

## Alcoholic Beverages

October 28, 2013

SPIRITS AND LIQUEUR  
VITALIZATION OF THE COCKTAIL CULTURE

According to the import custom clearance for alcohol during the first half of 2013 announced by the Ministry of Finance Customs and Tariff Bureau, liqueur was up 17%, gin was up 4%, and vodka was up 3%. Rum that was up 30% in 2012 fell 8% this year, but with the spread of "Mojito," the top brand "Bacardi" was up 17%, a double-digit growth for the 4th consecutive year. Other spirits / liqueur brands are also growing and the market is certainly expanding.

The newest keyword of the spirits / liqueur market is "proposing a total way of drinking that makes the most out of the diverse portfolio." In the past, there have been many value propositions for each band, but recently, there are new proposals made to vitalize the cocktail culture by introducing ways of drinking spirits and liqueur overall as a category.

For example, the concept of "simply cocktail" that Kirin Brewery Company and Kirin Diageo has been proposing since 2 years ago is "mixing your favorite alcohol with other drinks depending on your mood and scene." Kirin develops a set display with drinks to mix with the alcohol at about 2, 000 volume sellers around Japan and proposes ways of drinking depending on the season. Suntory is focusing on a popular cocktail called "Mojito" that has been rooted in the market. During the summer of 2013, they developed a "variety Mojito" that targets 6 brands of liqueurs to whiskeys in bars and restaurants of Japan.

Sapporo Breweries also conducts a "menu proposal program" using their channels of bars and restaurants, and proposes "Bombay Safire", "Eristoff" and "Camino Real" in a total way. Asahi Breweries also began to propose a way of drinking that crosses brands.

The 2nd keyword is "RTS" (ready to serve). Cocktail demand is increasing among the younger consumers who prefer low alcohol content, but it is still difficult for them to purchase spirits and liqueurs that become the base of cocktails. RTS is perfect for those who feel that canned RTD (ready to drink) is not enough. In addition to sake sales and Bacardi of last year, Suntory and Kirin entered this new promotional category of RTS. They are taking advantage of the strength of the mother brand and aiming for a multiplier effect. While people are becoming distant from alcohol, they have high hopes

that the transition from a "low-alcohol RTD" to a "mid-alcohol RTS", and finally to a full-scale cocktail culture.

The 3rd keyword is "flavored whiskey." Last fall, Pernod Ricard Japan announced to sell "Wild Turkey American Honey." This year, bourbon based liqueurs appeared all together as Suntory began selling "Jim Beam Honey" from July, and Asahi began selling "Jack Daniels Tennessee Honey" from September. We can't keep our eyes off this popular category since its market continues to expand every year in North America.

"Time limited flagship shop" that has become the trend over the past few years is still present. It not only tells the customers about the brand image and triggers the trial demand of signature cocktails, but also aims to let more people know about the brand. At "Bacardi Midpark Cafe" in Tokyo Midtown, the summer event to enjoy "Mojito" surrounded by nature became stabilized.



## Movement of each category

For the "rum" category, the top brand "Bacardi" recorded a double-digit growth for the 4th consecutive year. The movement of summer brand became active because of last year's RTD and RTS sales. Currently, there are 6,000 bars and restaurants that handle "Bacardi" and RTS expanded to 240,000 stores all over Japan. A spice drum "Oak Heart" that will be on sale from next month is on a good start since it will be sold in a wide range of volume sellers. Also, "Hot Mojito," which trial sales were conducted last year will be carried out this winter. "Mojito" aims to spread its range throughout the year.

For white spirits, starting with top gin brand "Beefeater" and top vodka brand "Smirnoff," "Gilbey's," "Tanqueray," "Skyy," and "Grey Goose" are growing. Also, "Bombay Sapphire," "Eristoff," and "Ciroc" recorded a double digit growth, showing its spread both on business days and holidays.

For liqueurs, limited bottles and package renovations are increasing. "Dita" began selling limited bottles from 2006. This year, they did a limited sale of bottles in Japan from July designed by a Japanese female artist called Yuko Kanatani. "Pernod Absin" will be selling design bottles that were made with the collaboration of "Maison Kitsune" from November.

Remy Cointreau "Passoa" renovated their package that uses the Brazilian star coming from the country's national flag as a motif since the production country is Brazil. Kirin's "Baileys" is also going to renovate its package.

Tequila's import customs clearance rose 20% last year, but the volume dropped 6% this year. Despite this fact, popular brands are making a certain growth in volume. "Cuervo" was up 5% and while the volume was small, "Cazadores" and "Don Julio" made a double-digit growth .

