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**1. The Vodka Wars**

By Johnathan L. Wright – *Reno Gazette-Journal*

June 1, 2004

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RENO, NV --Vodka might mean “little water” in Russian, but there’s nothing small about the amount of vodka sluicing down America’s windpipes.Vodka accounts for 26 percent of all distilled spirits sold in the United States; only the brown stuff — whiskies — move better. Last year alone, vodka sales rose almost 7 percent. Today, about 250 vodka brands are sold in America. They come not only from vodka’s birthplace, Eastern Europe, but also from Sweden, Canada, Asia, the Caribbean and right here at home. They range in quality from swill that could wilt Astroturf to nectars so light and smooth they seem almost to dissolve on the tongue.At the top of the vodka tier lie the superpremium and luxury vodkas, the 30 or so brands that retail for more than $20 a bottle. These are the vodkas you see poured at promotional parties, hawked in glossy magazines and arranged in shiny ranks on the back bars of lounges and restaurants. These are also the vodkas that present the industry with its greatest challenge.“I think the market is so saturated,” said Barry Rockburn, manager of Scruples Bar and Grill, which does a big trade in high-end Grey Goose vodka. “You have a hard time telling vodkas apart. There’s only so many vodkas a bar can carry. I think they’re running out of ideas to come up with to sell vodka.”Rockburn is right on one count — the high-end vodka category is crowded. But industry figures — producers, distributors, retailers — would disagree that they’ve run out of ideas to move vodka from shelf to shaker to martini glass. In fact, confident that vodka sales will keep rising through 2007, the industry continues to launch new high-end brands with great fanfare.In the ’80s, it was the Cola Wars; in this decade, vodka will be the focus of America’s latest beverage battle.**The look, the taste**In order to distinguish themselves in a crowded field, high-end vodkas rely on what the industry calls “enhanced packaging” — Ciroc’s tapering, blue-buttoned bottle, for instance; Level’s clean, cool, frosted silhouette; or Vox’s textured, elliptical bottle, a case of art object meets space age bachelor pad. “We have some people, they say, ‘Ooh, what a pretty blue bottle.’ They see a new bottle of vodka on the shelf and they want to try it,” said Donovan Finch, the Eldorado Hotel Casino’s beverage controller.High-end vodkas also tout at length, in the media and in promotional materials, what goes into making them. The quality of grain used. The variety of charcoal chosen. The type of water selected. The number of times the vodka was distilled, or whether it was crafted in small batches. The resulting nuances of flavor. (Sounds a bit like winespeak, doesn’t it?)Studies suggest that packaging and ingredients do have some effect on consumer decision making. Along with glitzy, slightly racy advertisements, they’re especially good at selling vodka as a lifestyle, not just a spirit.At the same time, packaging and ingredients create a challenge for the industry because every high-end vodka is distilled from choice elements and looks like it should be backlit in a museum. What’s more, for all the vodka adventurers who can’t wait to try the newest issues — and there are many of them — there are also sophisticated, experienced drinkers who resist brand-making razzle-dazzle.Like Connie Weber of Reno, a Grey Goose fan, who’s tried other vodkas but remains brand loyal.“If you have one you already like, why spend money for something else?” she said.Or, like Nate Kaplan of Reno, a committed Stolichnaya drinker, who hasn’t ever been given good reason — flavor, finish, what have you — to change.“There’s not much difference between ultrapremium vodkas. It’s all the same in the end. Your vodka is your vodka, your cocktail is your cocktail.”**Wooing the pros**The spirits industry doesn’t just bring the vodka battle to consumers. Bar professionals are targeted, too, because they frequently help people make vodka choices.“I sell what I like,” said Andre de Carteret, the bar manager at Café Soleil. “I think most bartenders do. Our opinions are influential. You build up trust with your customers. They’ll try something when you recommend it.”Two other cocktail factors make bartenders crucial to the vodka trade: Bars have limited space. Some, in fact, don’t have room to display even one more vodka. If a bartender accepts a new vodka, it’s likely that a competitor will be removed. And if a vodka isn’t selling well, bartenders will always look for a replacement.Consequently, distributors are increasingly holding tasting seminars to introduce bar and restaurant staffs to new high-end vodkas.“The education angle is very important with superpremium,” said Mike Vaughan, the general manager of the on-premise division of Silver State Liquor and Wine. “Without education, there’s no way to differentiate them. You have to taste them.”The vodka industry also employs other strategies to move its vodkas onto prime back bar real estate. Point-of-sale items like shirts, hats, posters and bar accessories are distributed to bars. Prizes are awarded to bartenders and servers who sell the most of a particular brand. And “secret shoppers” hand out cash and gift certificates to servers who remember to recommend a vodka that’s being promoted.“That works great, but you can’t do it all the time because it’s very expensive,” Vaughan said.Cash, in fact, is key, all the pros said. A high-end vodka could have the sleekest bottle and the smoothest flavor, but if the money’s not there to develop the brand, it’s probably doomed, like Türi, Hamptons and other upper-echelon vodkas that have, in industry parlance, “fallen of the shelf.”**What next?**Originally, a martini meant gin. Then it meant gin or vodka. Now, the term encompasses myriad concoctions poured into the distinctively shaped glass, especially those made with flavored vodkas.“We expanded into flavored vodkas because people are drinking many different martinis, not just regular vodka,” said David van de Velde, the president of Reno-based Luctor International, which imports the highly regarded Van Gogh vodkas. “We had to elevate ourselves out of this regular vodka competition. What is the next generation martini? The next generation martini is a flavored vodka.”Flavored vodkas, in fact, are the fastest growing segment of the vodka category, with high-end producers rushing to create flavored versions to their brands. In May, Van Gogh added coconut vodka to its extensive array of flavors, and last week, Belvedere introduced its orange and citrus vodkas.“Is it the flavor of the week now? Yes,” said Kevin Riley of Southern Wine and Spirits. “Is the category crowded? Yes,” but despite that, Riley emphasized that he believes the vodka market has room to grow.“I could bring in 35 new vodkas right now. New brands are the lifeblood of the industry.”In the next 10 years, Riley said, the brands will shake out and consolidate themselves. In the meantime, clear, colorless, high-end spirit follows clear, colorless, high-end spirit, and we continue our evolution into the vodka nation. |

