

INTERVIEW

Pernod Ricard's new
CEO Alex Ricard 30



SPECIAL REPORT

World's Top 100 most
valuable spirits brands 38

TREASURY'S SWEET SPOT

Aussie winemaker thriving
in \$10-\$20 segment 6

STOLI'S BIG AMBITIONS

Vodka marketer on
acquisition hunt 8

BOSTON BEER SLOWDOWN

Upstart ciders gain ground
as Q4 growth softens 8

PARKER STEPS BACK

Renowned critic to cease
reviewing Bordeaux wines 50

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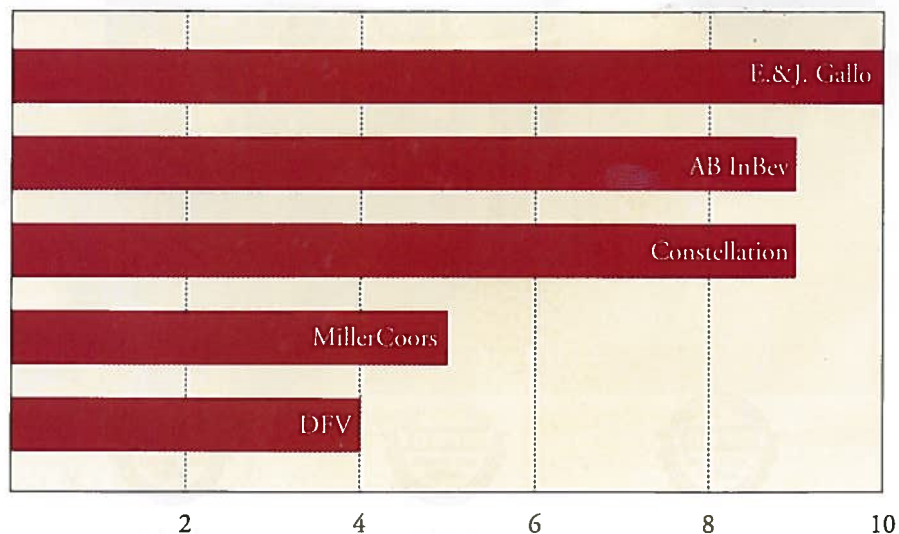
EXCLUSIVE: Impact's "Hot Brands"

Despite Challenging Conditions, 87 Honorees Make Major Gains

2014 WAS A CHALLENGING YEAR FOR THE U.S. drinks market. Spirits growth has been slowing over the past few years, and many of the market's top sellers lost ground last year. The wine market's progress has also softened to the point that it barely eked out its 21st consecutive year of growth in 2014. And, of course, beer's struggles are nothing new, as the rise of the craft category has basically been offset by the mainstream segment's decline. Despite this, there was an abundance of standout performers across the market, as evidenced by the impressive breadth of the latest list of IMPACT "Hot Brands."

In all, 87 brands from the spirits, wine, beer, RTD and cider categories have been recognized for their outstanding growth. As always, the list features a potent mix of established stars and promising upstarts. Well more than half are repeat winners from last year, and some have been fixtures for more than a decade, including Modelo Especial (21 consecutive years), Bogle (14), Jameson (14) and Barefoot (11). The rest are a mix of first-time honorees—20 in all—and brands that have earned their way back to this lofty terrain after time away, including Michelob Ultra, which hadn't been a Hot **page 10 >>>**

THE U.S. MARKET'S "HOT BRANDS"— LEADERS BY COMPANY—2014



Source: Impact Databank

More than three-quarters of Black Box consumers are between the ages of 35-64 years old. “Younger wine drinkers are more receptive to the brand than consumers over the age of 55,” says Chris Fehrstrom, chief marketing officer, wine and spirits division at Constellation. “They also tend to be high-income (\$75,000 and above) from college-educated, two-person households.” Delicato Family Vineyards’ Bota Box also added a Pinot Noir offering to its lineup in May 2014 with fruit sourced from Chile’s Valle Central appellation (\$22.99 a 3-liter). Bota Box offers six wines in 500-ml. Tetra Paks in addition to its 3-liter format and this past December rolled out a 1.5-liter Bota Brick (\$12.99), which DFV says keeps wines fresher after opening than traditional 1.5-liter glass bottles. Bota Bricks are packaged in the same recyclable, bag-in-box format and include a Pinot Grigio, Chardonnay, Merlot, Cabernet Sauvignon and Red-Volution blend.

