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U.S. BEER REPORT
Marketers innovate as competition rises 19

BANANA WHISKEY
UFC, Simon Hunt align on Howler Head brand 6

TRADEMARK TUSSLE
Diageo, Deutsch at odds over Redemption bottle 6

EXPANDING TIES
Beam Suntory, SGWS partner in control states 6

EMPIRE MERCHANTS
New York wholesaler ups e-commerce game 6

RIBOLI BRANCHES OUT
Stella Rosa marketer forms Avanti division 8

GREY COAST
PGA's Graeme McDowell launches whiskey label 8

UPMARKET MOVES
Shaw-Ross bolsters upscale range 8

TEAPOT
Boston Beer reveals first cannabis drinks 8

TOTAL WINE
Mega retailer elevates Troy Rice to CEO 22

Churning Forward

Tequila Overtakes Rum, Climbs Toward 25 Million Cases In U.S.

WHEN TEREMANA TEQUILA FIRST HIT THE market in March 2020, founder Dwayne Johnson and his team could hardly have imagined the extraordinary success the brand has achieved in less than three years. Now the third-ranked super-premium Tequila in the U.S. and the 10th largest by overall volume, Teremana continues to thrive despite its pandemic-period launch.

"Consumers caught on to Teremana quickly and we sold 400,000 9-liter cases in our first 12 months, which we were all blown away with," says Nicole Austin, senior brand manager. "We were out of stock a lot due to the unprecedented demand. We were able to increase our production, but we will only grow as quickly as we can ensure we are making Teremana in the same high-quality, crafted way."

Austin says Teremana is on track for "amazing growth" in 2022 as well. While few brands have achieved Teremana's level of success over a short time period, there has been plenty of growth to go around in recent years. Tequila is booming in the U.S. market, and the vast majority of major brands are in growth mode.

page 10 >>>

Beer's "Hot Brands"

Imports, FMBs Lead The Honor Roll

THE OVERRIDING TRENDS FOR THE U.S. MALT BEVERAGE BUSINESS IN 2021 ARE EXEMplified in this year's roster of Impact "Hot Brands" for the beer, cider, and flavored malt beverage categories. Flavored malt beverages, including hard seltzers, outnumber other categories on the list, but it's imported beer that dominates when it comes to volume. And with just one exception, domestic beer Hot Brands were the products of craft brewers.

Hot Brand honors are awarded to established brands with double-digit growth in 2019, 2020, and 2021; established brands with at least 15% growth last year; brands among the top 10 in their respective categories with at least 5% growth in 2021 and at least 15% growth since 2018; and significant new products.

While the U.S. beer industry struggled to grow volume in 2021, 35 labels significantly outperformed the market, according to Impact Databank. Of those brands, 21 were FMBs, six were imported brews, five were domestic beers, and three were hard ciders. Twenty of the brands are new to the honor roll, while 22 labels dropped off the list from the year prior. Anheuser-Busch InBev topped all other marketers with seven labels named Hot Brands, followed by Constellation Brands with five, and Diageo Beer Co USA, Boston Beer, and New Belgium Brewing with three each.

page 16 >>>

On the March

Tequila Surges To A New High In U.S. Market, Propelled By Upscale Brands, Emerging RTDs

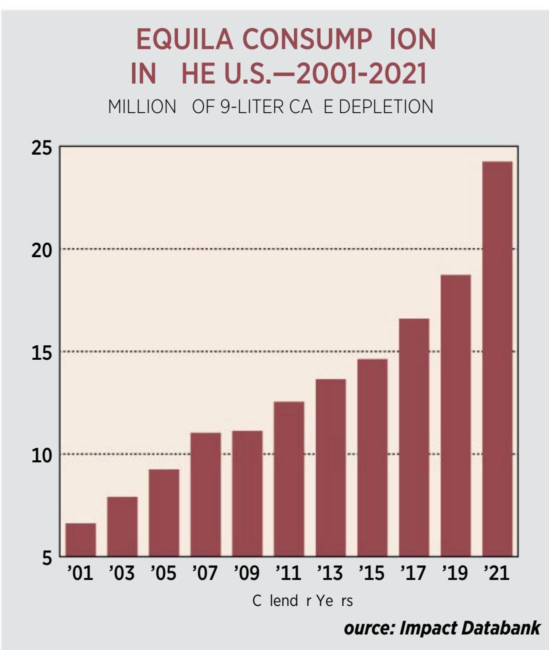
continued from page 1 >>>

"It's growing exponentially as a category, and it's really not showing any signs of slowing down, which is great for Cazadores," says Jay Needham, brand director for Tequila Cazadores, part of the Bacardi portfolio.

