



DRINKS BUYER

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Asia Pacific

Rum

Learning to play
by Asian rules

Sherry

The wine
bandwagon to
China just got a
new passenger

White Spirits

Changing spirits
in a changing
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RUM

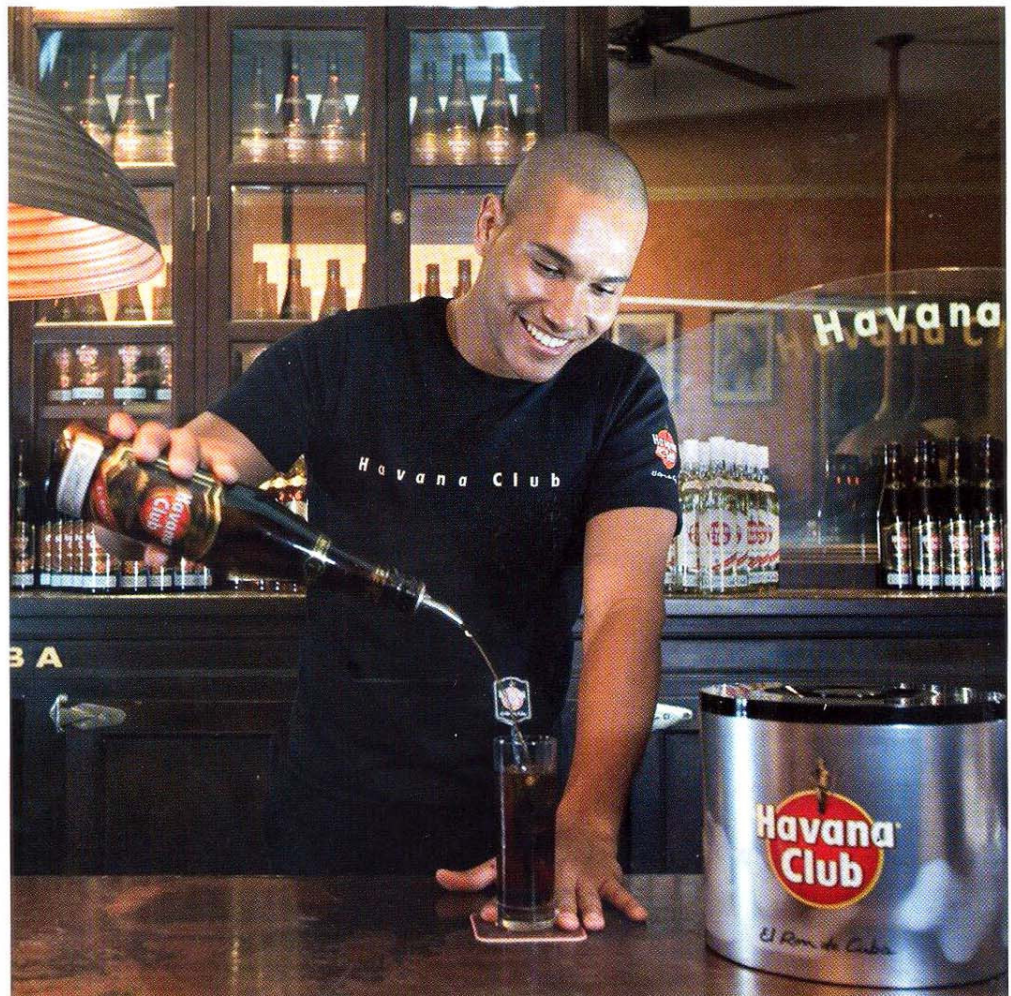
Lands of hope

Although there are some signs that rum is gaining in popularity in the Asia Pacific region, most rum producers still have to wake up to a world of opportunities. Andrew Burnyeat reports

The new middle class in Asia is no longer 'emerging', it is an established social stratum with a role to play in the economic and cultural development of the region. But as this group of affluent, young people started to emerge, rum was noticeably absent from the social scene it helped to create. The preference was for whisky and brandy - oddly, the drinks of old British men.

