

# the drinks business

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WHY TEMPERANCE IS  
MAKING A COMEBACK

## REVVING UP

A SURGE IN HIGH PROFILE INVESTMENT TAKES  
ULTRA-PREMIUM TEQUILA INTO THE FAST LANE



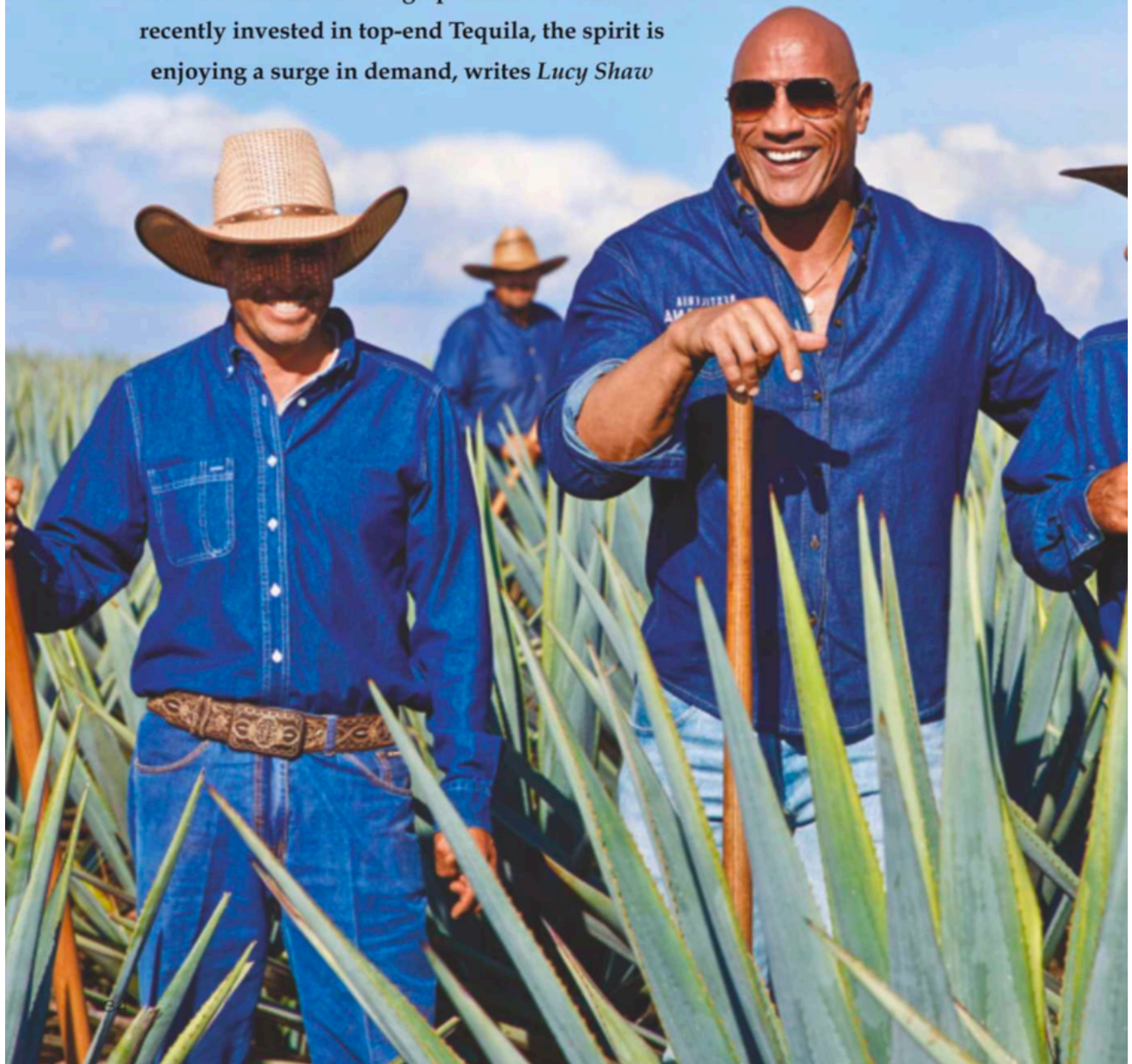
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# SPIKE IN interest

