

FOOD AND BEVERAGE

## Pernod Ricard's Tareef Shawa shares liquor giant's plans for prestige brands

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*Pernod Ricard's Midleton Very Rare Irish Whiskey Vintage 2017. Prices can range from \$75,000 to \$300,000 per cask, depending on the vintage. Image credit: Pernod Ricard*

By MICKEY ALAM KHAN

According to Bain & Company's "Luxury Goods Worldwide Market Study" (C. d'Arpizio and F. Levato, October 2017), the global luxury market grew at an estimated 5 percent in 2017. Pernod Ricard's Prestige portfolio outperformed that, with net sales growing more than 8 percent in financial year 2017 to reach the symbolic milestone of \$1.2 billion.

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With the luxury market in the United States and worldwide rebounding, Tareef Shawa addresses the current state of the market and what luxury means to Pernod Ricard, sharing in consumer passions through product innovations, rare editions and coveted experiences. Mr. Shawa is luxury and CRM director at Pernod Ricard.

Headquartered in Paris, **Pernod Ricard** is the world's co-leader in the creation and distribution of distilled spirits, wines and Champagnes. Traded on the Euronext Paris Stock Exchange, the group is a member of the "CAC 40" and achieved worldwide net sales of \$11 billion for its last fiscal year ending in June 2017.

The group's selection of Prestige brands includes Perrier-Jout Champagne, Royal Salute 21 blended Scotch whisky, Martell Cordon Bleu cognac, Absolut Elyx vodka, The Glenlivet 18 single malt Scotch whisky, Chivas Regal Ultis, Midleton Very Rare Irish whiskey, Avin Reserva 44 tequila, Monkey 47 gin and the non-U.S. Havana Club Icnica Collection rum.



*Pernod Ricard's portfolio of brands. Image credit: Pernod Ricard*

Here in its entirety is the interview with Mr. Shawa on the state of the prestige and luxury spirits markets, industry trends, evolving consumer tastes and Pernod Ricard's plans for its stable of brands. Please read on:

Pernod Ricard's prestige portfolio has shown promising growth. Is that a reflection of changing market tastes or a company switch in its marketing approach?

Pernod Ricard is the proud owner of 300 wines and spirits brands worldwide, among which some are perfect expressions of luxury. It is a strong asset for us, and one of the four growth accelerators of our consumer-centric business model.

Three main factors contribute to our growth in luxury over the past few years.

First, during the past 24 months, we have organized our Prestige portfolio to reflect a more comprehensive approach to our trade partners, such as five-star hotels and resorts, renowned bars, nightclubs and restaurants.

Pernod Ricard offers the most complete Prestige portfolio in the industry, covering the major categories of Champagne and spirits with our best-in-class products.

In our key markets worldwide, we have been training and developing our specialized commercial teams, which are now better educated about the products and have been very successful in representing them to the thousands of iconic establishments where our discerning consumers tend to frequent.

These iconic locations are also eager to attract and maintain loyalty with their clientele by offering some of the world's most desirable and referential Champagne and spirits brands.

Second, we have understood that our consumers tend to switch products and even within drinks categories depending on their moods and circumstances, as well as on their moments of conviviality. Our flexible and diverse portfolio enables us to offer the finest products for high-energy and for low-energy convivial occasions and gatherings.

Finally, in a world where possessing is quickly being replaced by experiencing, our products are a perfect fit. We facilitate convivial moments for consumers. Given the huge political and societal shifts we are seeing across the world these days, it seems that many of us could use a bit more conviviality in our lives.

Here is also where I tend to wax a bit poetic. Our products are ephemeral, they are consumed and convert into memories of experiences.

For example, what's left behind after enjoying Perrier-Jout Champagne at a wedding reception or Chivas Regal Ultis at a momentous birthday party? The answer and what we are proud to be a part of creating are the fond memories and shared experiences our consumers will remember for years to come.



*Celebrating a special occasion with Chivas Regal Ultis. Image credit: Chivas Brothers/Pemod Ricard*

What is the state of liquor consumption at the prestige and luxury end?

We are enjoying very encouraging growth across mature and emerging markets, so I am clearly optimistic about the future.

We're seeing more consumer curiosity and more openness to exploration these days. Our consumers are eager to try new categories and new variants within categories.

For example, a "traditional" Scotch drinker may wish to experiment with a new category and enjoy a fine Irish whiskey like Midleton Very Rare, or a devoted gin drinker may also explore a more sophisticated and unique gin expression within the category such as Monkey 47, which is distilled in the Black Forest of Germany.



*Monkey 47 gin, distilled in Germany's Black Forest. Image credit: Black Forest Distillers/Pemod Ricard*

Another trend accompanying curiosity and exploration is generosity. Gift-giving has traditionally been an important reality for spirits in Asia. Now we are seeing this generous spirit expand to other markets also.