But two factors have helped rum to establish a developing foothold. Firstly, the new middle class is, thankfully for rum, extremely fickle. They will not stay with one product or category forever, simply because it is not their ethic or nature. Secondly, cocktails have always been popular in much of Asia.

We must of course employ the usual caveat when discussing Asia. It is very vast and extremely diverse. Some markets - such as Israel and Australia - are possibly best lumped in with "the West". Other countries are so diverse within themselves - Asian Russia for example - that it is impossible to write about them in the same article. In addition to this, it must be remembered that more than 40% of the worldwide rum market is accounted for by the US alone,



"Generally speaking, no sugar cane derivate, including rum, is well regarded in Chinese or Japanese culture" - Carlos Camacho, Destileria Porfidio

which very easily dwarfs Asia.

Carlos Camacho, export director of Mexico's Destileria Porfidio, says it is important to understand the diverse

traditions and cultures within Asia when looking at the rum market. He also says it is important to remember that rum is playing catch-up in some markets. "Generally speaking, no sugar cane derivate, including rum, is well regarded either in Chinese or Japanese culture," he explained. The reason for the lack of respect is not altogether clear, but Camacho added that outside Japan and China, the story is very different and "Rum forms an integral

part of Indonesian, Filipino, Thai, and Malaysian culture."

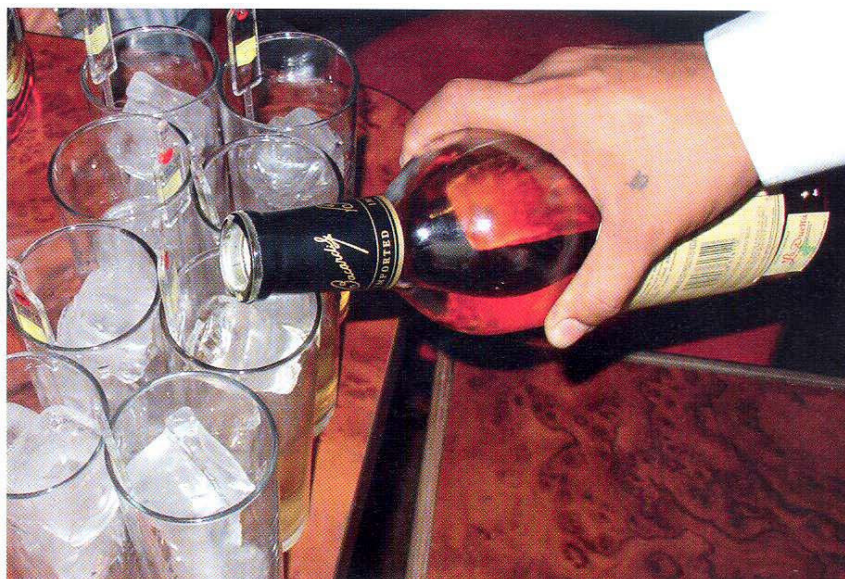
Despite this, it is still difficult for rum to break into that all-important new middle class market because "In all of these instances, rum is socially regarded as drink for the lower class."

That did not stop rum leaving behind its roots as the drink of slaves in the West Indies to become a popular drink across all social classes around the world. The reason for this lies in a strategy of trading up – an art in which rum producers are well-versed.

Camacho said, "The marketing challenge, which premium rum companies confront in these markets, is how to make premium rums a socially acceptable category to the upper class. This objective has not yet been achieved."

In the countries Camacho identified, there is a resistance to any overt form of Westernisation. For example, cocktails are not as popular everywhere as they are in India or China.

This takes away a vital weapon, which has proved so useful in other



Getting ready for a Caribbean-style celebration, in which rum is the guest of honour

markets as a way of generating interest in the rum category. "The impact of Anglo-Saxon cocktail culture in general has been very limited in some countries," Camacho explained, "Therefore cocktails do not provide a valid entry point for introducing rums into these markets."

