Remember wine coolers back in the 1980s? Times change, and so do our tastes. A new generation of cocktail-based ready-to-drink beverages (RTDs) has quietly emerged, appealing to consumers with new tastes while bringing greater convenience and efficiency to businesses. The RTD market may still be in its infancy, but a number of producers are looking to transform the way we serve and drink cocktails.
THE RTD MARKET
“The ready-to-drink cocktail really does terrify perfectly capitalize on two key trends: premiumization and convenience,” said Michael Ward, SVP of innovation at Diageo. RTDs are the ultimate convenience: a consumer just has to pour and garnish the beverage. And drink it, of course. Hosts no longer have to mix every drink – they can just pour it from the container. “Everyone knows these drinks, but they don’t know how to make them,” said Joe Metivier, brand director for Bacardi Rums.

On-premise business benefits as well. Bartenders’ youth, inexperience and short tenure is a major issue, but RTDs can ensure a consistent product. According to David Henkes of market analyst Technomic, 83% of bartenders agree that mixers make their job easier. RTDs earn a greater return in a soft casual dining market by lowering the cost of preparing a drink.

Many producers focused initially on the Margarita, the country’s favorite cocktail, but as the market got crowded, they started branching out. Consumers have rediscovered the Mojito, so get ready for more flavors and line extensions. Can you say Caipirinha?

STIRRING THE MIX
If you ever see Stirrings non-alcoholic mixers, you won’t forget them. Lined up on the shelf, they are a kaleidoscope of color, stunningly packaged in clear bottles that show the brightly colored mixer inside. “Our packaging has a lot going for us that gives us an edge over the competition,” CEO Paul Nardone said proudly. “It’s a brand people speak proudly of wanting to show off at home – and the bar.”

Stirrings was only launched in 2005, but it has made a big, colorful splash in the mixers world. “The opportunity we saw in the market was the inconsistency of wanting premium spirits, but there wasn’t a premium product in the mixer business,” said Nardone. “Ours is fresh-squeezed in a bottle, but it’s consistent every time.”

Look for Stirrings to make an even bigger splash in 2008. It has formed a strategic partnership with Diageo to target retail and on-premise accounts. The two companies are pairing their brands in what Diageo calls the Perfect Pour program. This offers cross-merchandising and sampling. “A tryer is a buyer,” Ward said. “The liquids really deliver against what consumers are looking for.”

R U RTD?
Diageo was the first entrant in the RTD market, and its first foray was the Jose Cuervo Authentic Margarita, followed by a Smirnoff line extension. “It’s about cocktails I know, with brands I trust, with the sophisticated taste that I expect,” explained Ward. Besides the Perfect Pour campaign with

THE DAILY’S DIFFERENCE

Daily’s started in the mixers business in 1966, and added ready-to-drink cocktails in 2005. The Beverage Network caught up with Tony Battaglia, president and COO; Paul Beranek, VP of sales; Gary Vega, national sales manager – on-premise; and Tim Barr, director of marketing, at Daily’s second annual MIX U Summit to ask about their business challenges.

The Beverage Network: What sets Daily’s apart from other RTDs?
Tony Battaglia: We just didn’t want to be a ‘me-too’ and come out with something in a bottle. We wanted to bring innovation to the category. We saw an opportunity, but we wanted to differentiate ourselves.
TBN: Any surprises you learned along the way?
Paul Beranek: We created a pouch four years ago. The premise was that you had to open it up, pour your vodka or rum in it, and put it in the freezer. Once you took the pouch out of the freezer, you had a frozen Margarita, but you had that extra step, which was viewed by the consumer as a major negative.
Battaglia: Yes, we learned a really valuable lesson. When you’re going to stress convenience, convenience is all or nothing. You can’t take consumers 75% there – they want to be taken 100% of the way there.
TBN: What is your growth strategy?
Tim Barr: We’re looking to increase our business by increasing on-premise penetration, but also to make sure we have the right products. Our line of martini syrups, our Daily’s Divines, our three new Latin flavors – we have a variety of new products, but it’s also our business solutions to help people develop programs for their locations which will make our brand a success.
TBN: Why the on-premise focus?
Beranek: If we want to be the leading brand of mixers, we have to be the leading brand on-premise.
Gary Vega: We think we have a pretty clear understanding of the operator’s needs. We try to think beyond just selling cocktail mix. We really try to understand their processes. What are their initiatives? What’s important to them? It’s easy to try to sell someone something – it’s a little more difficult to meet their needs.
Barr: That’s the value we bring to these locations – the consistent drink, the time savings, the cost savings, reduced inventory levels, the great taste and our ability to come out with appealing flavors that consumers want.
Vega: Two-thirds of consumers that walk into an on-premise establishment have no idea what they’re going to order beverage-wise. They can be influenced in a lot of different ways. Consumers are really into new taste profiles and flavor and exotic drinks. They want something they can’t make at home.
Battaglia: We skew heavily towards females – our research showed that 70 to 80% of our targeted audience are women. We’ve been innovative and keeping our eyes and ears open to drink trends.
Beranek: The best thing is that it’s easy. We want to bring solutions and bring value – ultimately we don’t just want to sell product. It’s more efficient, it’s more cost effective, and it gives them the ability to mix the same drinks over and over.
Barr: That’s the Daily’s difference.
Stirrings, Diageo will be launching the Smirnoff Pomegranate Martini in 2008.

