

Pernod Ricard USA's James Slack, Senior VP,  
Wines & Champagnes and Julien Hemard,  
Chief Commercial Officer, Spirits,



# EYES ON / THE PRIZE

**WITH SUCCESS IN THE U.S. AS TOP PRIORITY, GLOBAL GIANT PERNOD RICARD STEPS UP THEIR GAME**

/// BY KRISTEN BIELER

A company doesn't become the second largest wine and spirits supplier in the world by sitting still. The Pernod Ricard success story—which dates back to 1805—is one of continuous evolution and adaptation, and a keen understanding that what worked a decade ago may no longer be relevant today.

And it's a story still being written.

“We’ve been given a clear mandate by Alexandre Ricard [Chairman & CEO] and Paul Duffy [Chairman & CEO, Pernod Ricard North America], that winning in the U.S. market is the top priority for the global company, so we’ve made many significant changes in order to make this happen,” says Julien Hemard, Chief Commercial Officer, Spirits.

While Pernod Ricard USA's organizational changes—new leadership, a decentralized power structure and retooled route to market—are significant, it's the shift in mind-set which may be more remarkable: “We have gone from brand-centricity to consumer-centricity, which



has altered the way we market and think about our brands,” says Hemard. “We’re moving away from categories and thinking in terms of occasion, which is how today’s consumer enjoys our products.”

Hemard himself is part of that change, having been on the job less than one year—though he’s worked at the company for over 22 years. “When I joined Pernod Ricard, our business outside of France was miniscule; and contrary to our size today, I think we’ll always be that humble little company.” Bringing fresh perspective, Hemard is tasked with navigating “the most fascinating, exhilarating spirits market in the world,” he describes. “Most trends we see internationally—premiumization and innovation—began in the U.S.”

## REDIRECTING POWER

“We’ve moved from a one-size-fits-all approach primarily driven by the center, to a much more localized approach,” says Hemard. The company has simplified its structure and reduced layers, handing power directly to those in the field. With 50 new in-market employees and over 150 local activation specialists, decisions are tailored to very specific geographic regions. “The primary goal of the model is to encourage local people to make the right choices for their market,” he describes. The company hopes to build upon its entrepreneurship-style culture: “We want to empower our

people and encourage risk-taking. In my 22 years with the company, the best ideas have always come from people in the field.”

### MARTELL ‘VS’ SINGLE DISTILLERY

Capitalizing on the explosive growth in Cognac, the 300-year old Martell brand—which grew over

**18%** last year—has released Martell “VS” Single

Distillery, made from a single distillation source and offering a richer flavor expression.



### REFOCUSING ON WINE & CHAMPAGNE

A number of large spirits suppliers have recently exited the wine space, but Pernod Ricard is doubling down. “The U.S. is the world’s number one wine market and is forecasted to grow nearly 5% in volume and 11% in value by 2020, so we see tremendous opportunity,” says James Slack, Senior VP, Wines & Champagnes. He’s a firm believer in the synergies between wine and spirits: “Marrying our wine and Champagne portfolios with our spirits portfolio makes us much stronger in the marketplace because we can provide solutions for every occasion.”



### ABSOLUT: TIME FOR LIME

The launch of Absolut Lime this spring, at a time when the flavored vodka category is over-crowded and softening, may seem curious. “We looked at the complexity of the category and how confused retailers and customers were with the overwhelming amount of entries, and decided that the market was ready for something simple,” explains Hemard.

After de-emphasizing some Absolut flavors to focus on the core range, the company unveiled Absolut Lime with a blow-out sponsorship of the Grammys. “Consumers love the product and its taste, and we’re already seeing strong consumption trends from Nielsen,” reports **Pierre Berard**, SVP, Spirits Marketing. “The strong support of national chains and great retail displays across the country have been wonderful to see. Lime is a highly trending flavor from the iconic, leading imported vodka.” Also gaining nice traction this year is Absolut Elyx, the luxury vodka made from single-estate winter wheat and matured in a vintage 1921 copper still. According to Elyx CEO **Jonas Tahlin**, a key success factor has been the brand’s commitment to bring safe water to 100,000 people in developing countries via a partnership with “Water for People”.



