



Liquor Makers Step Up Efforts to Win Over Hispanic Drinkers

Spirits companies increasingly target a growing group of legal drinkers in U.S.

Source: WSJ
By Saabira Chaudhuri
May 5, 2017

At Gent's Barbershop in Corona, Queens, Elvis Tejada sprays his customers' hair with water-filled Jack Daniel's bottles.

"The shop is in a Spanish area where they don't know too much about Jack Daniel's," said Mr. Tejada, a manager at Gent's, which also uses lamps made from Jack Daniel's bottles and stool covers touting the brand that a company representative provided as part of a local promotion. The shop's customers in the heavily Hispanic New York City neighborhood "did not drink Jack Daniel's before, but now they do, 100%."

The bottles are part of a broader effort by Jack Daniel's owner Brown-Forman Corp. BF.B 1.26% to woo minority consumers in the U.S. as it jockey for a greater share of the country's spirits market. Last year, the industry had nearly \$78 billion in retail sales, according to the Distilled Spirits Council of the United States, a trade association representing distillers.

"The white non-Hispanic consumer is not growing," said Mike Keyes, Brown-Forman's president of North America.

Brown-Forman isn't alone in its efforts. The world's biggest liquor makers are increasingly targeting members of racial and ethnic minorities-mainly Hispanics and African-Americans. These groups will drive 75% of the growth

in the U.S.'s legal-drinking-age population through 2020, making up 36% of the country's legal drinkers, according to Diageo PLC.

Hispanics are estimated to account for 19% of the U.S. population by 2025, up from 18% in 2015, according to estimates from Pew Research Center. Over the same period, African-Americans will tick up to 13% from 12% while Caucasians will drop to 58% from 62%.

Sales volatility in overseas markets also has propelled alcohol companies to focus more on the U.S.

Diageo-the world's largest spirits company, which owns brands like Smirnoff, Johnnie Walker and Captain Morgan-said it is spending four times more money this fiscal year than a year earlier on targeting minority consumers. It declined to specify the amount.

"Clearly, successfully reaching out to these consumers is critical to growth in U.S. spirits," said Diageo's North America head, Deirdre Mahlan, on a December investor call. "These consumers also have a higher propensity for spirits."

Hispanics drink an average of 13 spirits servings a month, compared with 10 for the general population, according to Diageo. Hispanics who drink regularly are 34% likelier to consume Scotch than the average American drinker, according to consumer-intelligence firm Simmons Research. Scotch is Diageo's biggest category by sales.

Like their peers in tobacco, alcohol companies have faced criticism for targeting minority groups. Critics say the industry has targeted minorities with malt liquor, made like beer but with a higher alcohol content and available in large containers. **One 23.5 ounce malt beverage of 12% alcohol by volume, sold as single serving, equals close to five average beers, says David Jernigan, a professor at Johns Hopkins Bloomberg School of Public Health.**

Separately, the use of hip-hop icons like Sean "Diddy" Combs, who markets Diageo's vodka brand Ciroc, and Jay Z, who has endorsed Bacardi Ltd.'s cognac brand D'Ussé has proved controversial. The use of rap and hip-hop stars are "big because of the role modeling: They're the musical equivalent of basketball stars," says Mr. Jernigan.

Critics of such targeted marketing note Hispanics and African-Americans tend to be among the youngest racial or ethnic groups in the U.S., arguing that any advertising directed at them invariably reaches youngsters. **Data from a Johns Hopkins study shows African-American youth saw 32% more alcohol advertising in national magazines than did youth in general in 2008.**

Currently, one-third of the U.S.'s Hispanic population is younger than 18, according to Pew, making it the nation's youngest racial or ethnic group. Meanwhile, 26% of blacks are under the age of 18, compared with 19% of whites.

Alcohol companies insist they promote drinking in moderation and don't encourage underage drinking. "Diageo is an industry leader in responsible drinking," a spokeswoman said. "The fact that underage drinking is at historic lows shows the industry's efforts have worked."

Marc Strachan, who advises Diageo on multicultural marketing, for years has been a vocal proponent of marketing targeted toward a specific group. For instance, Diageo's insights show that gay men drink three times more vodka and 2½ times more tequila than straight men, said Mr. Strachan, but the company was reluctant to tailor its vodka advertising for gay men because some executives found it uncomfortable.

Increasingly, though, more of Diageo's decision makers are on board with the idea of marketing to particular groups. "This is not a nice-to-do," Mr. Strachan said. "This is a business imperative."

Diageo's Scotch brand Buchanan's has long been popular in Latin America, where-according to a 2015 presentation-it sells over 1.5 million cases a year. The London-based company is now tripling national marketing expenses for Buchanan's as it works to raise its profile among Hispanics in the U.S., where it sold about 400,000 cases a year as of 2015.

"Scotch is a huge opportunity, particularly amongst Hispanics," said Mr. Strachan. Diageo said demand for its Scotch among Hispanic drinkers has jumped 16% in the past three years.

Alcohol makers' targeting of Hispanics and other racial or ethnic minorities in the U.S. isn't new, particularly among brewers. Budweiser owner Anheuser-

Busch InBev NV in 2005 created a new division dedicated to Hispanic marketing.

But spirits makers are paying increased attention to this area of late. Volatility in big emerging markets like Brazil, China and India is piling pressure on drinks makers to wring more growth from the U.S.

Pernod Ricard SA has struggled to grow its flagship Scotch brand Chivas Regal lately, reporting a 1% decline in global sales for the first half following a weak performance in China.

Pernod is now honing its focus on the U.S., with its North America CEO Paul Duffy in a December investor call citing "the importance of multicultural cohorts such as Hispanics or African-Americans." The company estimates about a third of Chivas in the U.S. is drunk by Hispanics.

At Northgate Gonzalez Market, a chain of Hispanic grocery stores in California, customers get a discount on Topo Chico, a high-end brand of sparkling mineral water sourced in Monterrey, Mexico, when they buy a bottle of Chivas. The promotion means that Chivas is stocked next to Topo Chico at Northgate's 42 stores across California.

"You need to give a reason for the retail store to give you space," said Martin de Dreuille, a marketing vice president at Pernod Ricard.