A beautiful bottle of Martell Cordon Bleu cognac or a Perrier-Jout Belle poque vintage Champagne is often the perfect birthday or anniversary gift, as well as a highly appreciated expression of thanks to a host or hostess for a dinner party invitation, for example.

Staying closely tuned with our consumer realities has helped Pernod Ricard maintain our position as the Prestige category market leader at 32 percent share and the number one holder in Global Travel Retail at 26 percent market share (International Wines and Spirits Record "IWSR" 2016, by volumes).

Do you have any insights about prestige and luxury spirits consumption by market, say, Asia versus Europe versus the United States and Canada as well as Latin America?

When I consider our consumers at the heart of everything we do, I tend to reflect less about geographies or country of origin and more about mindset.

We are building brands that attract an increasingly global consumer one who travels regularly and sees prestige and luxury products on offer at travel retail, at home, while vacationing, or even when away for business.

This global consumer relies on consistent and coherent messages from global brands to reinforce that "this is the brand for me," or that "this brand is an appropriate expression of myself to offer as a gift."

Again, we are seeing maturity, discernment, curiosity, exploration and gifting in all parts of the world.

Has the crackdown on conspicuous consumption in China affected sales?

You are probably referring to the anti-extravagance laws that we saw enacted and the new societal norms that followed particularly in China a few years ago.

Yes, as was the case for the whole industry, we saw a collateral impact on sales at the time, particularly on gift-giving.

However, in the past 18 months, we have seen a solid recovery in the prestige sector. Gifting in volumes may be smaller, but it is often now done with much higher qualities, using Martell XO cognac or Royal Salute blended Scotch whisky, for example.

We also see that business entertaining in Asia continues.

As far as I am concerned, this reality is perfectly and legally compliant as gift-giving and entertaining is an embedded tradition for many cultures to host, to share, and to create convivial moments together.

Similarly, while the occasions may not be as frequent or as large, we often see that the qualities of the spirits and Champagne being poured are generally even higher than in the past.



*Royal Salute 21-Year-Old Blended Scotch Whisky "Regent's Banquet" Gift Presentation. Image credit: Royal Salute/Pernod Ricard*

Will Pernod Ricard switch gear this year to tap into a new trend? Is there a new trend?

Consumers are increasingly seeking multiple facets or layers to the products and experiences they choose to consume in our industry and across sectors. In fact, it's these factors that define the experiencing versus just the possessing of the past.

[Consumers] want to know where their products come from, and that the creation and distribution processes are behaving responsibly.

At Pernod Ricard, we are extremely proud of our long traditions of sustainability and responsibility.

Our products are local, strongly rooted in their respective terroirs Scottish and Irish whiskies, Mexican tequila, for example. They all come from the earth and represent very specific national cultures, so it's imperative that we continue to respect and protect the world's agricultural and cultural patrimony.

Consumers are also curious about the stories and myths behind their favorite brands in order to enhance with an additional layer of embroidery around their moment of conviviality.

Understanding the innovative genius of Monkey 47 gin and many of its ingredients that come only from the Black Forest in Germany, having seen the dramatic landscape near Speyside in Scotland where The Glenlivet originates, or knowing that the House of Jean Martell was founded more than 300 years ago, are all examples of the evocative myths behind our brands. People wish to learn more about them.

Our brands also ultimately become ambassadors of their own terroir the regions from which they came and representatives of a country's own culture. Thus, Champagne and cognac from those eponymous regions in France, or Absolut Elyx vodka produced from a single field of winter wheat in Sweden. These products become emissaries sent by their countries to amplify their culture, traditions and influence to the four corners of the globe.

For example, when a member of our Absolut Elyx vodka teams exclaims "Sk!" at a cocktail party, it feels to me like much more than "cheers." It is a heartfelt, warm and uniquely Swedish invitation to hospitality.



*Absolut Elyx and Contemporary Swedish Conviviality Style. Image credit: Absolut Elyx/Pernod Ricard*

During the July 2017 "Tales of the Cocktail" in New Orleans, Absolut Elyx vodka hosted more than 2,000 guests at an immersive brand experience called "The House of Elyx."

Copper visual codes of the brand were reinforced throughout the space, as the liquid is made entirely by hand in a vintage copper column still dating from 1921 in hus, southern Sweden. Thousands of copper packets are used in the filtration process, removing unwanted compounds and contributing to a rich and smooth final vodka.

The brand's ethos is one of warm hospitality and playful elegance, as exemplified by the menagerie of animal-shaped serving vessels and the ever-inviting "Sk!"

Further, the Absolut Elyx values of generosity and giving back are evidenced, as this event resulted in a donation that will provide 80,000 liters of safe drinking water through the brand's designated partner, "Water for People."

