



Rum raises its premium credentials

To date rum has long found it difficult to measure up in travel retail to such prestige spirits categories such as Scotch and Cognac.

Its commodity or standard image in many markets has been a disadvantage in this most high-end channel.

Remy Cointreau International Marketing Director, spirits category Jean-Myrtil Laurent explains: "Rum is under-represented in duty free for structural reasons. People see duty free as a good way to get high quality products at a reduced price.

As a category, rum is priced on average lower than Cognac, deluxe whiskey, or super-premium vodka. So the price advantage of buying a bottle of rum in duty free is obviously much lower in absolute pounds – dollars – than buying a bottle of Cognac. Rum also doesn't give the operators the margin that Scotch, or Cognac might."

Part of the reason why rum has relatively lagged behind other categories in terms of both internationalisation and premiumisation is the industry structure. For many

For decades, Scotch and Cognac have dominated the duty free market for premium liquor. That still remains the case, but the rum category, among others, has developed a premium tier that could eventually rival them. IWSR Drinks Record editor *Alexander Smith* reports.

years rum was a cottage industry, dominated by Caribbean or Central American producers. Few had either the resources or vision to challenge Bacardi. The entry of the major multinationals in recent years is providing greater focus and investment on the category.

Innovation in rum

Much of the innovation is coming from the multinationals that are looking at the rum category in different ways and presenting an array of different offers. Better products, marketing and packaging are gradually improving rum's standing.

Local operators in the Caribbean and Latin America have improved their packaging and presentation. They are also becoming more active internationally. Group's such as

Nicaragua's Flor de Cana, Brugal and Barcelo from the Dominican Republic, Jamaica's Wray & Nephew, maker of the Appleton brand, are beginning to make a real impact across a number of markets.

Many draw parallels between rum's recent development and that of vodka a decade ago. Then, Smirnoff dominated the international market. But along came a host of premium imports, such as Absolut, Stolichnaya and Finlandia, and created a premium tier. More recently a super-premium segment has evolved.

The other market innovation, also similar to vodka, has been in flavoured varieties. Flavoured rums are gaining rapidly, particularly in North America (78% of the volume). The so-called flavour explosion in markets such as the US, allied with the cocktail boom, is >

< the chief reason for success.

The travel retail market can really be divided into the Caribbean and international markets. In the Caribbean each island has its own rum product. When you get into those travel retail markets on those islands the rum category is dominated by those products. In travel retail they serve as destination products, or souvenirs for tourists.

The upsurge in the cruise business in recent years has benefited this trade. Appleton, for instance, has benefited from the growth of Jamaican tourism. Wray & Nephew International division General Manager David McConnell says: "The cruise ship sector is growing and more tourists are coming to Jamaica. Many of these tourists are visiting Jamaica and tasting Appleton for the first time. The duty free shops, on-premise and gift shops in ports such as Ocho Rios and Montego are very key for us."

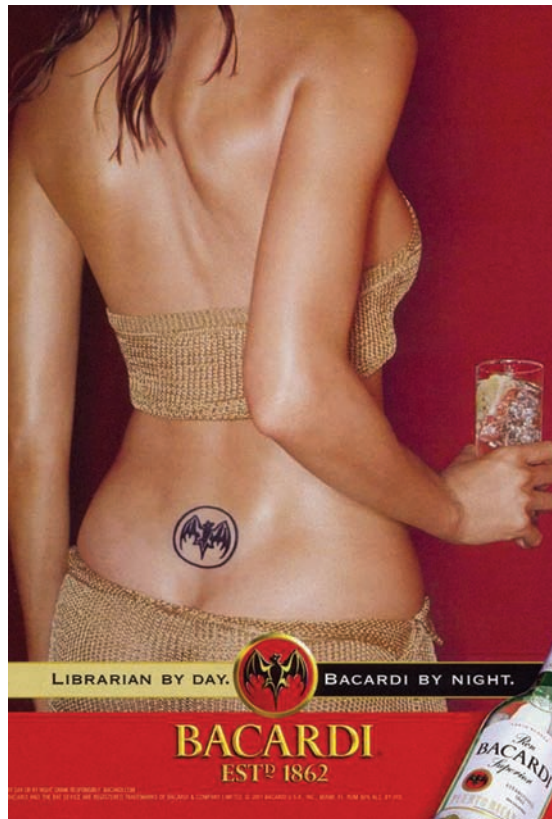
Consumer awareness

The company finds that this exposure is providing longer-term benefits. McConnell says: "Ten years ago they would have typically bought it as a souvenir when our distribution was not that good. But now our distribution, brand awareness and profile are growing. They now see it in their home markets. What it does is add authenticity and credibility when they see how large it is in Jamaica. They are now buying something that they know about."

