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Exclusive: The Top 100 Spirits Brands in Travel Retail

Volumes in 000s 9LC



Source of data: the IWSR Database 2013 ©

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International The leading travel retail brands are inexorably controlling a greater share of the channel every year, according to The IWSR's *Top 100 Spirits Brands in Travel Retail*. The Top 100 brands accounted for 85.7% of total travel retail sales in 2012, up from 83.8% in 2008 and 79.4% in 2003. The top 10 brands, alone, accounted for almost 40% of sales in 2012.

The Top 100 was led by Diageo's Johnnie Walker, far-and-away the leading brand in travel retail. In 2011, Johnnie Walker was the first brand to surpass the 2m case mark and 2012 saw the brand build volume further with a 15.7% increase over 2011 (equivalent to 310,000 cases). Johnnie Walker, with an 11% share of sales, is more than twice as big as the next largest – Pernod Ricard's Absolut, with a 5% share.

Johnnie Walker also saw significant value growth as expanded distribution of Johnnie Walker Double Black boosted growth in the premium segment, and the successful launches of Johnnie Walker XR 21, John Walker & Sons Odyssey and the Johnnie Walker Explorers' Club Collection contributed to strengthen Diageo's position in the premium-and-above segment. Diageo GTME global marketing director Steve White said: "With travel retail increasingly becoming a channel for luxury spirit sales, we have focused on premiumised offerings from Johnnie Walker. In global travel we have developed specific, high-impact activations for brand innovations such as John Walker & Sons Odyssey."

Chivas Regal, another Pernod Ricard brand and Johnnie Walker's long-time nemesis, also had a strong year, growing by 4.5% in 2012. Chivas Brothers commercial director Paul Scanlon said: "We launched Chivas Brothers Blend last year exclusively to travel retail. Within one year it is up to 10% of our Chivas Regal 12yo number in travel retail. That is pretty strong. The challenge for us and other suppliers in travel retail is to maintain the pace of innovation. Our partners in travel retail, like DFS Group, want us to keep coming up with exclusive and innovative new product offerings."

Fourth-ranked Jack Daniel's was one of the biggest gainers in the Top 100, posting an impressive 11.8% increase in 2012 to 733,270 cases. The brand has benefited from the roll-out and consumer acceptance of its Jack Daniel's Tennessee Honey extension, as well as higher visibility due to the introduction of Jack Daniel's concept outlets in a number of international airports.

Diageo had the largest brand representation on the Top 100 list with 18 brands, followed by Pernod Ricard with 17, Beam with 10, Bacardi with six, William Grant & Sons with five, Campari with four and Brown-Forman with three.

Scotch was the largest category, accounting for 26 brands followed by liqueurs with 13 and vodka 12.

● **For a full report on the Top 100 spirits brands in travel retail, turn to page 10.**

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Mild effervescence

James Clarke examines whether economic woes have hit Champagne in travel retail markets

An old chestnut that reappears whenever the economy falters is that drinks companies prosper in tough times because people take to alcohol more readily. The reality is a little more complex, with a financial squeeze sometimes leading consumers to forgo their favourite tittle for something cheaper. On that basis, the sparkling wine category (including Champagne) in travel retail should have suffered over recent years. A product linked with celebration and reliant on European drinkers for over half of its business is not best-placed to weather the recent prolonged downturn. So has this market lost its fizz?

Running the numbers

Although not bubbling with the same vigour as a decade ago, sparkling wine sales to travellers are far from flat volume-wise. Average annual growth for the last five years of just over 1% saw the category top 1.1m cases in 2012, according to the IWSR. Delve a little deeper, though, and you'll see conflicting currents. This apparent resilience reflects a smaller, but buoyant sparkling wine niche (39% of category volume) whose momentum is slowed by the larger yet sluggish Champagne segment (61% of volume). The former grew by almost 4% per annum from 2008 to 2012, while the latter shrank slightly. "Sparkling wine has gone from strength to strength over the years," says Dubai Duty Free's senior liquor buyer Ajay Bhatia, pointing to a 17% value rise in the first half of 2013 at the retailer's airport outlets. Champagne has been losing share to sparkling wine there, but still outsells its cheaper rival several times over; it has recently recovered, posting 16% turnover growth at DDF for the half-year. Rüdiger Stelkens, purchasing director for liquor, tobacco and confectionery at travel retailer and distributor Gebr Heinemann, reports similar progress across both categories: "We have growth in Champagne and sparkling wine at all quality levels of up to 10% in volume and 15% in value." He puts this down to a combination of premiumisation and the German company's investment in the category through a distinctive wine and Champagne retail concept, with special merchandising and exclusive products, as well as the dedicated 'Vine & Leaf' outlet at Singapore Changi.

If the picture for Champagne seems mixed, this may be because progress can vary significantly by region. Champagne Taittinger's deputy export director Clovis Taittinger talks of a two-speed market, where stability in mature countries (Europe and the US) contrasts with faster development in Asia and South America.



Dubai Duty Free has seen Champagne recover after losing share to sparkling wine

"Champagne is becoming more popular with young drinkers due to its 'cool' image, promoted by certain sectors of the music industry"

— Ajay Bhatia, senior liquor buyer, Dubai Duty Free

There is broad retailer agreement over the leading brands, though, with Martini and Freixenet seen as the foremost sparkling wines, while LVMH's stalwarts of Moët & Chandon and Veuve Clicquot head the mainstream Champagnes. At the top end, Stelkens and Bhatia both mention Armand de Brignac as a super-premium Champagne brand on the rise. Although Champagne's overall growth may be patchy, there seems to be a move upmarket among existing purchasers.