Chloe Lloyd-Jones, vice president marketing for Patrón Tequila, likewise a Bacardi brand, also notes the ongoing dynamism. "It's incredibly exciting times," she says. "The Tequila category is booming."

Tequila consumption has more than doubled in the United States since 2010 and the category is on track to be one of the most dynamic in the spirits sector again this year. In 2021, Tequila consumption in the U.S. advanced 14.5% to 24.35 million nine-liter cases, overtaking the rum category, according to Impact Databank.

What's more, premiumization is accelerating in an already luxury-heavy category. The luxury tier, which includes brands priced at $40 or more at retail, now accounts for a quarter of overall volume. Depletions growth in the luxury sector outpaced overall category growth, rising 18.5% to just over 6 million cases. Super-premium brands, those priced between $25 and $39.99, were even more dynamic in 2021, rising 24.5% to 5.84 million cases, according to Impact Databank.



Craig Johnson, vice president of marketing for the agave portfolio at Pernod Ricard USA notes the upper-end dynamism. "Right now the prestige Tequilas are the fastest growing category in the U.S.," he says. "And prestige Tequila is driving the growth of Tequila in the U.S. spirits market." Johnson says that Pernod Ricard's Avión Tequila is thriving, especially at the top end. "We've had phenomenal success with Reserva," he says of the luxury label that retails for around $140 a 750ml bottle.

Super-premium and luxury brands may be taking the limelight these days, but Tequilas priced below $25 continue to perform well. Premium and sub-premium priced brands together registered growth in excess of 8.5%, a healthy clip by most measures. The premium sector still accounts for 43% of Tequila volume, and sub-premium brands hold another 8%, but luxury and super-premium brands are on track to dominate in the near-term future.

Marketers agree that Tequila's surge is showing no signs of slowing down. In fact, 2021's stellar numbers would likely have been higher had it not been for the supply challenges that vexed some major players. Key brands including Don Julio, Casamigos, Patrón, and others experienced supply issues due to pandemic protocols, unprecedented demand, shipping challenges, labor shortages, and other factors.

Lloyd-Jones acknowledges the blip. "There's no doubt that through the pandemic, we faced some challenges," she says. "We had to put protocols in place such as social distancing, and because we remain committed to the handcrafted process that did slow us down for a time. But the great news is that we are not dealing with any supply issues at this time. We are back to full supply," she said in early May.

Johnson also says the problem is easing. "Just like [for] everybody else there have been some challenges but the team is working exceptionally hard and we're in a much better place now than we were even six months ago," he says.

New Contenders

Not surprisingly, the extraordinary success of Tequila over the past decade has prompted new players to enter the fray. These days, celebrity involvement seems to be a key selling point. Among the top 10 brands nationally, just two are less than a decade old. Both started with a celebrity at the helm.

Casamigos Tequila set the standard for celebrity involvement. Its early days were marked by high-profile celebrity ownership—the brand was launched in 2013 by actor George Clooney and nightlife entrepreneur Rande Gerber. Diageo