Jose Cuervo soon had company in the Margarita King, which started in San Francisco in 2002. “It was definitely obvious that we were pretty early,” remarked Gigi Hong, VP of marketing. “People didn’t believe there would be such quality in a Margarita in an off-the-shelf market. We took a couple years to overcome these obstacles.”

Key to its strategy is its Los Angeles office. “We’ve done quite a few celebrity events – and that in turn has granted a lot of attention for The Margarita King,” Hong remarked. It capitalizes on founder Giovanni Fernandez’s public persona. He appeared on the Oprah Winfrey Show, giving the product enormous leverage. The brand introduced its second cocktail flavor, Pomegranate, in January. While currently in just 12 states, it will expand to the East Coast in 2008 and is moving into on-premise accounts as well as major retail chains.

A very new entry into the RTD category is Salvador’s 100% De Agave Premium Margarita, which was introduced with very limited distribution (in Dallas and Denver) towards the end of 2007. Based on the positive response from consumers, the product is now being introduced nationally in 2008. According to Todd Nickodym, director of marketing, Luxco Spirited Brands, the key point of difference with Salvador’s is that it is created and bottled in Mexico using only genuine 100% agave tequila. He said, “We believe that it is the quality of the tequila that makes a truly superior tasting Margarita. In addition, the new Salvador’s 100% De Agave Premium Margarita is bottled at 30 proof to deliver an authentic, full flavored Margarita taste experience that does not get watered down when enjoyed over ice.” Nickodym, optimistic about the future of the brand, noted, “The growth of our core Salvador’s RTD line continues to out-pace the growth of the RTD category. Much of that is the result of the new products and flavors we have brought to market the past few years, including Salvador’s Mojito, Long Island Iced Tea, and Pomegranate Margarita.”

Another Margarita-style ready-to-drink that has an expansive line of flavors is Tarantula. The original five Tarantula RTD flavors – Azul, Berry, Mango, Melon and Strawberry – were introduced in 2003. According to brand manager Michelle Nouvel of McCormick Distilling Co., “A very positive and enthusiastic response from consumers quickly resulted in expanding the line to include Peach and Black Cherry.”

“The ready-to-drink cocktail capitalizes on two key trends: premiumization and convenience.”
- Michael Ward, SVP of innovation at Diageo
Nouvel said that their products really connected with consumers because they are made with real tequila and natural fruit flavors, are available in convenient 4 packs and the 1.75 size, and because the variety of fruit flavors provide so many choices. “On-the-go Margarita consumers also appreciate that there is no need for blenders and no need to measure, which makes Tarantula RTD’s perfect for packing coolers or a quick convenient party starter,” she remarked. This year, the brand also introduced a Reposado Tequila Margarita RTD for a 100% authentic Margarita.

Bacardi jumped into the RTD market with its line of rum-based Bacardi Party Drinks. “We’re in our sixth or seventh year in the category. We were early adopters,” claimed Joe Metevier. Since then, the line has expanded to six flavors, though Rum Island Iced Tea is still the bestseller. It appears Bacardi has the rum-based RTD market to itself: “What makes us unique is that we’ve got the whole rum-thing cornered. We have first-mover advantage.”

Bacardi Party Drinks focuses on off-premise sales in control states. “Sampling is the key to the category,” Metevier said. “Once people try the product, their conversion rate is very high.” The brand lives up to its name – and that’s why the 1.75 liter packaging is so appealing to at-home consumers. Look for a new flavor in 2008.

WINE-BASED RTD

Daily’s has made non-alcoholic mixers since the 1960s, and aggressively launched its RTD line in 2006. The Margarita has been the bestseller, while planned new flavors include Blueberry Mojito and the Caipirinha. President and COO Tony Battaglia said confidently, “Year to date we’re tracking 60% over last year’s ready to drink market. We’ve barely touched the surface.” Daily’s cocktails are wine-based, so restaurants that don’t have a liquor license can still sell them.

Daily’s offers a variety of packaging, including bottles, boxes, and freezer-ready pouches, and this reflects its strategy of targeting consumers as well as casual dining. The 1.75 liter box has a pour spout on the bottom for easy use. The pouch looks like a big Capri Sun, and restaurants can even sell it as a take-out item. “We’ve seen a huge surge in our pouch business. We couldn’t make enough this summer – the demand was so high,” noted Tim Barr, director of marketing. “It far surpassed our expectations – it was 400% of what we had budgeted for the summer.”

TARGETED MARKETING

Barton Brands acquired Cocktails by Jenn in 2005 and launched its vodka-based cocktails nationwide. “Customers buy ready to drink because they enjoy the cocktail experience but don’t want to have all the ingredients in their home,” said brand manager Lori Logan.

CbJ comes in four flavors: Appletini, Blue Lagoon, Cosmopolitan and Lemon Drop. It comes in 750 ml bottles, or alternatively a tote with four 100 ml bottles. No other RTD is so obviously targeted at adult women: “She feels like she’s going shopping,” Logan mused. She called the tote a “liquid fashion accessory.”

Kahlúa is unique in that it is the only coffee-based RTD. “A return to classic cocktails such as the White and Black Russians and the Mudslide has been instrumental in propelling Kahlúa into a leadership position in the category,” said Susan Kilgore, Kahlúa marketing director. Targeted at off-premise sales, Kahlúa introduced new packaging and a new flavor – Raspberry White Russian – in early 2008 to take advantage of growing consumer interest in ready to drink cocktails.