Joining Bota Box among DFV’s 2014 Hot Brands are Noble Vines (+14.8%) and Twisted (+12.6%), both of which appear poised to cross into half-million-case territory soon, as well as Gnarly Head, which grew 12.3% to 744,000 cases

in 2014. “The trend on everyone’s radar that we don’t see subsiding anytime soon is the consumer’s penchant toward soft, round and approachable red blends,” DFV president and CEO Chris Indelicato recently told *IMPACT*. “We’ve answered this consumer demand with recent category introductions within our Gnarly Head (Authentic Red) and Noble Vines (1 Red Blend) brands.”

Black Box, meanwhile, is joined by portfoliomate and returning Hot Brand The Dreaming Tree. The ultra-premium California entry—a collaboration between musician Dave Matthews and Sonoma County winemaker Sean McKenzie—grew 21.5% in 2014 to just under 400,000 cases. Marketing behind The Dreaming Tree ties together the worlds of wine and music while highlighting the brand’s environmental protection and conservation efforts. In the year ahead, Constellation will roll out a Pinot Noir from the label as well as in-store programming featuring non-GMO messaging.

Decoy by Duckhorn, a former Napa red blend-only brand that now offers a varietal line, shot ahead nearly 30% in 2014 to reach 330,000 cases and has helped propel its parent

IMPACT’S 2014 “HOT BRANDS” – IMPORTED WINE^{1,2}

(Thousands of Nine-Liter Case Depletions)

Brand	Importer	2011	2012	2013	2014E	Percent Change		
						'11-'12	'12-'13	'13-'14E
Ruffino	Constellation Brands	720	825	910	1,010	14.6%	10.3%	11.0%
Stella Rosa	Riboli Family Wine Estates	360	550	690	840	52.8	25.5	21.7
Kim Crawford	Constellation Brands	450	555	685	815	23.3	23.4	19.0
Oyster Bay	Oyster Bay Wines USA	300	390	470	560	30.0	20.5	19.1
Lolailo	Biagio Cru and Estate Wines	200	335	460	515	67.5	37.3	12.0
Mionetto	Mionetto USA	320	380	440	500	18.8	15.8	13.6
Nobilo	Constellation Brands	295	355	425	495	20.3	19.7	16.5
Bartenura	Royal Wine Corp.	265	320	365	405	20.8	14.1	11.0
La Marca	E.&J. Gallo Winery	125	260	325	375	+	25.0	15.4
Starborough	E.&J. Gallo Winery	170	255	305	370	50.0	19.6	21.3
Trapiche	The Wine Group	300	120	280	350	-60.0	+	25.0
Zonin Winemaker's Collection	Zonin USA	145	260	300	330	79.3	15.4	10.0
Riondo	Riondo USA	160	200	280	315	25.0	40.0	12.5
Roscato	Palm Bay International	45	150	255	315	+	70.0	23.5
Risata	Prestige Wine & Spirits Group	100	150	265	300	50.0	76.7	13.2
Zonin Prosecco	Zonin USA	75	165	255	290	+	54.5	13.7
Matua Valley	Treasury Wine Estates Americas	107	137	186	278	28.0	35.8	49.5
Valentin Bianchi	Quintessential Wines	180	205	240	265	13.9	17.1	10.4
Bodega Norton	Guarachi Wine Partners	185	190	215	260	2.7%	13.2%	20.9%

¹ Criteria:

- Established brand with double-digit growth each year in 2012, 2013 and 2014E
- Established brand with at least 15% growth, 2013-2014E
- Special consideration - top 10 brand with at least 5% growth in 2014E and at least 15% growth since 2011
- Significant new product

² Calendar 2014E minimum volume requirement = 250,000 cases

Source: Impact Databank

FIVE NEW ZEALAND WINES

EARNED HOT BRAND HONORS,

AND ALL ARE PRICED

WELL ABOVE \$10 A BOTTLE.

