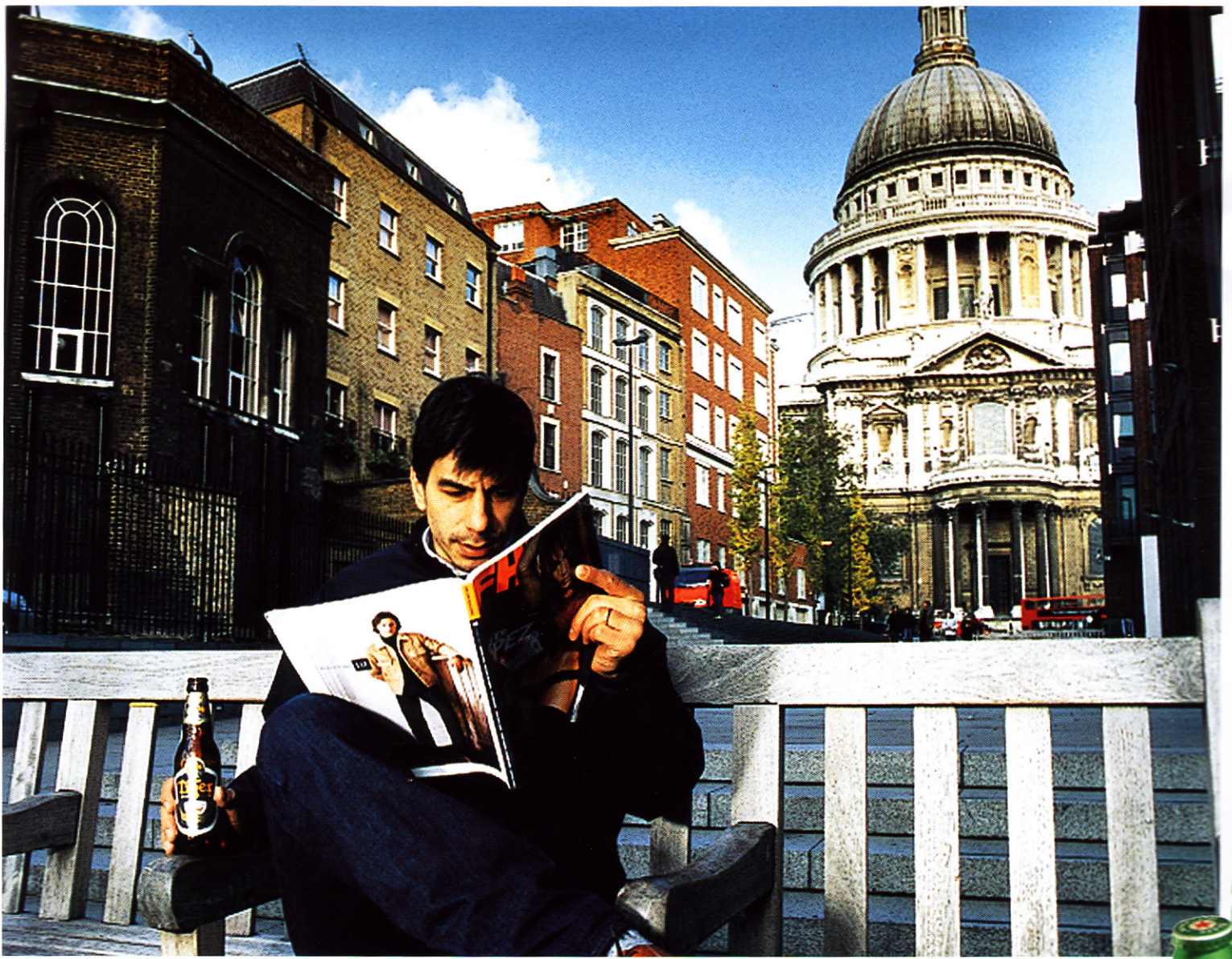
Tiger is targeting double-digit growth in its Asia Pacific markets, but Mehta made a distinction between its travel retail objectives and overall volume growth as it is a relatively new entrant into the segment. "In the travel retail segment we would like to expand our presence initially to all the key airport locations in Asia and then perhaps to our other export markets like Europe, Australia and the US. Subsequently, we are also keen to enter the cruise and airline supply businesses, as we believe that we have a world class beer product to offer these discerning institutional customers," he said.

#### INNOVATION KEY TO SURVIVAL

Innovative versions of classic products are increasingly being used to boost market share. Destileria Porfidio, for example, is launching a lychee-flavoured tequila, which is a blend of distilled lychee and distilled agave. Grassl explained: "Mexico is one of the prime production areas of lychee in the world, as well as agave of course, and Porfidio has taken advantage of this fact."

Tiger has similarly introduced a new product, Touché, which is beer brewed with champagne yeast. Mehta said: "We have always been on the forefront of innovations in the beer category in the Asia Pacific region. We believe that innovations are key to survival and we would like to stay two paces ahead of the pack. We have formed innovative partnership programmes with our airline customers and are also in discussions to innovate on serving methods onboard, especially with the new long-haul aircraft coming, such as the A380."