The international travel retail rum market has largely been synonymous with Bacardi. The brand still dominates most of the duty free rum action, and is today the fourth largest brand in travel retail. Bacardi is also looking to up its profile in travel retail.

Robert Furniss-Roe, Senior Global Brand Director – Bacardi Rums says: "The problem for us at Bacardi is that we are very big in duty free, but we are far less noticeable than our size. So we need to get a lot better at leveraging the window of visibility and added value that duty free brings.

"Clearly we are one of the biggest



brands volumetrically, but we haven't done it complete justice in the past. That is something where we are going to up our game in duty free considerably. Without a shadow of a doubt we are going to do a lot more in terms of merchandising, a lot more display."

Connecting with people

He adds: "In that environment if you get people at the right moment they have more time than if they are racing through Tescos. Then there is the opportunity to connect with people and do things that are more interactive and innovative. It is important to be seen there because of the global nature of the brand and the global nature of the environment."

Havana Club International General Manager Philippe Coutin also believes that rum will eventually account for a greater share of the travel retail market. He says: "Rum does not get its fair share of shelf space compared to Scotch or Cognac. That is because rum hasn't had the premium ranges that

Scotch or Cognac had. They might carry Bacardi and one other. But the time will come as the rum producers go upmarket with aged products and its role will naturally grow in duty free."

There are signs that this is beginning to happen. Jamaica Farewell President David Topping, the incumbent operator at Sangster International Airport in Jamaica says there has been a big shift in consumer perceptions about rum. "In the past rum has been considered a cheap, commodity drink. What we have noticed recently is that it has become fashionable to drink good quality rum, just as you would do a Johnnie Walker Black or other high-end liquor."

Goslings Rum President Malcolm Gosling says: "The outlook for the category is robust. We hope that rum will eventually rival vodka as the drink of choice. Consumers are growing tired of insipid cocktails and opting for flavour and quality. Because of that the fine rum category is expanding.

"There is an element of connoisseurship; consumers are becoming more experienced and are



seeking better rums.”

Cruzan Brand Director Mathias Westphal says: “The change in consumers’ perception of rum will help the category in duty free. That is going to drive that segment to being much more premium in the future. Rum is relatively under represented in duty free. “There is definitely an opportunity to get some more shelf space and a bigger chunk of overall spirits sales. But at the same time we have to provide the premium products to meet requirement.”

Wray & Nephew European Director Peter Martin also believes that the time may be right: “If you look at any duty free or travel retail store in Europe, rum is the most underdeveloped category. You have rows and rows of standard whiskies, single malts and all the Cognacs. Then you look at rum and you usually have the market leader Bacardi, maybe a price fighter and that’s usually it.

“It is a standard category at these airports, and it is not about added value. Those operators are missing out



on a happening event. It is a huge opportunity and somebody is going to crack it at some point. You only have to go into the domestic market to see what the rum market is doing.”

Now there are also signs that aged golden rums are beginning to take sales from the Scotch and Cognac across a number of markets.

Their progress is most marked in Spain, followed by Italy. There is also evidence of growth in the US, UK, Germany and France. Golden rum’s image in these markets is that of a really sophisticated product on a par with whiskies.

Move towards taste

Commenting on the recent success of the golden rum sector, Angostura Marketing Manager Gabriel Faria says: “The feeling is that there is a shift to enjoying a more real taste where the complexities of rums with its character is now more interesting than the neutral spirits in pretty bottles which really have no heritage, history or panache and have started to see consumers shifting to other areas.”

Matusalem Export Director Jim Tirrell says: “The super-premium segment has seen growth in the last five years as a result of concerted efforts on the part of brand owners to educate the consumer. This has been supported by numerous competitions that have

elevated the perception of super premiums as an almost separate spirit category.

“We, along with several other top end rums, have won numerous gold and platinum awards, which we use much as the wine industry does to lend credibility and support to the price positioning. While the volumes are not there yet, the margins make the effort worthwhile.”

Golden rum rise

In Spain, golden rums have almost certainly contributed to the recent decline of the large Scotch category. In 2005, the overall category in Spain increased by 12.2% to 4.4m cases. Within that, golden rum increased by an impressive 20% to 3.2m cases. It is no coincidence that after almost 20 years of year-on-year increases, Scotch in Spain registered its first decline in 2002 and has fallen every year since.

Diageo Release Portfolio Director Consumer Planning Mark Murray says: “In Spain rums are one of the few spirits categories showing growth. Cacique has grown strongly and the rum brands are taking share from the traditional whisky brands.

“This is underpinned in all markets by growing consumer interest in all things Latin – salsa, cuba libra and mojito cocktails, increased travel to Cuba and the Caribbean.”