Absolut Elyx has already helped more than 30,000 people to obtain access to clean water in the first three years of this partnership.

*Elyx Tales of the Cocktail 2017. Video credit: Absolut Elyx/Pernod Ricard*

Is there more promise in the hospitality sector versus direct consumer sales?

Our industry's traditional model has been distribution through trade partners such as bars, restaurants, hotels, nightclubs and gourmet spirits stores. And this model has served us well for many years.

In some markets worldwide, selling our products directly to consumers particularly in the smaller batches, limited editions, and with personalized creations is a viable option, and a very profitable one.

The Middleton Very Rare Cask Circle Club is a good example. Our consumers may purchase their own personalized cask of the finest Irish whiskey for \$75,000 to \$300,000 per cask, which is accompanied by visits to the distillery in County Cork in the south, plus concierge services to enhance the members' visits to Ireland.

We're finding that this exceptional experience is best described and offered through a one-to-one relationship with our consumer.

Our Pernod Ricard company philosophy has always rested upon regular and systematic investments in relationship-building with our trade partners and, in markets where we can, with consumer relationship managers.

In all cases, our goal is to enhance our consumers' experience with our brands through authentic and meaningful moments of conviviality. Our products are key to the equation, but the consumer and his or her experience must always be at the core.



*The Glenlivet Distillery in Speyside, Scotland. Image credit: The Glenlivet / Pernod Ricard*

Is there a realization that a focus solely on affluent consumers may not drive enough consumption? Is that true, and if so, why?

We are scrutinizing less consumer incomes or affluence these days.

In fact, at Pernod Ricard, as I just mentioned, we are focused on relationships, and we believe in a wider-arms, more inclusive approach the goal being that our Prestige products will appeal to all consumers of luxury experiences, not just to the wealthy.

Many of us can be included in the term "consumers of luxury experiences" whether that is on a regular basis for the fortunate few, or on a weekly, monthly or even on an annual basis for those who may be less affluent.

Our company philosophy is more, let's say, democratic.

Although we offer iconic brands often at a higher price point, we know that our products and experiences appeal to a broad range of consumers who are discerning and eager to indulge themselves or their friends responsibly, whether that's occasionally or more regularly.

Meanwhile, we are perfectly aware that our products are very popular among the so-called HNWIs [high-net-worth individuals], who are extremely loyal to our brands.

Pernod Ricard has a diverse portfolio of Prestige brands. How do you manage differentiation between different brands and target segments?

Although we do have a very strong selection of brands, the concept of a portfolio is relevant only truly to our trade partners.

That our portfolio covers the major categories consumers desire, all offered holistically, and with resources behind to help attract and engage consumers all of this is a very strong commercial value proposition for our hotel, bar, nightclub and restaurant trade partners.

However, consumers don't know or care much about portfolios. Consumers tend to fall in love and engage with individual brands that ultimately become "the brand for me."

On an individual basis within our portfolio, each brand defines a singular and clear value position to be relayed through telegraphic brand messages and transmitted systematically at appropriate touch points around the world.

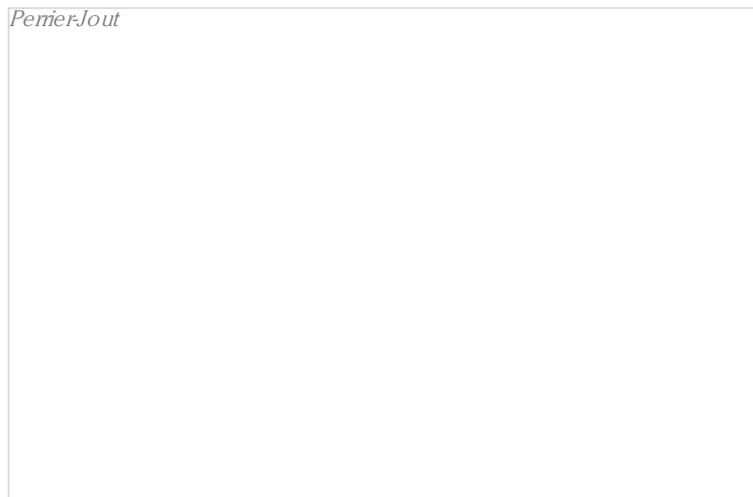
As I mentioned, when consumers are at home, out for an evening, traveling for work or play, or even at airports. Our individual brand messages must be coherent and consistent over time. Too much diversity in brand messaging is very confusing for consumers and anathema to a prestige positioning.

One way our brands transmit their messages is through affiliations with passions that are a natural fit with the

expression of the brand's values.

For example, Perrier-Jout Champagne has been a key partner of DesignMiami/ for the past several years.