### /// JAMESON CASKMATES ///

One of the key growth drivers for the company, Jameson has posted double-digit increases in 49 states for the last five years. Following the success of Jameson Black Barrel—Jameson whiskey aged in extra-charred barrels—the company released Caskmates last year. Pushing category boundaries, Caskmates is whiskey finished in craft beer barrels, which makes it relevant to beer drinkers as well as single malt fans who have long sought out experimental “finishes” on their whiskeys. “We’ve seen it become a huge success so quickly because it adds terrific versatility and more opportunities for consumers to enjoy Jameson,” says Hemard.





Slack wants to reorient the dialogue between brand and consumer to focus on occasion, not category: “People may start off with a cocktail, move to a glass of Champagne, have a glass of wine with dinner and end with whisky on the rocks. It’s unrealistic to think that someone will only drink one category or brand all the time.”

## REWIRING INNOVATION

Particularly in the U.S. market, innovation is a critical growth driver. To be better positioned for success, Pernod Ricard USA created an incubation division, New Brand Ventures—headed by Senior Vice President Jeff Agdern—to handle brands young in their life cycle. “Moving these brands outside the main network allows them to get the love,



## JACOB'S CREEK DOUBLE BARREL

To infuse new energy into the iconic Jacob’s Creek brand, PRUSA recently released Double Barrel, a Shiraz finished in a Scotch whisky cask and a Cabernet finished in an Irish whiskey barrel. “We believe these could be real category disruptors and almost create a new subcategory,” says Slack. “Being from Australia won’t be such a barrier for these wines, and we’re hoping to start positioning Jacob’s Creek at a higher price point to build more value.”



nurturing and patience they need to become the next big growth engine for the future, and lets them grow at their own pace,” explains Hemard.

There are currently eight brands in the division—including Smooth Ambler whiskey from West Virginia and Monkey 47 Gin. Plymouth Gin, Aberlour Single Malt Scotch, Lillet, Lot 40 Canadian Whisky, Terremoto, and, effective July 1, Power’s Irish Whiskey. “Once we see a brand taking off, we can move it into the main portfolio,” Hemard adds.



## REDEFINING CRAFT

While many of the company’s smaller brands are undeniably considered “craft,” the company is aiming to broaden the definition to apply to larger brands that are made with the same artisanal approach. “We don’t believe craft is only about being small,” says Hemard. “It’s about the history, the authenticity, the people behind the brand.” Take Jameson, created in 1780 by John Jameson in Dublin, with its centuries of provenance. Or Absolut, produced in the same spot in Southern Sweden, with the same recipe and same copper still, since 1879. And Chivas Regal, which traces its roots back to 1801. “I believe in the past we neglected to talk about the actual quality, production process, history and

## AVION & OLMECA ALTOS TEQUILA

Just six years ago, Pernod Ricard didn’t play in the tequila game. Today the company has premium Avion as well as the Olmeca tequila range and the focus for both: On-premise. “Our programming for Avion is to show people the difficult, time-consuming way they are producing this spirit in the distillery in Mexico,” shares Hemard. The more recent addition of Avion 44—a small batch, extra-aged anejo—is a huge success, recruiting from Cognac and single malt drinkers. “There is tremendous opportunity at the very top end of tequila,” says Hemard.

At the more accessibly priced end, Pernod Ricard developed Altos, an extension of their Olmeca range. “We assembled some well-respected mixologists and asked them what type of tequila would work best for an on-premise venue in the U.S.? The result of much experimenting and tasting was Altos and it’s been extremely successful—up 40% last year. It was created by bartenders for bartenders, so they have become our best advocates.”



