This month marks the completion of Fortune Brands’ spin-off of its three businesses into stand-alone entities, and Beam Inc. (formerly known as Beam Global Spirits & Wine, Inc.) is, at last, a freestanding spirits company.

According to Bill Newlands, Beam’s President, North America, this is a very, very good thing. But just what does it mean for the company? “The benefit of being pure play is that we will be looked at as a straight spirits company, rather than as a diversified consumer company that also has a sporting business and a home & security business,” says Newlands. The big advantage internally, he says, will be focus: “When we make acquisitions, they will be entirely for the benefit of our business, which wasn’t necessarily the case in the past, since there were always resources directed elsewhere.”

The opportunity to be called Beam Inc.—and trade under the ticker symbol BEAM on the New York Stock Exchange—is “a little tip of the cap to our heritage, and the authenticity of being here for 200-plus years,” he adds.

More important, he notes, here’s what doesn’t change: day-to-day operations. “Our goal has been to be the fastest-growing spirits company in the world, and one of the most innovative, and we’ve been fortunate to achieve both. We plan to keep doing exactly that,” says Newlands.

A LONG TIME COMING
The journey to this point began in 2001, when Beam Global and The Absolut Spirits Company formed Future Brands, LLC, a joint venture established solely for the marketing and distribution of each company’s respective brands in the U.S. Then, in 2005, Beam Global (via parent company Fortune Brands) participated with Pernod Ricard in the acquisition of Allied Domecq. Of Beam’s top 15 brands today, 11 joined the portfolio with or after the Allied Domecq deal.

Beam’s loss in their bid to purchase Absolut in 2008 to Pernod Ricard—and subsequently the end of the Future Brands joint venture—fundamentally changed Beam, setting the company on a new path. At the time, it felt like a setback, but in retrospect, Newlands is convinced it was great for Beam. “When you have a jointly-owned business with someone else, the priorities need to be spread roughly in equal proportion. The fact that we had many more brands than our partner was problematic, because so many of our brands that should have had high priority didn’t get it.”

When the joint venture ended, Beam was free to set its own priorities, as well as to invest in innovation at an unprecedented level. “Losing out on Absolut has been a real catalyst for what’s happening today with our business,” Newlands believes.

Beam’s distribution has evolved dramatically, as well: The company owns their route-to-market in about 75% of
worldwide sales, compared to a mere 8% prior to 2005. “We’ve really changed the way we go to market,” Newlands explains. “By aligning with our distributor network, we are closer to our customers and wholesalers than ever before.”

**ACTions SPEAK LouDER THAN WORDS**

When news hit the street of Beam’s future solo status, rumors inevitably started circulating about a potential sale. The most powerful way Beam keeps the speculation at bay? Accelerating growth, increasing market spend and acquiring brands. “I was at Allied Domecq when the company was sold, and there are a lot of differences between what was happening there leading up to the sale, compared with what is happening at Beam,” shares Newlands. “Allied Domecq was not increasing its spend—it was sort of being packaged to be sold.” Beam, by comparison, is spending over $50 million more than just a few years ago—a nearly 50% increase in under three years. “A company about to be sold would never do that, because it doesn’t look good on the balance sheet short term,” he adds.

Beam’s recent purchase of Skinnygirl Margarita earlier this year—a brand that has performed impressively well in its early days with the company—was another message to the trade that the company is here for the long haul. “Our company continues to reinvest, and to put ourselves in a better position for a long term win,” says Newlands. “Our employees see it as well, so it quells the rumors internally. The best thing any company can do is to continue to deliver solid top and bottom line results, and our team is incredibly focused on that.”