Nevertheless, some trends can be identified. "Tastes are changing as result of global cultural integration," Camacho said, "Which encompasses drinking trends, of which rum forms and integral part. However, the major cultural challenge in the above-mentioned markets consists in

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RUM

surpassing the social class issue of rum being considered a product for the lower classes."

More bad news - in the Philippines, gin is made from molasses. In India, certain mass market whiskies are also made from molasses. In fact, India and the Philippines could be classed as major rum-drinking nations if some of the "gin" and "whisky" consumed there was properly classified.

This is a double-edged sword - while at least it brings rum to the palate of the Asian drinker, albeit in a disguised form, the practice serves to dilute the image of rum, making trading up that bit more difficult. At least, this is the way Camacho sees it. "This fact distorts rum statistics and clearly serves as an indicator that one may

India and the Philippines could be classed as major rum-drinking nations if some of the "gin" and "whisky" consumed was properly classified

increase sales of rum in various countries by calling the product by a different name," he said. "However, this is the wrong way to go, in my opinion."

So Destileria Porfidio is concentrating on the European and American markets, especially for its ultra-premium products, such as Porfidio Single Cane Plata Rum.

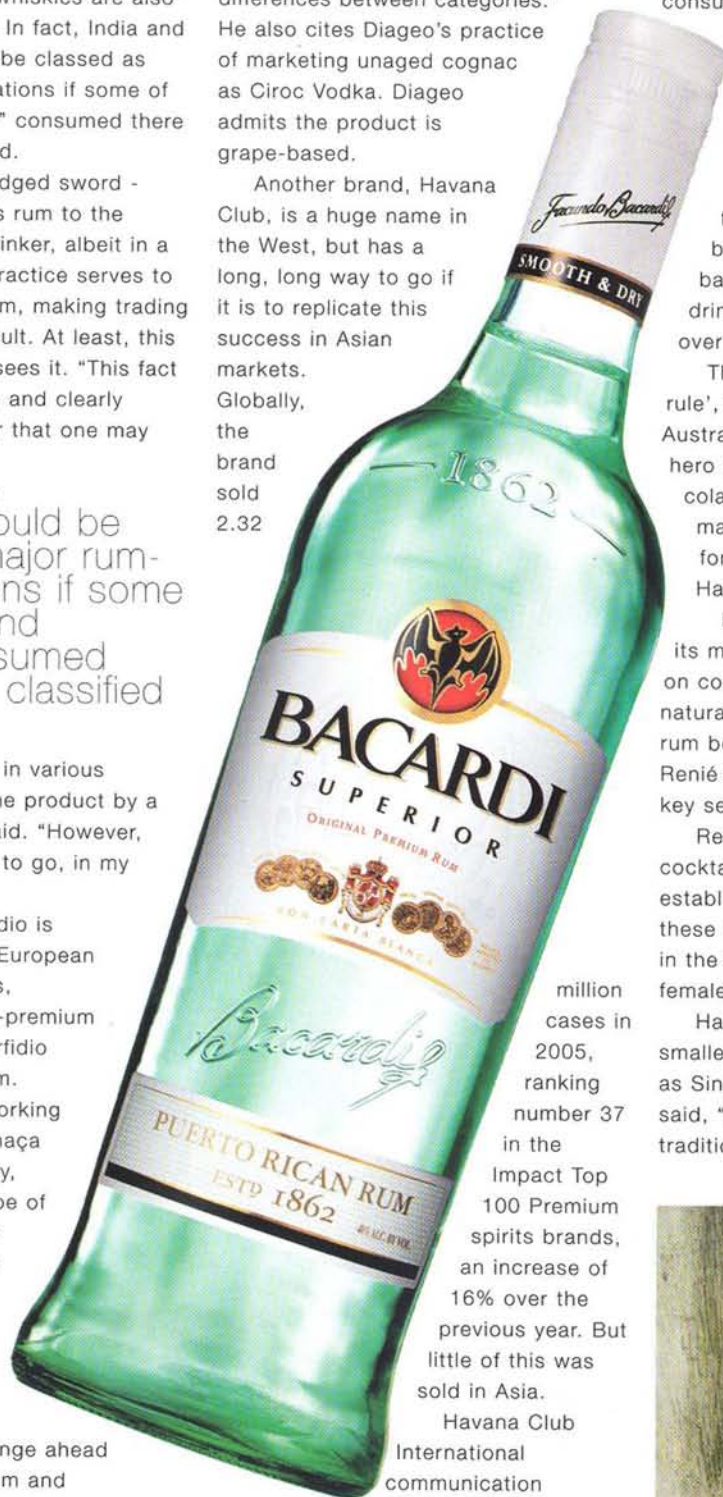
The company is working hard to establish cachaça as a separate category, even though it is a type of rum. Marketing steers clear of all mention of rum and a lot of product development work is going into cachaça to this end.