< The international growth of golden rums has tended to be centred on a handful of brands. Pernod Ricard's Havana Club – in its premium versions – made the initial breakthrough. Diageo has followed this up with marked gains for Cacique in Spain and more recently Pampero in Italy. Dominican producers Brugal and Barcelo have recently made big gains in Spain. Bacardi has had only limited successes with its aged rums, notably Bacardi 8, but remains a force in the white rum category.

Lack of stock

Other Caribbean producers have seen only marginal growth of their brands, partially because of a lack of the necessary aged stocks. Wray & Nephew's Appleton brand has been one exception and made significant inroads across a number of markets with its aged rums.

The reasons for these improving fortunes are varied but tend to come down to a number of factors. Rums have more exotic associations for younger drinkers than Scotch or Cognac. Growth has also been underpinned by the popularity of Latino culture in many markets.

Tourism to the Caribbean has also helped expose consumers to rum. As a sugar-based product it is readily mixable and ties in with the cocktail trend, which is most apparent in the US, but also in many major metropolitan areas around the world. Rum-based Mojitos, Caipirinhas and Daiquiris are becoming more and more popular.

Havana Club's Coutin says: "It is a combination of factors. It is not necessarily the Latin aspect. Appleton is growing and that's not a Latin rum. First of all you have the consumer perception of aged products. The aged



rums are smoother and sweeter than products like Scotch or vodka. People like to drink it mixed. In Spain, Chile or Mexico they drink it mixed with Coke.

Cool and laid back

"Secondly, the rum category is booming because it is quite a new category. It is booming because the consumer perception about rum is very positive. Rum is everything about open mindedness, positive attitudes, cool and laid back. It is not just coconuts and beaches. It is everything about life."

Certainly the rum category is benefiting from a flurry of upscale new product activity. Last year, Nicaraguan rum supplier Flor de Caña introduced

Centenario Gold 18yo, which retails in duty free for \$29.99. It joins six other references in the company's aged rum range. They include 4, 5, 7, 12 and 15yo variants, plus Limón, a lemon-flavoured 4yo rum.

Flor de Caña is a good example of a strong national brand that is successfully making the transition to international brand. It is now available in 23 markets, mostly in Europe and the Americas.

The group's emphasis in international markets is the higher-end products with its premium rum Flor de Caña Grand Reserve 7yo rum and its super-premium rums; Flor de Caña Centenario 12yo rum, Centenario Gold 18yo rum and Centenario XXI 15yo



El Ron de Cuba

rum. Duty free is also central to its strategy. Duty free is seen as a key market both for the sales potential and also the visibility it provides.

Exclusives are important

According to Flor de Caña President Robert Collings travel retail exclusive products are central to its strategy. "Our goal is to sell products in the premium and super-premium category that might not be readily available in certain duty paid markets, unlike other products found in the duty free sector which are readily available in duty paid markets and do not offer a speciality to consumers."

He adds: "Our duty free business has outperformed our expectations during

the past five years. We have entered into several duty free operations and most recently we were able to list our product at the Miami International Airport with the new Duty Free Americas (DFA) stores. All of which have taken us to the next level and our sales have tripled in the duty free sector."

Jamaican spirits group Wray & Nephew earlier this year added a new super-premium 'sipping' rum to its Appleton range. Appleton

Estate Master Blenders' Legacy contains rums aged for up to 30 years.

Legacy is positioned between the existing Appleton Estate Extra 12yo and the ultra-premium 21yo reference.

Wray & Nephew has developed a so-called Appleton Estate Jamaica Rum ladder, where individual markets offer anywhere up to four brand steps, giving Appleton Estate Jamaica Rum the edge when it comes to presenting propositions to the consumer.

According to David McConnell, General Manager for Appleton Estate Jamaica Rum's International Division in Kingston, Jamaica: "With our unique Appleton Estate Jamaica Rum ladder, we have a premium aged rum brand to fit every taste, every drinking occasion, every culture and lifestyle and every price point."

This Appleton Estate Jamaica rum ladder includes: Appleton Estate V/X Jamaica Rum, the super-premium Appleton Estate Reserve Jamaica Rum, the ultra-premium entry, Appleton Estate Extra 12yo Jamaica Rum and our luxury rum, Appleton Estate 21yo Jamaica Rum.

Pernod tests the limit

Pernod Ricard is intent on testing the upper limits of the category. They recently introduced Máximo Extra Añejo, an ultra-premium rum. The recommended retail price will vary between €1,000 and €1,400 according to each individual market.

The company says it is aimed at ultra-premium spirits lovers, true rum connoisseurs and cigar aficionados and will be mainly distributed in liquor stores and duty free shops. Havana Club Máximo Extra Añejo is 40% ABV and is available in 50cl.