Thanks to a number of high profile stars who have recently invested in top-end Tequila, the spirit is enjoying a surge in demand, writes *Lucy Shaw*





## Feature findings

- > Fuelled by the ultra-premium segment, global Tequila sales are up by 5.3% in volume to 35 million cases, while value sales are up by 13% to over £7.2 billion.
- > Hollywood's proximity to Mexico has helped to attract a slew of famous faces to the category, including Chris Noth, Nick Jonas and Dwayne 'The Rock' Johnson.
- > A drinks industry fairytale, four years after George Clooney, Rande Gerber and Mike Meldman launched ultra-premium brand Casamigos, it was sold to drinks giant Diageo for US\$1bn, based on its performance over the next decade.
- > As the third most followed person on Instagram, The Rock's ability to engage with his 187m followers gives him an unparalleled opportunity to promote his small batch Teremana Tequila brand in an authentic and personal way.
- > While Tequila's natural home is the on-trade, with lockdown putting partying on hold, the spirit is finding a new niche in the off-trade via at-home cocktail kits.

**TEQUILA HAS** come a long way. From being denigrated as a cheap student drink to knock back with brio, then spend the next day regretting it, the agave-based spirit has enjoyed a dramatic change in fortunes, and is now one of the hottest, and fastest-growing, drinks categories on the planet. According to the IWSR, global Tequila sales are up by 5.3% in volume to 35 million cases a year, while value sales are up by 13% to over £7.2 billion. Tequila has been moving upmarket ever since hair care entrepreneur John Paul DeJoria swapped shampoo for hard liquor and launched ultra-premium brand Patrón in 1989, creating a new quality tier for the spirit in the process.

With Jalisco just a three-hour flight from the Hollywood hills, Tequila has caught fire recently in terms of celebrity involvement, with everyone from *Sex and the City* star Chris Noth and singer Nick Jonas to wrestler-turned-actor Dwayne 'The Rock' Johnson entering the ring. "There is a lot of interest in ultra-premium Tequila at the moment, which is

growing as a category year on year. Consumers are showing a deeper enthusiasm for and knowledge of the versatility of Tequila and its unique taste, so I think we'll see more well-known names enter the category in the future," says Raffaele Berardi of Fraternity Spirits.

While singer Rita Ora is enjoying success with her Próspero brand in the UK, most of the recent high profile launches involve stars based in the US. Volume consumption of Tequila in America grew by 8.3% last year, and is forecast to grow by another five million nine-litre cases by 2024. "California's proximity to Mexico, coupled with the state's diverse Hispanic population, make it one of the top states for Tequila consumption in the US. It's a natural fit for personalities who are looking to align with products that match their lifestyle, and allow them to be involved in the production and marketing," says Brandy Rand, chief operating officer of the Americas at IWSR. With interest in the category at an all-time high – the spirit is

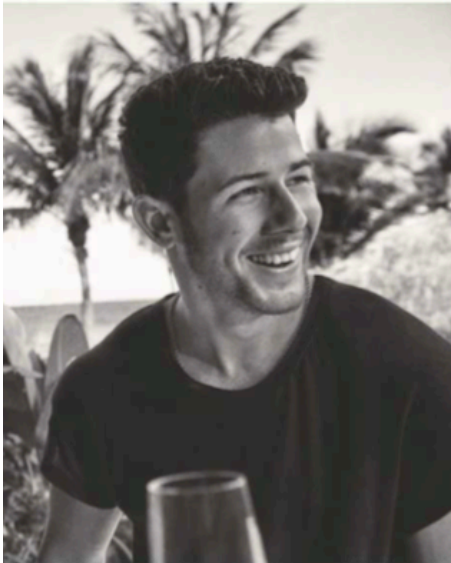
enjoying double-digit growth in Spain and Colombia – a record 330m litres of Tequila was produced last year.