According to Camacho, "The challenge ahead consists in defining rum and establishing its subcategories and making these known to the consumer. Many consumers are confused between molasses-based rums; sugar cane juice-based rums such as Porfidio; cachaça; Indian whisky; Filipino gin; Caribbean cane spirits; Central

American seco; and molasses-based vodkas.

"Confusion is not good for sales," Camacho explained. "The present trend is to erase evident raw material differences between categories." He also cites Diageo's practice of marketing unaged cognac as Ciroc Vodka. Diageo admits the product is grape-based.

Another brand, Havana Club, is a huge name in the West, but has a long, long way to go if it is to replicate this success in Asian markets. Globally, the brand sold 2.32



million cases in 2005, ranking number 37 in the Impact Top 100 Premium spirits brands, an increase of 16% over the previous year. But little of this was sold in Asia.

Havana Club International communication director François Renié said, "Havana Club is locally distributed by our sister companies. It is still not big in Asia and the Pacific. Our main sales area is Europe, then the Americas."

Notwithstanding Camacho's

comments about specific markets, Renié believes that cocktails are popular across Asia, on the whole. He said, "Cocktail mixing is everything in Asia. There is no neat rum consumption there."

This brings us back to the way rum is perceived in Asia. It is simply not regarded as good enough to drink neat, unlike cognac or whisky. In Europe, cutting-edge marketing focuses on intensive work in key bars with selected well-known bartenders to promote rum as a drink, which can be taken neat or over ice.

The only exception to the 'Asian rule', as mentioned previously, is the Australian rum market. There, the local hero Bundaberg is consumed with cola. This has been the case for many years, and this leaves a gap for premium alternatives, a gap Havana Club is trying to fill.

Havana Club is hoping to focus its marketing across Asia, however, on cocktails and women. "Females are naturally more likely to be exposed to rum because of the cocktail scene," Renié explained. "For this reason, the key season is summer."

Renié sees cultivating interest in cocktail-making as the key to establishing rum as a drink of choice in these markets. "This is especially true in the on-trade, with a special focus on female drinkers," he pointed out.

Havana Club is optimistic about smaller, enclosed Asian markets such as Singapore and Hong Kong. Renié said, "With their long-term cocktail traditions, these markets should play



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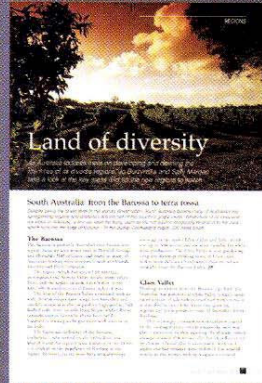
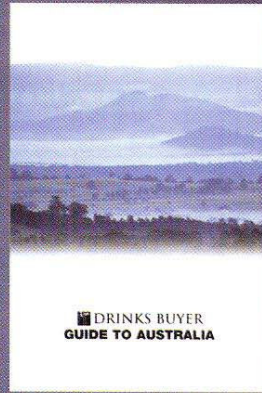
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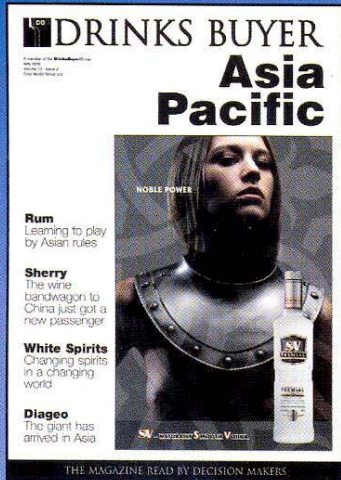
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the role of driver in the region."