U.S.— OP 25 EQUILA BRANDS

THOU AND OF 9-LITER CA E

R nk	Br nd	Importer	2016	2017	2018	2019	2020	2021	Growth R te[1] 2016-2021	Percent Ch nge[2] 2020-2021
1	Jose Cuervo	Proximo Spirits	3,481	3,518	3,607	3,870	4,703	4,800	6.6%	2.1%
2	Patrón[3]	Bacardi USA	2,321	1,934	1,897	2,161	2,657	2,717	3.2	2.2
3	1800	Proximo Spirits	882	949	1,058	1,167	1,528	1,755	14.7	14.9
4	Don Julio	Diageo North America	420	539	745	920	1,125	1,525	29.4	35.5
5	Hornitos	Beam Suntory	722	810	1,002	1,028	1,149	1,509	15.9	31.4
6	Casamigos	Diageo North America	111	197	333	450	725	1,025	55.9	41.5
7	Espolòn	Campari America	200	295	392	510	768	979	37.4	27.5
8	El Jimador	Brown-Forman Beverages Worldwide	516	572	620	678	732	848	10.4	15.8
9	Lunazul	Heaven Hill Brands	135	201	312	387	421	620	35.6	47.3
10	eremana	Mast-Jägermeister US	-	-	-	-	230	614	+	+
11	Sauza[4]	Beam Suntory	1,529	1,682	1,628	1,250	741	613	-16.7	-17.3
12	Cazadores	Bacardi USA	298	349	433	492	561	602	15.1	7.2
13	Juarez	Luxco	590	621	504	513	410	537	-1.9	30.9
14	Montezuma	Sazerac Co	555	569	560	535	500	500	-2.1	-
15	Milagro	William Grant & Sons USA	219	255	279	293	349	498	17.9	42.8
16	Camarena	Spirit of Gallo	440	410	365	323	332	375	-3.1	13.0
17	Herradura	Brown-Forman Beverages Worldwide	158	179	192	213	229	363	18.1	58.5
18	Altos	Pernod Ricard USA	160	210	266	322	359	339	16.2	-5.6
19	Margaritaville	Sazerac Co	210	215	215	225	225	250	3.5	11.0
20	Exotico	Luxco	71	160	125	147	194	238	27.2	22.3
21	Corralejo	Infinium Spirits	128	140	149	167	197	218	11.3	10.5
22	Gran Centenario	Proximo Spirits	52	58	71	98	141	184	28.6	30.1
23	Avión	Pernod Ricard USA	116	120	125	125	136	151	5.5	11.3
24	ortilla	Sazerac Co	160	170	180	195	155	145	-1.9	-6.5
25	Durango	Prestige Beverage Group	78	84	99	98	98	108	6.6	10.4
	Total Top 25[5]		**13,553**	**14,237**	**15,155**	**16,164**	**18,666**	**21,512**	**9.7%**	**15.3%**

[1] Aver ge nnu l compound growth r te
[2] B sed on unrounded d t
[3] Includes Roc , Extr Anejo, Gr n P trón nd Limited Edition
[4] Excludes Hornitos
[5] Addition of columns m y not gree due to rounding.

ource: IMPACT DATABANK

purchased the highly successful brand in 2017 and has continued to grow volume since then. Casamigos was the sixth largest brand in the U.S. in 2021 at 1.03 million cases, a 41.5% increase.

Teremana appears to be on a similar trajectory. Actor Dwayne Johnson is the founder and promotes the brand heavily on social media and elsewhere, but Austin says the brand's identity is much more. "Teremana is about the respect for crafting great Tequila and delivering that to the consumer," she says. "Our partners and co-owners are a generational Tequila making family in Jalisco, Mexico (the Lopez family). Teremana is a labor of love for Dwayne and it is also about legacy—it's generational and special."

Actor and comedian Kevin Hart jumped into the mix this year, in partnership with Proximo Spirits, to launch Gran Coramino, which debuted with a Reposado Cristalino Tequila retailing at $50 a 750-ml. The 100%-agave Tequila is first aged in Eastern European oak barrels and finished in California Cabernet wine casks. The liquid is then transformed into a clear Cristalino Tequila via a slow-filtration process. The entrant gives Proximo another contender in the luxury segment. The company also owns 1800, the largest super-premium brand, and Jose Cuervo, the leading premium-priced brand, among others.

Also seeking a piece of the Tequila pie, actor Mark Wahlberg recently joined Flecha Azul Tequila as owner-partner along with co-founders Abraham Ancer, a Mexican PGA golfer, and Mexican entrepreneur Aron Marquez. Kyle Stein, president of WES Brands, says the celebrity involvement "has been huge for us" as a brand trying to get traction in a crowded field.