There are also innovations in display and promotion. In terms of beer, Mehta



Tiger Beer is the flagship and most popular of Tiger Export's brands. It is described as the true pan-Asian beer and is brewed in seven countries - Singapore, Malaysia, Cambodia, Thailand, Papua New Guinea, Vietnam and China.

said: "In travel retail this could be done by innovative packaging, alluring displays and maybe exciting promotions. Innovative packaging that can address the weight and size concerns of travellers can also help in boosting the sales in this segment."

From July to September 2005, Bacardi Travel Retail will have a botanical-themed 'Sapphire Inspired' installation at Hong Kong International airport. This will present, in 3D, Dutch designer Tord Boontje's Bombay Sapphire print advertisement, which features exotic metal designs. Ylva Persson, global marketing director, Bacardi Travel Retail, said: "In order to create something enticing and intriguing for consumers now, you have to go beyond traditional advertising. This is even truer in travel retail, where you encounter many brands in a very limited space, each vying for consumer's attention."

Silver and brass lights create a 'vine garden', representing all ten botanicals that are infused into Bombay Sapphire.

Other initiatives include the current showcasing of ten unique martini

glasses from Bombay Sapphire's collection at London Heathrow Terminal 3. They are intended to represent the groundbreaking steps taken to reach the international travel retail customer in engaging and unexpected ways.

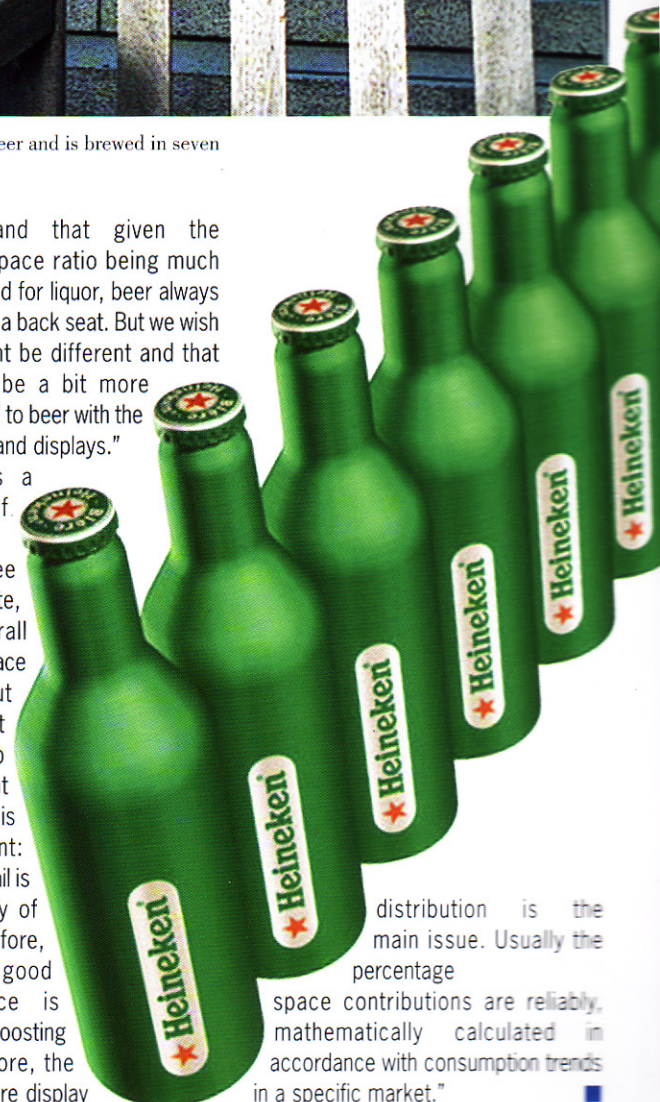
#### ALLOCATING SPACE

Beer is, of course, not traditionally a big seller in travel retail, largely due to product size, weight and pricing economics. It is however, according to Mehta, quite popular in the arrivals duty free sections at most airports, especially for consumers who are replenishing their stocks at home. "Also, the whole experience of picking up a local beer, or niche beer, or a boutique crafted beer seems to still entice travellers as that perhaps could lead to an interesting story when they are back."

Of course, there is the issue of the amount of space devoted in travel retail outlets. Mehta said: "We do not say this because we are in this industry. But try spotting the beer section at any duty free store - it eludes you at first until you make a concerted effort to find it. We

do understand that given the profitability-space ratio being much better weighted for liquor, beer always seems to take a back seat. But we wish that this might be different and that there would be a bit more space devoted to beer with the right signage and displays."

Bottega is a proponent of allocating space for free tastings on site, although overall he believes space is enough, but very often split across too many different brands. Grassl is most content: "The key in retail is always quality of display. Therefore, achieving a good display space is equivalent to boosting sales. Therefore, the quality of instore display



distribution is the main issue. Usually the percentage space contributions are reliably, mathematically calculated in accordance with consumption trends in a specific market."