**2. Lawyer Drops Suit Against Coors in Man’s Death**

Margaret A. McGurk Martha Bellisle – *Reno Gazette-Journal*

June 2, 2004

RENO, NV -- After being threatened with sanctions for frivolous litigation, a Reno lawyer said Tuesday he has dropped a lawsuit against Coors Brewing Co. filed for the mother of a young man who died in a car wreck while driving drunk.

Ken McKenna, a lawyer for Jodie Pisco of Reno, said he had filed the suit to challenge at the Supreme Court level a Nevada law that protects alcohol providers from being sued.

But when a lawyer for Coors threatened him and Pisco with sanctions, they decided to back off, he said.

“After doing some research, we decided that the Supreme Court is unlikely to be inclined politically to overturn the protection for alcohol distributors,” McKenna said.

He said Pisco, who declined to comment, only wanted to draw attention to the problem of underage drinking.

“Her motivation all along was to shed some light on the fact that alcohol companies do, in fact, advertise their products to minors,” he said.

Laura Sankey, a Coors spokeswoman, said the company was pleased that McKenna decided to withdraw the lawsuit.

“While we all deeply sympathize with the family of Ryan Pisco, we also knew that a case holding others responsible for his death was entirely without merit,” she said.

“Sadly, the victim’s own series of fatally wrong decisions led to this tragedy,” she added.

Ryan Pisco was 19 on March 8, 2002, when he left a party near the University of Nevada, Reno and drove his girlfriend’s car into a stoplight pole at 90 mph.

Rescue workers found a Coors beer carton in his car.

The suit filed April 14 in Washoe District Court claimed Colorado-based Coors was liable for Ryan Pisco’s death because it promotes underage drinking and encourages illegal alcohol consumption at sporting events, a claim the company adamantly denies.

In a letter dated May 10, Eugene Wait, a Reno lawyer representing Coors, urged McKenna to drop the suit.

“It is simply wrong to exploit the Pisco family’s grief by bringing baseless lawsuits against parties who are neither legally nor morally responsible for Ryan’s death,” Wait said in the letter.

“Nevada law is clear that the legal cause of alcohol-related injuries, even when the injury is to the drinker himself, is the decision to drink,” he added.

McKenna said the law should be changed but said he did not want to expose the Pisco family to sanctions and legal fees by pushing it further.

He said he was not yet certain whether they would continue the suit against others named, including the owner of the house where the party was held, the girlfriend and her mother.

“The law does give some immunity even to people who serve alcohol,” he said.

**3. Bacardi Rum Products Reach All Time High in Volume and Value; Bacardi U.S.A. Celebrated Record Year**

*Business Wire*

June 2, 2004

MIAMI--(BUSINESS WIRE)--June 2, 2004--BACARDI rum products report an all time high in volume and value sales for Bacardi U.S.A. in FY2003. Renewed consumer interest in traditional rum cocktails and a boom in the flavored rum segment contributed to an overall record-selling year as depletions reached more than 8,200,000 cases.

"BACARDI rum is the key to favorite drinks like the mojito and is the primary ingredient in the world's most popular cocktail, BACARDI and cola," said Eduardo Sardina, President and CEO of Bacardi U.S.A. "We are also cognizant of the change in lifestyle of many of our consumers. BACARDI and diet cola has no sugar and no carbohydrates so it fits current health and fitness consumer trends."