"Having Mark Wahlberg excites not only our consumers,

U.S.—LEADING LUXURY-PRICED EQUILA BRANDS[1]

THOU AND OF 9-LITER CA E

R nk	Br nd	Importer	2016	2017	2018	2019	2020	2021	Growth R te[2] 2016-2021	Percent Ch nge[3] 2020-2021
1	Patrón[4]	Bacardi USA	2,321	1,934	1,897	2,161	2,657	2,717	3.2%	2.2%
2	Don Julio	Diageo North America	420	539	745	920	1,125	1,525	29.4	35.5
3	Casamigos	Diageo North America	111	197	333	450	725	1,025	55.9	41.5
4	Herradura	Brown-Forman Beverages Worldwide	158	179	192	213	229	363	18.1	58.5
5	Avión	Pernod Ricard USA	116	120	125	125	136	151	5.5	11.3
	Total Leading Luxury[5]		3,125	2,969	3,292	3,868	4,871	5,780	13.1	18.7
	otal Luxury equila		3,315	3,150	3,475	4,065	5,080	6,020	12.7%	18.5%

[1] Over $40 750 ml.
[2] Aver ge nnu l compound growth r te
[3] B sed on unrounded d t
[4] Includes Roc , Extr Anejo, Gr n P trón nd Limited Edition
[5] Addition of columns m y not gree due to rounding.

ource: IMPACT DATABANK

but our distributors and retailers as well," Stein says, noting that Wahlberg actively promotes the Tequila in a range of events. "Mark helps generate brand awareness and is essential in driving home our message surrounding quality and authenticity."

NBA icon Michael Jordan and partners launched the high-end Cincoro brand in recent years, and have seen it grow to about 75,000 9-liter cases, with the range running from a Blanco at $70 up through an Extra Añejo at $1,600. Current NBA player James Harden took a stake in the Tequila Gran Diamante brand this year, while LeBron James is active in the category with the Lobos 1707 label. Lobos 1707 starts at around $45 a bottle and up, while Tequila Gran Diamante's pricing ranges from $60 to $95.

Of course, new launches aren't limited to celebrity. New labels continually hit the market, some with a niche that brand owners hope will help differentiate them from the pack. Ghost Tequila ($25 a 750ml) is one such brand. While founder Chris Moran says Ghost isn't a typical flavored Tequila, the brand's key differentiator is its spicy flavor due to the addition of ghost pepper extract. "Ghost serves a very specific purpose, to make spicy drinks easier and better," Moran says.

Banking on the demand for healthier beverages, Mara Smith launched Inspiro Tequila ($53 a 750ml) in September 2021 as a "clean, additive-free" Tequila. Smith, the founder and CEO, says the brand's women-centric approach also makes it stand out from the pack. "Over half of Tequila drinkers are women so my goal was to create a Tequila that was customer-centric with this overlooked female consumer in mind," Smith says. "We are also providing another female perspective to the industry by having women involved in every step, from creating the Tequila to getting bottles on the shelf."

Meanwhile, last year Codigo 1530 Tequila debuted a George Strait Special Edition Rosa-Reposado expression, retailing at $75-$80. The newcomer is made by aging Codigo's Tequila Rosa in uncharred French oak wine barrels for three months, then finishing it in Spanish Sherry casks, offering a rosé take on Tequila.

Big Brand Growth

These newer entrants—and a slew of others—are eager to capture even a small sliver of the volume growth currently underway in the Tequila sector. While Tequilas at all prices points gained volume in 2021, it was brands in the upper pricing tiers that fared best. Luxury brands—those priced $40 and over—combined for an 18.5% increase last year, bringing volume to just over 6 million cases. Patrón was the largest luxury brand by a wide margin at 2.72 million cases, a 2.2% increase. But Don Julio and Casamigos, both owned by Diageo, have gradually been closing the gap. Don Julio registered a 35.5% gain to 1.53 million cases while Casamigos grew 41.5% to 1.03 million cases.

Collectively, super-premium-priced brands ($25-$39.99) were the most vibrant in 2021. Depletions jumped 24.5% to 5.84 million cases. Proximo Spirits' 1800 brand led the field at 1.76 million cases, a 14.9% gain. Espolòn ranked second with a 27.5% increase to 979,000 cases while Teremana built on the 230,000 cases registered in its launch year, more than doubling to 614,000 cases last year.