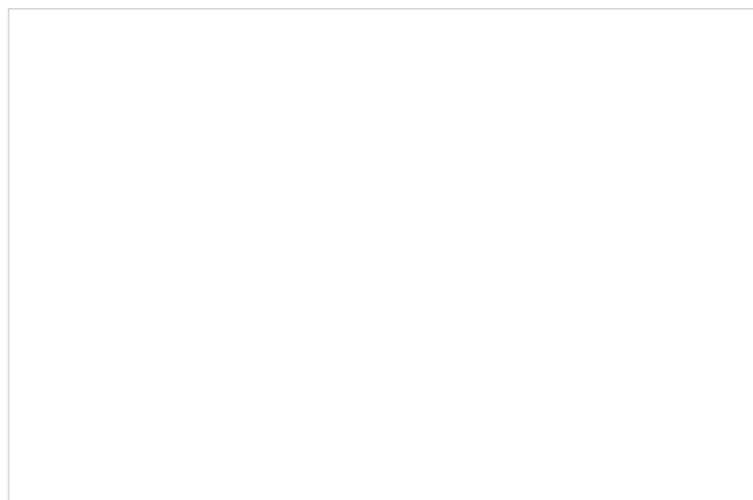
Last December, Perrier-Jout proposed multiple consumer touch points in Miami at DesignMiami/ during a special "Eden Ball" at 1111 Lincoln Road, and also through an ephemeral store and experience at the Miami International Airport throughout the month.



*Perrier-Jout "Eden Ball" during DesignMiami/ 2017 at 1111 Lincoln Road. Image credit: Perrier-Jout/Pemod Ricard*

The brand collaborates regularly with applied and design artists, and has also staged cultural exhibitions and brand experiences in Miami, Tokyo, London and Shanghai. The Perrier-Jout messages are always very clear, evoking nature, design, crafted beauty, elegance, artistic expression and innovation.

Consumers who affiliate with these passions and pursuits and who have experienced the brand at effervescent moments around the world tend to associate these values and passions to Perrier-Jout, and ultimately come to know that "this brand shares my values and my passions, this is the Champagne for me and my lifestyle."



*Perrier-Jout ephemeral store and experience at Miami International Airport, December 2017. Image credit: Perrier-Jout/Pemod Ricard*

Last December, our luxury Scotch whisky brand, Royal Salute, worked again with British Polo Day to provide an unforgettable experience to 250 VIP guests in Jodhpur, Rajasthan, in North India. The three-day event was hosted by the former Maharaja of Jodhpur, Gaj Singh II, and featured spectacular views of the famed Blue City from his residence, Umaid Bhavan Palace.

Royal Salute, which offers blended Scotch whiskies with a minimum age of 21 years old and above, has long been associated with polo, the sport of kings and the king of sports.

By providing immersive brand experiences for guests, Royal Salute reinforces the codes of its royal provenance. The brand was founded in 1953 to commemorate the coronation of Britain's Queen Elizabeth II and its affiliation with polo.

Royal Salute is more than just a fantastic aged Scotch whisky. The brand represents a way of life and, even more so, a way of living one's life through the values of grace, responsibility and generosity.

*Royal Salute Experience in Jodhpur, India. Video credit: Royal Salute/Pernod Ricard*

In our work, particularly in luxury where the ultimate goal is to inspire emotions and desire, we rely on these ephemeral and sensual meaning touching all of the senses moments of conviviality to create memorable moments.

We are working in the irrational here, not in the rational. If we help to inspire emotions and fond souvenirs of happy times for our consumers, then I can safely say "job well done."

What's next for this year? Where do you spot opportunity for sales, marketing alliances and partnerships?

Referring back to an earlier question, we have a new reality, as do any brand-builders in the prestige or luxury realms these days.

The concept of immersive experiences and our ability to transmit the meaning of our brands more deeply to consumers emotionally will be imperative for anyone working within this new reality.

That means being increasingly profound and reverent with our brands' stories and myths, amplifying their heritage and provenance, ensuring transparency and pride when it comes to sustainable and responsible creations, and becoming even more laser-like about our focus on coherent messages.

Consumers are now inundated with marketing messages, and only the truly consistent and clear ones will resonate.

One way we plan to do that going forward is to expand opportunities for our consumers to experience the real essence of our brands through immersive traveling brand experiences, plus through visits to our brand homes.



*The Glenlivet Distillery. Image credit: The Glenlivet/Pernod Ricard*

Pernod Ricard maintains more than 50 brand homes in multiple countries around the world: Scotland, Ireland, France, Germany, Cuba, and Sweden, just to name a few.

We know that we can be more efficient in the future at extending invitations to our consumers to visit and enjoy a convivial moment at the homes where these brands originated, by meeting the craftspeople and ambassadors behind the brands, and understanding the terroir and sources of these amazing products. So, we'll be able to offer a warm welcome and enthusiastically say, "Come have a drink at our home."

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