**INNOVATION THAT CREATES REAL VALUE**

Beam’s new status as a stand-alone company is only one reason why they have been in the news these days. But a stream of successful new product launches and acquisitions have actually been creating most of the buzz. “Each one of our innovations is very targeted—we’re not looking to fill pipelines,” says Newlands of his corporate strategy. “We try to bring products that fill gaps, open new opportunities and create excitement in stores and in bars by having real appeal. We don’t want to see any of our distributors or retailers stuck with inventory,” he emphasizes. “We reinvest heavily in our business because it’s good for us and it’s good for our customers as well.”
A look at Beam’s balance sheet reveals a remarkable thing: Both this year and last, innovation accounts for roughly 30% of the company’s growth. Nothing about that is an accident. Beam places a very high priority on research and development as well as creativity and brainstorming, combined with substantive market research and focus groups. They want to know exactly what consumers are thirsty for.

“There’s a lot of innovation out there driven by master distillers wanting to create really cool things that will interest people. For us, we focus more on consumer-driven innovation,” says Adam Graber, Bourbon Innovation Manager for Beam. “Our goal is to create products that give consumers a story to tell or a few details that let them engage with the product.”

Many of Beam’s ideas have come through retailers, says Rob Mason, U.S. Director of Bourbons: “We often find that some of the most interesting consumer ideas flow through retailers, so we encourage our retail partners to keep their ears open.”

“We’re not a believer in ‘let’s throw it against the wall and hope it sticks,’” says Newlands. “When we’ve chosen to do something, we do it with a target customer in mind.”

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IMPRESSING THE FEMALE CONSUMER

“Historically, the spirits industry has been very male-dominated and the female target has not been given her due,” says Byron Hoover, VP, Global Innovation. “This is particularly true in the world of bourbon. A lot of women really do like bourbon; they want to be spoken to about bourbon; they want permission publicly to say ‘I drink bourbon and I’m proud of it.’ We see tremendous opportunity in that space.”

The creation of Red Stag by Jim Beam several years ago has been a successful solution. “Red Stag helped make bourbon more approachable by adding a bit of flavor and rounding out the rough edges which makes it easier to drink,” says Graber. “We have the data at this point and it shows we are bringing in women—they represent about 45% of Red Stag’s consumption, much higher than bourbon overall.”

Cognac is another male-dominated category Beam seeks to open up to women. The newly launched Courvoisier Rosé features a lower proof and a softer, slightly sweeter flavor profile. “We found many women are interested in the concept of Cognac, but many choose not to drink it. We wanted to create a perfect option for a woman when her partner is drinking Cognac,” says Newlands.

Flavors in general present major opportunities for recruiting new consumers.
“We’re fortunate to have a lot of expertise in flavor technology and I believe we’re just scratching the surface of what we can do with flavor,” says Hoover. “We were the first company to actually innovate in flavors outside of what had traditionally been done in vodka and maybe a little bit in rum.”

A NEW WORLD OF BOURBON

Beam’s roots are steeped in the tradition of Kentucky bourbon, but that category has evolved more dramatically than most. Rob Mason recalls many “naysayers” when it came to “moving into the flavor camp with whiskey.” Yet Red Stag exceeded all expectations. “A lot of the category taboos associated with moving into flavor territory have disappeared because of Red Stag, fueled by the proliferation of products that have since launched,” says Hoover, who believes Red Stag served as a “watershed moment in the company. Once we saw how successful it was, it’s been much easier to have that conversation about bourbon innovation.”

Bourbon today is one of the most fertile grounds for innovation, says Graber. “The consumer has evolved; they are looking for more sophisticated things and becoming explorers of whisky in a very different way than just ten years ago.” He points out that bourbon is a growing category in both numbers—it’s now growing faster than vodka according to latest Nielsen data—as well as an increase in new types of consumers. The small batch revolution combined with the way mixologists have embraced it and the comeback of many classic cocktails are all factors.

“My idea that bold decisions people make is pretty unique. “Demystifying Cognac has been on Beam’s ‘to-do’ list for some time. Late last year, they released 12-year-old and 21-year-old expressions of Courvoisier, which are much easier age statements to decipher than Cognac’s traditional VS, VSOP and XO. “Cognac is a category that has a very traditional consumer, savoring it in a snifter. But in other markets, it is an urban, more nightlife-driven brand and we think there is room for both,” says Byron Hoover. Courvoisier Rosé targets an unlikely Cognac consumer group: women. “Rosé is understandable,” says Bill Newlands. “There is huge crossover between Cognac and Champagne usage, so we use a lot of wine language for this product. It’s very appealing for a female audience who has not had anything like this available to them before.” The sophisticated packaging combined with a lower proof spirit (36 proof) and softer taste profile have hit a chord.