At both super-premium and luxury pricing levels, Blanco or Silver Tequila is still the most dominant variant, but Reposados, Añejos and Cristalinos are all heavily represented. Marketers report that these expressions are resonating more than ever before.

Jill Palais, senior brand manager for Milagro Tequila, notes that while the Margarita remains the most popular cocktail

U.S.—LEADING SUPER-PREMIUM EQUILA BRANDS[1]

THOU AND OF 9-LITER CA E

R nk	Br nd	Importer	2016	2017	2018	2019	2020	2021	Growth R te[2] 2016-2021	Percent Ch nge[3] 2020-2021
1	1800	Proximo Spirits	882	949	1,058	1,167	1,528	1,755	14.7%	14.9%
2	Espolòn	Campari America	200	295	392	510	768	979	37.4	27.5
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7	Corralejo	Infinium Spirits	128	140	149	167	197	218	11.3	10.5
8	Gran Centenario	Proximo Spirits	52	58	71	98	141	184	28.6	30.1
	Total Leading Super-Premium[4]		**1,939**	**2,256**	**2,648**	**3,048**	**4,133**	**5,190**	**21.8**	**25.6**
	otal Super-Premium equila		2,415	2,740	3,150	3,590	4,685	5,835	19.3%	24.5%

[1] $25-$40 750 ml.
[2] Aver ge nnu l compound growth r te
[3] B sed on unrounded d t
[4] Addition of columns m y not gree due to rounding.

ource: IMPACT DATABANK

in the U.S., helping to drive overall category volume growth for Silver Tequilas, she also notes that "much of the recent growth has been attributable to aged variant sipping occasions."

Consumers are also exploring. Sean Yelle, senior category marketing director for white spirits at Campari America, says that has benefited the Espolòn brand. "Blanco has long-served as the recruitment into the brand. It's the first place they stop and it continues to sell. But we're finding that consumers are starting to dig a little bit more. As they hear about aged Tequila, they're exploring within the range of our Reposado and Añejo offerings. We're seeing a nice little trade-up happening within the portfolio of people entering in through blanco and then continuing up as they explore."

Premium-priced Tequilas ($15-$25) remain the largest segment with total depletions at 10.59 million cases in 2021, an 8.7% increase. Jose Cuervo is the largest Tequila brand in the U.S. at 4.8 million cases, accounting for just under 20% of total category volume. The premium-priced brand has maintained its growth path in recent years despite the onslaught of competition, adding 1.5 million cases since 2015. Sub-premium-priced Tequilas also fared well in 2021, with five leading brands combining for a 10.9% gain to 1.54 million cases.

On- and Off-Premise Balance

Of course, the volume numbers of both 2020 and 2021 are likely skewed by the changed consumer habits during the pandemic. In what was widely dubbed as a "pantry loading" phenomenon, consumers stocked up on spirits and other items because they were staying home during the pandemic. At the same time, consumption in bars and restaurants dwindled.

For Tequila, the result was clearly a net gain for the category, but it does bring into question how demand will shift further this year. Thus far, bars and restaurants have fully reopened in most states (although many closed permanently). Some of that off-premise build-up will likely revert back to the on-premise.

Needham says the recent on-premise buoyancy is exciting for Cazadores and the overall category. "We're experiencing double-digit growth as a brand, and particularly with the on-premise, bars and restaurants that have come back into the equation, we're seeing triple-digit growth compared to last year," he says. "We've always had a good on-premise presence as a brand and we've always seen the value of growing brands in the on-premise in terms of building our image and building trial."

On-premise revitalization is crucial to ongoing vibrancy in the category, Lloyd-Jones says. "We are seeing people so excited to get back into the on-premise and connect, not only with the bartenders but also the servers who have become a critical part of the experience," she says. "I think what we're seeing in the on-premise is interest in new types of drinks and new types of Tequila. The expansion of aged [Tequilas] is also very important within the on-premise."

Whatever the channel, marketers are in agreement that Tequila's growth is continuing this year and, barring any major upheaval, strong volume growth is likely for the full year. "We expect the Tequila category to continue to lead growth within the spirits industry," says Johnson. "We are expecting premiumization to continue in the Tequila category. Consumers are looking for authentic tastes and they're looking for quality and Tequila gives them both of those as strong as any category."

—Carol Ward