

# SPEAK *&* EASY



## Jim Evans

Senior Vice President  
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The Beverage Network's William Slone sat down with Pernod Ricard USA's **Jim Evans** as he shared his thoughts on discounting, the importance of quality cocktails and the incredible success of Jameson Irish Whiskey.

### On the Economy

**WILLIAM SLONE:** Would you describe yourself as cautiously optimistic about the industry?

**JIM EVANS:** I would. The Nielsen data indicates that the wine & spirits business is relatively stable which is pretty good considering that two-thirds of all Nielsen-tracked businesses are down. There are shifts going on within that stability, of course, as people are much more concerned about disposable income. A very significant indicator of consumption pattern changes is the channel shift from on- to off-premise. But we believe in the strength of premium brands and we believe consumer behavior is cyclical.

**WS:** How do you feel off-premise licensees can best respond to these changes?

**JE:** The off-premise is well-positioned to take advantage of this consumption shift. Licensees should take a more active role with their customers when it comes to food and wine pairing, cocktail making at home and party planning. Second, I tell our customers to make certain that their product assortment is in tune with today's consumption needs. Third, it is essential to provide real value. Consumers like brands, and they still embrace quality brands.

### On Market Strategy

**WS:** When you say "deal" do you mean that retailers should consider discounting?

**JE:** In principle, we don't recommend discounting because we believe that all tiers lose when heavy discounting goes on. Where there are opportunities for tactical

pricing adjustments, whether upward or downward, they should be considered on a market by market basis. We are, however, committed to maintaining our national pricing strategy overall, as it is consistent with the strong equity position of our brands.

**WS:** What is Pernod Ricard USA doing to support the on-premise during this challenging time?

**JE:** The on-premise is a critically important channel, comprising more than 50% of total industry retail sales value. It is also a place where consumers sample our brands and, therefore, we have continued our spending and programs even as some companies have chosen to shift their investment from on to off-premise. To put it in perspective, over the past 24 months we will have executed 50,000 instances where consumers can interact with our brands in the on-premise. We view these programs as adding value to the on-premise operator.

Another important investment for us is our bartender training program—BarSmarts—which has been a tremendous success. It not only creates brand loyalty, but also teaches bartenders the importance of quality drink making, good service and how a strong cocktail program increases the check, generating significantly more income for the establishment. Finally, we have over 25 brand ambassadors who can conduct bar trainings, in addition to our sales representatives.

### On Trends

**WS:** What changes in strategy does Pernod Ricard USA have planned for ABSOLUT?

**JE:** ABSOLUT is our top priority, and we have restored its leadership role by significantly increasing consumer communications in support of the brand. As the top revenue-producing imported vodka in off-premise retail sales, and the #1 call brand on-premise, ABSOLUT is critically important to the trade, and to wholesalers. Our new drinks campaign, which we just

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launched, communicates that ABSOLUT is the essential ingredient in the world's best cocktails. And yes, the quality of vodka matters in mixed drinks. We are also sponsoring a wide array of events across the country, and social media has become very important for us as well. Our City Series has been a huge hit, most recently with ABSOLUT Boston. And ABSOLUT leads the vodka pack in terms of innovative, natural flavor expansions. ABSOLUT BERRI ACAI is the next groundbreaking flavor from ABSOLUT—a delicious blend of exotic acai, sweet blueberry and tart pomegranate. With this flavor blend—made without any added sugar, as are all ABSOLUT flavors—we are bringing a whole new taste profile to consumers who enjoy flavored vodkas.

In short, the trade can feel confident that this is an important growth driver for us. We're very optimistic about the vibrancy of the vodka category—it is still growing, and given its size and the state of the economy, that's impressive.

**WS: What are some other categories you are bullish about right now?**

**JE:** Irish Whiskey. Jameson completely transcends the category, and now competes with North American whiskeys. The brand has been in double-digit growth for the last 10 years and was up in the on-premise roughly 20% in the most recent 60-day reporting period. It is the fastest-growing premium brand with annual sales in excess of 500,000 cases. We think it is important for the trade to recognize this—when I see accounts that don't give Jameson the proper shelf space, they are losing sales.

**WS: That is really impressive. How did this happen?**

**JE:** In the off-premise, we have been encouraging retailers to promote Jameson year-round, rather than just at St. Patrick's Day and Christmas. In the on-premise, Jameson has been a bartender darling for many years as well, and the brand really started taking off five years ago. What is interesting about this consumer is that they skew younger—primarily 25-35-year-old men—and they tend to consume it in a sports bar/neighborhood bar environment. In fact, a substantial part of the consumption is in shots. Most of our promotional spend is on-premise, aimed at bartender and consumer recruitment and driving trial and awareness. But the bottom line is that it's successful because it tastes good.

**WS: What about rum?**

**JE:** Rum is a viable, growing category, thanks to its mixability and approachability. With Malibu, we have the #1 coconut rum, and the brand has been growing nicely in recent months. It's a fun brand with a Caribbean nature that conjures up images of a happy hour on the beach.

Linked to that image, we also have a Malibu tie-in campaign which donates money

to reef preservation. And recently, we introduced Seagram's Rum—a value priced offering. It's too early to tell if it will be as big as Seagram's Gin at 3 million cases, but there certainly is great brand awareness there.

**WS: Any other brands to watch?**

**JE:** The Glenlivet is the largest selling single malt in the U.S., and it continues to grow. The brand's performance has been fueled in part by such line extensions as Nadurra Triumph 1991 (launched last summer) which has earned rave reviews from critics.

Some other highlights: TV advertising has drawn consumer attention to Chivas 18; Kahlúa Coffee Cream has been a nice addition to that brand franchise; Perrier-Jouët Champagne is beginning to demonstrate pockets of strength in an extremely challenging environment; and Fris Vodka is on fire.

Finally, Plymouth Gin is an exciting brand that has earned quite a following amid the resurgence of cocktail culture, while Beefeater also is drawing extra buzz due to the addition of super-premium Beefeater 24, which will be expanded into additional markets in 2010.

**WS: Any final thoughts on the future?**

**JE:** The bottom line is that Pernod Ricard USA is committed to building our brands, and working with the trade to do so. We have significantly stepped up investment on our priority brands, which will enhance their already strong brand equity and translate into added support for retailers. We look forward to continued mutual success in the New Year!

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