Wind the clock back to 1989, and DeJoria was ahead of the curve in spotting the potential for small-batch Tequila in premium packaging to take off in the US. Understanding the luxury market, he launched his first bottles of Patrón at the then audacious price of US\$37 (£30), when the ultra-premium Tequila category didn't exist. Adding value to the consumer drinking experience, Patrón is made using the painstaking tahona process that sees a stone wheel crush the Blue Weber agave fibers. The extracted juice is then fermented in pine casks and distilled in small copper pot stills.

To sell the liquid at his desired price, DeJoria didn't scrimp on the packaging, housing his silver, reposado and añejo expressions in hand-blown, individually signed glass bottles finished with silk ribbon and Portuguese cork. The brand has done more than any other to drag Tequila out of the dark ages and

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## tequila



Nick Jonas of Villa One

introduce it to an enlightened audience. Helping its plight, Patrón quickly became a popular bar call – Tom Cruise famously ordered it in a club scene in Cameron Crowe’s 2001 sci-fi thriller *Vanilla Sky*. It has since been name-checked by everyone from Drake to Taylor Swift. Having succeeded in what he set out to do, in January 2018 DeJoria sold Patrón to Bacardi for a staggering US\$5.1bn.

**‘The US has long been a fertile market for Tequila, and we’re witnessing a big shift in how people around the world both perceive and consume it’**

“We created the first super-premium Tequila to transcend category norms, be available on a global scale and attract new drinkers through collaborations with bartenders to showcase the versatility and

### Mex and the city

From the Noma Mexico pop-up in Tulum to the recent release of Pixar animation *Coco*, which focuses on Day of the Dead celebrations, Mexican culture is being given increasing airtime on the global stage. In 2017, Mexican chef Martha Ortiz of Dulce Patria in Mexico City opened her first London outpost, Ella Canta on Park Lane (pictured), where the staff wear Frida Kahlo-inspired floral headdresses, and bowls of guacamole are garnished with golden grasshoppers. The restaurant also boasts one of the most comprehensive Tequila and mezcal offerings in the capital, the latter of which is served in the traditional way with salt and slices of orange. “From gastronomy and art to Day of the Dead celebrations, Mexican culture has gained momentum globally and Tequila is undoubtedly a central element to it,” believes Matthew Sykes of Patrón. The spirit’s often painstaking production process and the craftsmanship behind small batch brands lends the category an authenticity millennials are seeking from the products they purchase, and the fact that Tequila, like Cognac, can only come from one place and has to be made with a certain type of agave appeals to the provenance-driven younger generation.



### Tequila’s top five export markets in terms of volume

1. US (+8.3% in volume in 2019)
2. Canada (+9.8% in volume in 2019)
3. Russia (+11.2% in volume in 2019)
4. Germany (-8.6% in volume in 2019)
5. UK (+3.4% in volume in 2019)

Source: IWSR

quality of the spirit,” says Patrón’s senior director of global marketing, Matthew Sykes. “The US has long been a fertile market for Tequila, and we’re witnessing a big shift in how people around the world both perceive and consume it.” Another turning point for Tequila came in 2013, when Hollywood actor George Clooney and business mogul Rande Gerber launched small batch brand

Casamigos with property developer Mike Meldman, having built houses next to each other in Mexico. Meaning ‘house of friends’ in Spanish, Casamigos was created with similarly high aspirations as Patrón. Sticklers for detail, it took two years and 700 attempts for the trio to perfect the signature Casamigos taste. “We wanted to create a smooth Tequila with no burn that you don’t have to cover up with salt or lime – a Tequila that doesn’t give you a hangover in the morning,” says Gerber.

“When we started out we were just making it for ourselves, so we had the time and patience to get it right.”

Like Patrón, the Casamigos production process is slow. While demand for the

spirit continues to grow, Gerber is keen not to cut corners. “Being a small batch brand, we use the old fashioned production method that takes time. Our agave takes a minimum of seven years to ripen, and the pines are only selected when they’re perfectly ripe. George and I sign and number every bottle and taste every batch. The demand has been incredible but we’ll never speed up the process or compromise on quality,” he says. A drinks industry fairytale, four years after the trio launched the brand, Casamigos was sold to Diageo for US\$1 billion, based on its performance over the

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## tequila



Big player: Chris Noth

next decade. When the deal was announced, Clooney told CNBC: "If you asked us four years ago if we had a billion-dollar company, I don't think we would have said yes. This reflects Diageo's belief in our company and our belief in Diageo. But we're not going anywhere. We'll still be very much a part of Casamigos. Starting with a shot tonight. Maybe two."