According to him, rum producers should be aiming to give cocktail-making a more premium character by suggesting the use of premium dark rum. This is a route to the introduction of such rums as a neat consumption alternative to cognac and whisky.

An advantage here is that if heritage and tradition can be correctly deployed, brands can emphasise the way rum is drunk in its West Indian homelands, where it is often served neat or over ice.

One of the big Western names widely distributed across Asia is Bacardi, which has an image as the international white spirit, and has generated plenty of awareness. Not all Filipino rum is sold as gin. Tanduay Rum celebrates its history and traditions, which go back more than 150 years, having first been bottled from oak casks in a small distillery in the San Miguel district of Manila in 1854.

The brand has picked up a bunch of awards and achieved good levels of

"Females are naturally more likely to be exposed to rum because of the cocktail scene" - François Renié, Havana Club

recognition at home and abroad. Today, the product is even exported to Canada and the US, demonstrating that even though many Western brands are trying to break into the Asian market, the other way around is also worth a try.

The marketing strapline "Tanduay rum keeps pouring on the good times" chimes nicely with the new Asian middle class. Its products are also sold in China, Hong Kong, Malaysia, Singapore, Thailand, Saipan, Guam, Hawaii, Australia, India and New Zealand.

India is one of the very latest markets to see the launch of Tanduay, and so far actual sales are still minimal. But The Fortune Group

marketing manager Lee Keng Chua has identified India as a key market for the brand, with the intention of establishing a production base in the country within a couple of years.

Rum sales have now reached something in the region of 7m cases per year - around 14% of the Indian Made Foreign Liquor (IMFL) market, by volume. Volume is up by about 10%, progress made over the last five years, but the pace of growth is set to accelerate, possibly to 30% per year. On the other hand, whisky accounts for around 64% of sales, brandy 17%, gin 4% and vodka 1%.

Bacardi, which has a 74% stake in a joint venture with Gemini Distilleries in India, holds around 10% share of the Indian 1.5m case premium spirit market. The global drinks company recently launched its premium white rum Carta Blanca in the country. Bacardi also has another premium white rum brand, Ron Bacardi Superior that it wants to launch there while trying to double its market share to 20%.



Bacardi's strategy is to develop India as a key export base from which to exploit opportunities in the rest of the region.

The Japanese market is another where rum is yet to emerge as an alternative to whisky and brandy although Diageo, which sells its Myers brand there, has enjoyed some success in premium bars and hotels.

Another opportunity lies in travel-retail, but with travellers looking to bring something "authentic" home with them, rum is once again not at the fore of their minds.

There are undoubtedly opportunities in Asia, but for most Western producers, the focus is on more lucrative markets such as Europe and the Americas. Exciting things are happening in these markets, where consumers are beginning to appreciate premium rum neat. This is what brings margins to retailers and boosts producer profits as well as the brand kudos, which can be exploited to develop exports further afield.

This lack of interest might leave significant chunks of the Asian market open to domestic producers such as Tanduay, who might in future years be able to develop their own exports to the West in ways they have not achieved on any real level so far.

It might only be a small opportunity, but with the Asian middle classes in flux, it is surely only a matter of time before rum becomes the next 'in' thing. Those in a position to exploit such trends due to a presence in the key markets will win the day. ■

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