“We’ve taken a very rigorous, disciplined process to innovation,” says Graber. “We work with a high-end group of consumers, whom we call connoisseur consumers, to help us fine-tune our ideas.” Consumers also inform advertising platforms: The ‘Bold Choice’ advertising and television campaign launched in January focuses on the idea that bold decisions people make

A Red Stag Revolution

Two years out of the gate, Red Stag continues to amaze the team at Beam. “The most powerful way we win over consumers with Red Stag is to sample them,” says Rob Mason. “It’s one of those things where you have to taste it to believe it. We convert consumers very quickly this way.” Adam Graber reports creativity on-premise as to how it’s consumed, though with cola and as shots is the most common way. So, any other flavors on the horizon? “We’ve heard very consistently from consumers that if we put out 30 flavors, we’re really not the Beam they know and love. There is a different dynamic in the bourbon category compared to vodka.” Consumers also seem to care more about the way in which bourbon is flavored; they want it to be very consistent with the craftsmanship of the category. “Dumping a flavor in a vat wasn’t going to work, so we made sure we developed a very interesting infusion process into the 4-year-old bourbon,” says Graber. Something else the company has learned: “Red Stag sells the same amount when retailers place it in the bourbon section as it does when in the flavor section,” says Bill Newlands. “It has dual occasion appeal, which is pretty unique.”
can take them in the direction they were meant to go. It has resulted in Jim Beam White—the brand's flagship expression—showing fastest growth in years. “We hadn't been consistent in our marketing historically, and the end result was that the brand didn't mean as much to consumers,” says Mason. “When we listened to consumers, we saw that they really connected with this messaging and it has invigorated the brand.”

**ENCOURAGING TRADE-UP**

In the last 18 months, two of Beam's most iconic single-sku brands—Maker's Mark and Knob Creek—unveiled line extensions for the first time ever. “We know that at the super-premium end, consumers tend to be very promiscuous within the category, similar to single malt scotch,” says Mason. “Innovation has provided a vehicle for those consumers to try and experience new and different expressions yet stay within the brand family.”

The Knob Creek Single Barrel expression was created for the “loyal Knob Creek drinker who had expressed a desire for something with even more connoisseurship,” says Hoover. “It features a very different, pretty intense flavor profile, but that is what that consumer was looking for.” Maker's Mark, another brand that had gone for decades without a variant in its portfolio, released Maker's 46 last summer, a bourbon with a bit more robustness, yet true to the Maker's style.

“The bulk of the innovation that's coming from our portfolio is coming in the premium category and above,” says Mason. “With both of these, as well as with Devil's Cut, a new, higher proof expression from Jim Beam, what we are seeing are incremental sales—the line extensions do not cannibalize the mother brand.”

**THINKING BRANDS, NOT CATEGORIES**

There is a tendency within the spirits industry to want to group products into definable categories that can be shelved in separate sections in retailer environments. “Sometimes we get a little hung up on those categories, much more than the consumer does,” says Hoover. “Consumers buy brands, not categories. We are focused on building brands that might not fit into a specific category. Take Courvoisier Rosé—is it a wine or a Cognac? We don’t really care. We just think it's a great liquid.” While this mindset presents challenges—particularly in helping retailers figure out where to display products like these—it also offers new opportunities, Hoover believes: “Sometimes to address a consumer need, you do something that's truly different and we are open to that. That is what innovation is all about.”

The brand began with a Margarita, but is quickly morphing into a line of cocktails. Beam recently launched Skinnygirl sangria—white sangria, because the sensible Frankel was insistent that women don't want red stains on their couch.

“The key is that it tastes good: Consumers want low-calorie, but they don't want to make a taste trade-off,” says Byron Hoover.