## /// THE GLENLIVET ///

Created in 1824, Glenlivet was among the first single malts—copied many times over. The new Founder’s Reserve—made with the signature mix of sherry and bourbon casks—is a “blend but crafted like a single malt,” describes Hemard. “It’s very smooth and accessible but still true to the brand’s style and heritage.” While the U.S. is the number one market globally for Glenlivet, there is still room to grow: “Per capita consumption of single malt is one-third here what it is in France, for example, so we still see a lot of room to grow.”



people behind these iconic brands, and we are starting to do that now,” says Hemard.

Size and craft aren't mutually exclusive when it comes to wine either, says Slack: “People forget that wine is still an agricultural product and there is tremendous craft and skill involved. Look at Jacob's Creek, founded in 1847 in Barossa Valley or Champagne Perrier-Jouet created in 1811, the estate which invented the term for 'brut.' Across our portfolio there is so much heritage and we'll be communicating that increasingly.”

“Our mission is to grow our customers' businesses, not simply grow our brands,” concludes Hemard. “Of course, we have market leaders across multiple categories (including Absolut, Jameson, Kahlúa, Malibu, Seagrams Gin and The Glenlivet), so our customers naturally want to carry those brands. But our founder, Paul Ricard, never directed his salespeople to solely focus on making quotas. He instead asked them to “make a new friend every day” by really helping our customers. That is what we are going to do in the U.S.” ■

## SPARKLING EXPLODES

Americans aren't just drinking more sparkling wine these days, they're drinking it differently. “Sparkling wine is no longer being reserved for celebrations and holidays; people—particularly Millennials—are drinking it on every day occasions,” says Slack. “We are tracking how people consume—whether picking up a bottle of sparkling wine to drink casually at home, or enjoying a bottle of Champagne with a meal in place of red or white wine, or consuming it by the glass in a high-energy bar instead of a cocktail—so we can take an occasion-based marketing approach.”

Pernod Ricard USA is seeing double digit growth in their Champagnes—Perrier-Jouët and G.H. Mumm—as well as California sparkling wine, Mumm Napa. Perhaps the most explosive growth is coming from Campo Viejo Cava Brut and Brut Rosé, relatively recent entrants, up 19% last year.



## CAMPO VIEJO RIOJA

“There aren't many brands as vibrant as Campo Viejo; there is tremendous energy to it,” says Slack. The Spanish brand's explosive success in the UK market—growing from 165,000 cases to 1.3 million cases in the space of six years—is beginning to repeat itself in the U.S. “Camp Viejo's Tempranillo became the go-to wine for the middle class consumer who wanted to spend the equivalent of \$10-\$15 on a terrific wine.” Operating outside of category boundaries, Campo Viejo far outperforms the still small Spanish category. “I urge everyone not to pigeonhole this as a Spanish wine—it has become a general market wine with a great taste profile that delivers on price point,” Slack says.



## MONKEY 47 GIN

One of the most unique liquids to hit the market in recent memory, Monkey 47 is a gin crafted in Germany's Black Forest with 47 hand-picked botanicals. Pernod Ricard acquired a majority stake last year (the dynamic creator is still heavily involved). “Monkey 47 is the craziest, most distinct spirit,” describes Hemard. “At 94 proof, it's super smooth—I describe it as the Cognac of the gin world—perfect for sipping.”

In spite of—or perhaps because of—its small 375ml package, Monkey 47 has tremendous back-bar presence, which is where the New Brand Ventures team is promoting it. “Previously it was sold mostly off-premise, which we think



was a mistake,” he says. “Bartenders love that it is so different from other gins—I've heard top mixologists describe it as a tour de force.”

## /// KENWOOD COMEBACK ///

Purchased by PRUSA two and a half years ago, Kenwood is a legendary Sonoma winery that was in need of some love. Tireless work in the vineyards and winery, along with a redesigned package and a partnership with the National Forest Foundation, have meant new recognition from trade and press—and consumers. “There are people who knew the brand 20 years ago rediscovering it, as well consumers interacting with the brand for the first time,” says Slack. “We're seeing growth across all ranges—Sonoma Series, Six Ridges and Jack London—which shows us this great brand is back on track, and it's just the beginning.”