Coutin says: "As the worldwide leader of Cuban rums, we are spearheading the category by creating a new quality reference in the ultra-premium rum segment.

Havana Club Máximo Extra Añejo is the perfect showcase for our unique know-how, genuine quality and >



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rum ageing tradition.” Travel retail exclusive products are also playing a role. Pernod Ricard has also introduced Havana Club Cuban Barrel Proof. As the name suggests this travel retail exclusive rum is bottled straight from the barrel at 45% ABV, combining the lightness and smoothness of a delicate classic sipping rum, with the intensity and complexity of carefully aged rums.

Demerara Distillers unveiled its own duty free exclusive rums earlier this year. El Dorado Special Reserve 21yo rum is packaged in a bottle inspired by the Dutch flasks once used on sugar plantations in Demerara, Guyana, in the eighteenth century. A 70cl bottle of the super-premium rum is priced in duty free at \$60.

Matusalem is one of the more interesting newcomers into the global rum. Strictly speaking the brand is not a newcomer having been introduced in Santiago de Cuba as long ago as 1872. With the rise of the Castro revolution, however, Matusalem Rum manufacturing was stopped in Cuba in 1960 when the founding Alvarez family fled to the Dominican Republic.

Global relaunch

There, they produced in limited quantities, until ramping up production in recent years. In mid-2002, the Matusalem line was re-launched into global markets and the company has since achieved distribution in 55 countries. This relaunched range includes the super-premium 15yo Matusalem Gran Reserva. This is followed by the Solera 7yo, Clasico Solera 10yo and Platino 3yo.

Tirrell of Matusalem adds: “In markets where rum is not a factor, such

as South Korea, we have targeted brown whiskies and Cognacs. We believe Gran Reserva Solera 15 and Clasico Solera 10yo, with their age credentials, can compete in these categories.”

Guatemala’s La Nacional Distribuidora de Licores SA is a good example of a strong national rum producer that is now moving into international markets with an array of well-packaged high quality aged rums.

In addition to its broad range of Botran rums, La Nacional also produces the very high-end Ron Zacapa Centenario.

Distillation with altitude

One of the keys to the success of these rums is that after distillation, which is done at sea level, the rum is aged at a warehouse located in the mountains at an altitude of 7,650 feet, where it develops its characteristic body, flavour and aroma. The company has invested heavily in preparation for fast and sustained growth, restructuring the production process, increasing the aging capacity, and making changes in the presentations and packaging.

The company even bought a sugar cane plantation in order to ensure raw material quality and avoid stock rupture.

Ceo Walter Aguilar says: “We are focused in the ultra-premium rum, which is a new category within the rums and liquors. We expect that this category will experience growth similar to what happened with the ultra-premium vodka category. The factors driving this growth are that customers are returning to selectiveness and seeking for innovation, quality and exclusivity.”

Bermuda rum producer Goslings is also establishing a reputation for its quality aged rums, having recently won a gold medal at the prestigious International Spirits Competition in San Francisco. Gosling’s Rums of Bermuda ages, blends and bottles three distinctive rums: Gosling’s Black Seal, Gosling’s Gold Bermuda Rum and Gosling’s Family Reserve Old Rum is

Black Seal Rum aged 16 years, or more, in charred oak bourbon barrels.

Gosling says: “We are intensifying our focus on the travel retail now that we have a firm base and quality reputation in many domestic markets.”

In what may prove one of the more significant new product launches, Diageo has also launched Oronoco Rum, a super-premium Brazilian white rum. Oronoco is retailing in the US market for approximately \$34.99 per 750-millilitre bottle.

It follows LVMH Moët Hennessy’s introduction of a super-premium Trinidad rum called 10 Cane last year. Christophe Navarre, President of Moët Hennessy said at the time of the launch: “10 Cane brings luxury to rum, which has been a maligned spirits category.”

It indicates that the multinationals recognise that there is an opportunity in the super-premium white rum area. Essentially they are seeking to create the next Grey Goose in the rum arena.

Cracking super-premium

Laurent of Rémy Cointreau says: “Clearly the rum market globally has been driven by flavoured line extensions. There are some premium offers being put on the market by a number of suppliers. In the US you have seen LVMH coming out with a premium offer, which is 10 Cane. You see Diageo coming out with Oronoco.

“There are a lot of attempts, but right now it doesn’t seem that any particular brand has cracked that super-premium niche. The link between rum and flavours is more obvious.”

He adds: “Rum is a very approachable, accessible category. There are a lot of good rum brands out there and good quality products. For the past ten years everybody has been saying super-premium is going to be the next big thing in rum. So far it hasn’t happened.

“We see it happening in vodka, tequila and in other brown spirits. It is likely to eventually happen in rum. But at this stage you need a crystal ball to predict when.” ○