Trading up and down

Champagne producers are naturally keen to talk about the trend to trade up within their segment. "For several years now we've seen genuine value growth and a shift towards the higher-quality cuvees," observes Myriam

Renard, deputy export director at Vranken-Pommery Monopole, which owns the Pommery, Heidsieck Monopole and Charles Lafitte brands, among others. Clovis Taittinger agrees that the upper-end Champagnes are doing well, highlighting how the duty free channel encourages airport retailers to be more selective than high street outlets: "There's not the same breadth of range in travel retail, where the focus is more on the leading brands and cuvées de luxe."

Schiphol Airport Retail underlined this trend in May 2012, when it dropped sparkling wine entirely from the Dutch hub airport's main shop in international departures. The resulting emphasis on Champagne enabled the operator to double its 2011 full-year revenue for the sparkling category, says category manager for global liquor and cigarettes Marc Gatoux.

Retailers acknowledge that travellers sometimes trade down from Champagne to sparkling wine, but suggest this is less widespread than some might think. For DDF's Bhatia, it is largely a question of seasonality: "There is no downtrading from Champagne at festive times like Christmas, New Year or even Valentine's Day. However, we have seen an increase in sparkling wine during lean months (June-August). Based on interviews with customers, they don't want to spend that much if there are no celebrations, especially during the recession." Stelkens at Gebr Heinemann sees the phenomenon as limited in scope: "Yes, you can see people trade down when there is a crisis, but not as strongly as on the domestic market."

One reason why switching between

Sparkling wine cont'd

Champagne and sparkling wine is restricted may be the divergence in consumer profile between the two segments. Gebr Heinemann's typical Champagne purchaser is 30 years old or more, according to Stelkens, while sparkling wine often attracts a younger audience, with strong sales to travellers bound for holiday destinations. Dubai Duty Free see a similarly mature market for most of its Champagne sales, with the 30-50 age bracket dominant, but there's a younger demographic too: "Champagne is also becoming more popular with young drinkers, due to its current 'cool' image promoted by certain sectors of the music industry, also leading to an increase in the variety of Champagne cocktails," notes Bhatia. In contrast with Gebr Heinemann, DDF's sparkling wine drinkers are "more mature than Champagne drinkers with the majority from the Far East, Russia and the Indian sub-continent". Stelkens underlines the presence of higher-quality sparkling wines in Gebr Heinemann's offer with "special sparklers in the €10-€25 (\$13.50-\$33.80) price bracket purchased by quality-oriented travellers who know what they are buying", and in the land of sekt it's natural that the Hamburg-based retailer includes German producers like Schloss Vaux, Menger-Krug and Metternich in its range.

Innovation, taste and promotion

Champagne houses have not been afraid to innovate over the last few years, experimenting with ultra-dry, low-dosage blends at one end of the spectrum and richer, sweeter

wines to be enjoyed mixed or over ice at the other. Special-edition variants of existing products, where design and packaging play a large role, are also increasingly frequent at airports. Champagne Taittinger's bubble-themed packaging for the travel retail channel, introduced in 2012, has been a major factor behind the brand's recent gains in the channel, according to Clovis Taittinger. Pommery linked up with Asian fashion brand Shanghai Tang for a series of limited-edition packs, which, says Myriam Renard, have proved highly successful. She also reports that the introduction of larger-format bottles and rare vintages into travel retail have boosted the company's business there, helping retailers fine-tune their offer to changing passenger profiles.

On taste, the bulk of the Champagne market in travel retail remains the traditional dry brut style; these account for over 55% of DDF's Champagne sales, while drier wines account for fully 82% of Schiphol Airport Retail's Champagne business. Rosé is a fashionable niche, but supply can be a problem, as Bhatia notes:

"Some Champagne houses cannot cope due to limited production, resulting in out-of-stocks." Sweeter products appear to be gaining traction, however. Clovis Taittinger mentions Moët's Nectar Imperial as a richer style on the rise, but it is the LVMH brand's Ice Imperial that has captured travellers' attention if Stelkens' experience is representative. Formulated to be served on ice, this recent addition to



the Moët range targets a younger, more fashion-conscious consumer with a taste claimed to combine "fruit, richness and freshness". Stelkens reports a Moët Ice promotion in Hamburg as a "huge success", with some travellers even wanting to buy the product displays. Lanson White is another example where product innovation – the blend is designed to mix well with natural flavours such as mint, orange or raspberry – is leading to sales growth, according to the Gebr Heinemann purchasing director.

High-profile promotions like the Moët Ice activity, where the brand personalises an in-store space, with eye-catching merchandising and sampling opportunities, clearly drive traveller interest. More traditional multi-buys and gift-with-purchase mechanics still have a role to play, however. At Schiphol Airport Retail, over a third of

Marc Gatoux's Champagne turnover comes from offering two bottles at a special price. His Christmas plans for Champagne include a gift-wrapping service and joint promotion with premium chocolate. DDF's Bhatia sees price as the "strongly preferred" promotional option for Champagne, but also includes multiple-purchase offers and limited-edition products in his strategy. And while enthusiastic about brand-led, distinctive manned promotions, Stelkens confirms that "buying two bottles for a price reduction always works and gives consumers great value and us a good transaction".

As Europe and North America start to emerge from recession, it seems that sparkling wine in travel retail has managed to keep bubbling away during the hard times. The category's fizz has come more from sparkling wine itself than Champagne, which has lost volume share to its humbler sibling. The good news for retailers and producers is that downtrading has not been as widespread as some might have feared, and Champagne still accounts for most of the business in both case and value terms. Pepped up by product innovation, packaging and promotion, Champagne looks to be on the way back, something that should set a few corks popping. ■



Recent promotions include Taittinger's bubble-themed packaging for the travel retail channel and Pommery linking up with Asian fashion brand Shanghai Tang for limited-edition packs