The tremendous growth in the flavored rum segment was fueled by the introduction of three new products. Bacardi has been a profound leader in this segment since creation of BACARDI LIMON in 1995.

"BACARDI flavored rums are sold at a twenty percent premium, making them profitable to our distributors and retail partners," said Raul Marmol, VP, Chief Marketing Officer, Bacardi U.S.A. "Beyond the 8,200,000 record breaking cases of traditional and flavored rums, we also depleted an additional 500,000 cases of our new BACARDI PARTY DRINKS exceeding our original expectations."

Fiscal year 2003 was also successful for the balance of the Bacardi U.S.A. portfolio of premium brands.

BACARDI Rum: Bacardi's total rum category grew approximately five percent, outperforming the distilled spirits market as a whole. Bacardi successfully participated in the flavor explosion with the introduction of raspberry, vanilla and coconut flavored rums (BACARDI RAZZ, BACARDI VANILA AND BACARDI COCO), adding to the existing BACARDI LIMON and BACARDI O.

FY2003 also saw the introduction of BACARDI PARTY DRINKS. The line offers a virtual "bartender in a bottle", providing at-home hosts with the perfect mix of a variety of complex cocktails every time. These products outperformed original estimates in their first year, with "Hurricane" proving to be the most popular among consumers. Others include Rum Island Iced Tea and Bahama Mama. Bacardi is currently adding to the line with the introduction of "Zombie".

BACARDI Malt Based Ready- to- Drink: While many players were dropping out of the ready-to-drink market, Bacardi experienced growth beyond original predictions. BACARDI SILVER, a malt-based ready-to-drink beverage produced in partnership with Anheuser-Busch, Inc. introduced BACARDI SILVER RAZ (raspberry flavored) and BACARDI SILVER O3 (orange flavored), which led to a twenty percent increase in depletions. BACARDI SILVER LIMON is currently being added to the line.

DEWAR'S: DEWAR'S increased in both volume and share, defying the declining trend in the Scotch category. The entrepreneurial spirit that has positioned DEWAR'S 12 and DEWAR'S WHITE LABEL as two of the finest and most desirable aged whiskies available, had particular appeal to males under 30 years of age who discovered scotch for their own generation, expanding beyond typical white spirit choices. A continued and growing desire for premium products helped the highly successful DEWAR'S 12 reach thirty percent growth. Built on the recognition and respect consumers have for DEWAR'S WHITE LABEL, the successful line extension of DEWAR'S 12 experienced particularly strong growth in the US Hispanic markets. DEWAR'S WHITE LABEL solidified its top position in premium brands and realized growth in a declining category.

BOMBAY and BOMBAY SAPPHIRE: Consumers continued to be drawn back to classic cocktails, like the Martini, while discovering the mixability of gin, providing both BOMBAY GIN and BOMBAY SAPPHIRE expanded sales. A symbol of style and sophistication, BOMBAY SAPPHIRE continued double-digit growth in FY2003 and remains the fastest growing super-premium imported gin in the U.S. BOMBAY SAPPHIRE's natural alignment with the arts and design community increased awareness and image for this icon brand.

CAZADORES BLUE AGAVE TEQUILLA: A global leader and the favorite premium tequila of California, CAZADORES, continued growth in key markets, seeing U.S. depletions increase by sixteen percent, the first full year of integration since acquisition.

MARTINI & ROSSI VERMOUTH: Supported by a resurgence of traditional cocktails like the Martini, MARTINI & ROSSI VERMOUTH saw growth of four percent and maintained its strong share and favorite status in the market.

MARTINI & ROSSI ASTI: A new generation of consumer was lured to Asti in 2003, as the product saw an increase in female consumption at home, clubs, bars, and restaurants. Interest was spurred by the new 187 ml, which drew consumers to the "little blue bottles". This, along with the continuing strength of the leading Asti brand, led to solid three percent growth.

PREMIUM LIQUEURS: Disaronno Amaretto experienced resurgence as new consumers reconsidered this classic liqueur and moved depletions up by seven percent.

Bacardi USA, a wholly owned subsidiary of Bacardi Limited, is the import, sales, and marketing arm of one of the world's leading wine and spirits producers. Bacardi USA boasts a brand portfolio of some the United States most recognized and top selling spirits including: BACARDI rum, the world's favorite premium distilled spirit; MARTINI & ROSSI vermouth, the world leader in Vermouth; DEWAR'S scotch whisky, the favorite selling blended scotch whisky in the United States; BOMBAY SAPPHIRE gin, one of the fastest growing brands in the spirits industry; and CAZADORES BLUE AGAVE tequila, ranked fourth in global sales in its category.