While Clooney's charisma has no doubt lured consumers in their droves to try Tequila for the first time, helping to create a new generation of converts to the drink, Gerber believes it's the authenticity of the story that keeps them coming back. "We made Casamigos to drink not start a company. George, Mike and I own it, drink it, run the company and live the lifestyle. We're just three guys who know what we like and want to share it," he says. The launch of Casamigos has had a domino effect, and over the past few years a clutch of stars have entered the category at the top end, from former basketball player Michael Jordan to electronic DJ duo The Chainsmokers.

In September 2018, American actor

### UK off-trade Tequila sales

	2019	2020	%Chg	Actual Chg
Value (£)	£6,313,965	£10,069,400	59%	£3,755,435
Volume (l)	213,389	329,034	54%	115,645

Source: Nielsen

### GB on-trade Tequila sales – data to 22/02/20

	Volume 9lcs			Value £m		
	MAT YA	MAT TY	% chg vs YA	MAT YA	MAT TY	% chg vs YA
Total Tequila	138,173	140,929	2.0%	168	175	4.3%

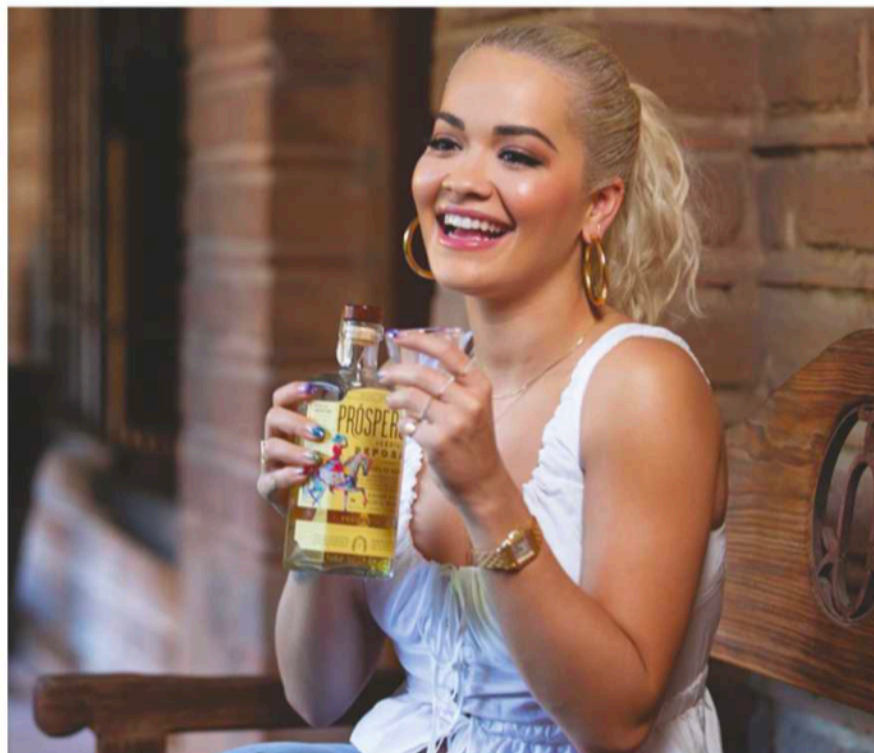
Source: CGA



In the mix: Patrón Tequila

**'George, Mike and I own it, drink it, run the company and live the lifestyle. We're just three guys who know what we like and want to share it'**

Chris Noth, best known for playing Mr Big in *Sex and the City* alongside Sarah Jessica Parker, bought a majority stake in Ambhar Tequila. He has since taken on the role of creative director for the brand, working alongside founder Jaime Celorio on growing the ultra-premium Tequila both in the US and in key export markets like the UK. As the co-owner of live music venue The Cutting Room in New York, Noth has a head start on other newcomers to Tequila in understanding how to succeed in the competitive nightlife industry, but being a drinks industry outsider and a well-known face, he feels he has to work extra hard to be



On song: Rita Ora is the face of Próspero Tequila

taken seriously. "Coming from an acting background, I feel like I have something to prove," he told our sister title, *The Spirits Business*, last month. "Once people taste the Tequila and see the packaging, they'll understand. The taste, the bottle, the way it's made – if I can get beyond the celebrity part and get to the real goods then I'll have done my job." One of his

**'Once people taste the Tequila and see the packaging, they'll understand. The taste, the bottle, the way it's made – if I can get beyond the celebrity part and get to the real goods then I'll have done my job'**

biggest aims is to encourage consumers to try Tequila as a straight serve, or with an ice cube, in a similar way to a single malt. "Jaime taught me that there was an art to high-end Tequila, which is as rich and complex as a fine brandy, and not something to be swilled," Noth told *db* in December 2018 while launching Ambhar at Boisdale in London. "Tequila isn't huge in the UK at the moment. I want to

change people's perceptions of it and show that it's something to be sipped and savoured."

The newest player to enter the ring is WWF wrestler-turned Hollywood actor Dwayne 'The Rock' Johnson, who launched his Teremana brand (a hybrid of the Latin word for 'earth' and the Polynesian word for 'spirit') in March. Created as a sipping Tequila to be enjoyed on the rocks, Teremana is made from 100% Blue Weber agave distilled

#### Brand update: Tequila Corralejo

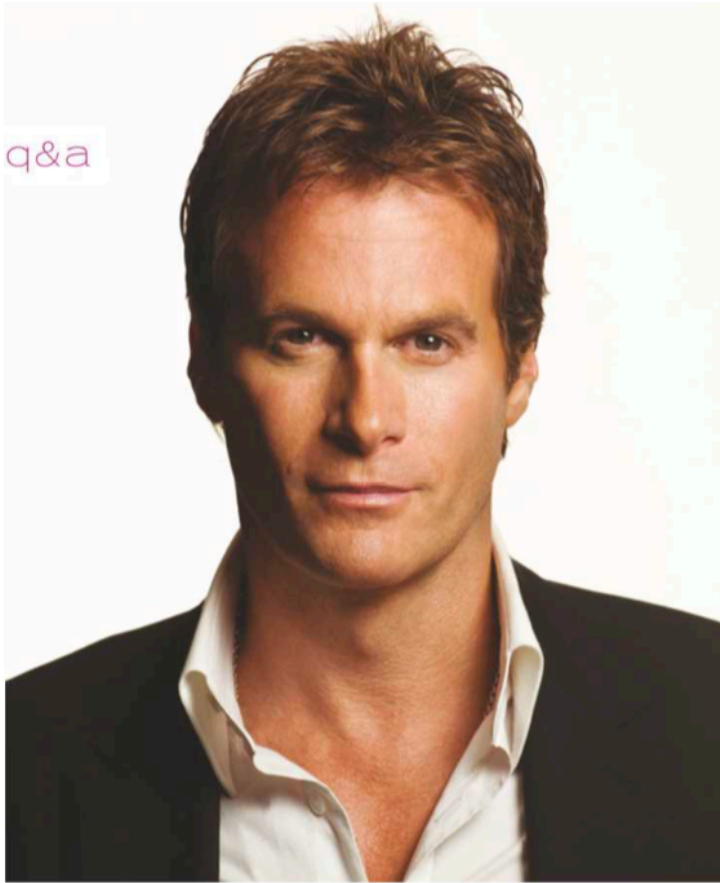
Tequila Corralejo will be celebrating its 25<sup>th</sup> anniversary next year, and has released a number of new products to mark the milestone, including a 40% ABV Tequila that can be enjoyed over ice, in a Margarita, or in other Tequila-based cocktails like the Paloma. The brand has also released a mezcál called Espanta Espíritus, made from 100% Salmiana agave from San Luis Potosí and double distilled in small copper pot stills. Completing the hat-trick, Corralejo has released three new expressions in its Perro de San Juan mezcál range – Cirial, made from 100% Karwinksii agave; the cranberry red Grana Cochinilla, crafted from 100% Espadín; and a 42.4% ABV Espadín mezcál. "While the current coronavirus situation has been very difficult, we always try to turn challenges into new opportunities to create value for our partners, markets and consumers," says Raffaele Berardi, CEO of Corralejo's parent company, Fraternity Spirits.

in small copper pot stills. Hoping to appeal to a health- and eco-conscious millennial audience, the brand, which Johnson co-founded with his ex-wife, entertainment magnate Dany Garcia, and Tequila Aviön founders Jenna Fagnan and Ken Austin, has been savvy in flagging up its green credentials from the get-go. Leftover agave fibres are turned into compost and used as a fertiliser, while wastewater from the production process is cleaned and re-used. Keen to be transparent, bottles of Teremana include both nutritional and calorie information – there are 96 calories per 1.5 ounces (30ml) of the spirit.

"I'm committed to bring you the best Tequila, because quality and legacy are what matter most," Johnson wrote in an



q&a



## RANDE GERBER

**Business mogul Rande Gerber launched ultra-premium Tequila brand Casamigos with his Hollywood pal George Clooney in 2013. Four years later it was sold to Diageo for US\$1 billion. We caught up with the Malibu resident to find out the story behind the in-demand brand**

### **How did Casamigos come about?**

A decade ago George and I were spending a lot of time in Mexico, building homes next to one another, which were named Casamigos (meaning 'house of friends'), as you do. We were going out and drinking a lot of Tequila at the time. We'd go to bars and bartenders and would suggest different Tequilas – some really expensive, some good, some not so good, but we never found one that was perfect for us. We wanted the best tasting, smoothest Tequila, one with no burn that you didn't have to cover it up with salt or lime. We wanted to be able to drink it all night and not be hungover in the morning, so we started working with one of the greatest master distillers in Jalisco to develop the exact Tequila profile that we wanted.

### **It is true that it took 700 attempts to get the recipe right?**

Two years and 700 samples later, we finally got the blend perfect. Fortunately, at the time we were just making it for ourselves and had the time and patience to get it just right. When we opened our 700<sup>th</sup> bottle, we looked at each other and knew it was perfect. We knew there was nothing better, and finished the bottle.

### **When you first started producing Casamigos commercially, in 2013, did you have any idea how successful it was going to become?**

In the beginning we made it for ourselves. For fun, we did blind tastings for our friends, comparing it with the biggest, most popular

and most expensive Tequila brands, and Casamigos won every time. We knew we loved it, but it was a great feeling when everyone chose ours too. We're extremely proud that Casamigos has become the fastest-growing Tequila brand in the world.

### **You roast and ferment the pines for far longer than the average Tequila maker; why is that?**

Since we're a small-batch, ultra-premium Tequila, some companies speed up the process but we don't. We use the old fashioned method that takes time. Our agave takes a minimum of seven years to ripen, and the pines are hand selected when they're perfectly ripe. George and I sign and number every batch we bottle. We also taste every batch before it goes into the bottle. The demand has been incredible but we will never speed up the process or compromise on quality.

### **How has working in the nightlife and entertainment business helped you in the running of Casamigos?**

When I designed and opened my first bar, it was based on where I wanted to go and how I entertained at home. I didn't look at the market and think 'how do I create something cool?' I did it for myself. I wanted to hang out on a couch and listen to mellow rock 'n' roll. I wanted the lighting to be beautiful, the furniture comfortable, the drinks fresh. I always create things for myself. When you're doing something for yourself it's authentic.

### **How important is the selling a dream element to your brand?**

We are seeing people drinking Casamigos that have never drank Tequila or mezcal before. Consumers are smart, and can't be fooled by fancy bottles and big marketing campaigns. They know what they like and they want the best. George and I don't follow any rules, we do things our own way. When you have a quality product, the best marketing is word of mouth.

### **There are a lot of celebrity drinks brands out there, what is it about your brand that has made it so successful do you think?**

Casamigos is not a celebrity brand. We made it to drink, not start a company. I think people appreciate the authenticity of our story. George, Mike Meldman and I own it, drink it, run the company and live the lifestyle. The accolades Casamigos has received is because of the spirit itself, not the people behind it. **db**