Duckhorn Wine Company to double total volume over the past seven years, Duckhorn CEO Alex Ryan recently told *IMPACT*. Positioned as an “affordable luxury,” the company says Decoy (\$20-\$25) is a gateway to the company’s other luxury brands such as Paraduxx, Goldeneye and Migration. While the on-premise accounts for about one-third of the brand’s business, it is also finding growth potential in big-box retail chains such as Safeway, Whole Foods, Kroger and HEB, among others.

Again in 2014, the only domestic wine brand not based in California was Ste. Michelle Estates’ Washington label 14 Hands, which rose 20.7% to 1.66 million cases. The premium-and-above brand continues to generate momentum and has risen dramatically since 2010, when it reached just over 400,000 cases. High-end California brand Joel Gott saw its volume increase 13% last year to reach 435,000 cases, demonstrating the continued appeal of premium domestic brands among U.S. consumers.

Imported Wine: Italy Dominates

The imported wine Hot Brands roster saw some dramatic changes in 2014, as the number of qualifying brands increased to 19 from the previous year’s 17—while two top brands fell off and four new arrivals challenged the former dominance of Old World wines on the list.

New Zealand wines have proven to be one of the U.S. wine market’s hottest categories, with shipments up 12.8% to 5.7 million cases for the 12 months ended June 30, 2014. Among the imported wine’s Hot Brands, only Italy—with 10 entries—outdid New Zealand’s five. Hot Brand newcomers like E.&J. Gallo’s Starborough (\$15) shot ahead 21.3% and Treasury Wine Estates Americas’ Matua Valley (\$13-\$30) pulled off the highest growth rate among qualifying brands by advancing 50% to 280,000 cases in 2014.

Returning Hot Brand Kim Crawford led the New Zealand segment in volume and jumped to the number-three spot on the list with solid growth of 19% to 815,000 cases in the U.S. Constellation’s super-premium import has gained about half a million cases since 2008 based largely on the appeal of its Sauvignon Blanc and Pinot Noir, but it’s now seeing interest grow in its Unoaked Chardonnay and Pinot Gris. The brand was supported last year by an “Unleash the Un-

expected” campaign, which has evolved into its current “Undo Ordinary” effort. “The campaign has been instrumental in impacting consumer behavior, growing both awareness and purchase intent at levels that surpass industry standards,” says Constellation’s Fehrstrom.

Constellation’s other New Zealand Hot Brand, Nobile (\$13-\$25), edged closer to half a million cases last year with 16.5% growth, while countrymate Oyster Bay (\$15-\$19) crossed that threshold with a 19.1% advance for the year. “New Zealand as an industry has been able to manage supply relatively well as demand grows, maintaining a super-premium position,” vice president, national sales manager for Oyster Bay Wines USA Peter Edgars told *IMPACT* last year.

Meanwhile, Ruffino, another Constellation-marketed brand, became the import list’s highest-volume player after Gallo’s Argentine label Alamos dropped off with 6.5% growth. With an 11% advance in 2014, Ruffino crossed the million-case mark. It has managed to maintain double-digit growth in recent years by remaining committed to tradition while diversifying through innovations such as Prosecco, which, along with Pinot Grigio, is expected to continue driving progress. But the brand is set to garner further interest from wine enthusiasts with the Chianti Classico Wine Consortium’s newest Gran Selezione designation for the top tier of Chianti Classico producers, in which it will participate.

Stella Rosa, from Riboli Family Wine Estates, moved ahead to the number-two spot on the import list after gaining 150,000 cases in the U.S. last year. But Italy’s sparkling wines were strong players on 2014’s Hot Brands list, led by Mionetto’s Prosecco, which hit half a million cases last year on 14% growth. Gallo’s La Marca Prosecco also leapt ahead 15.4% to 375,000 cases. Last May, the brand received new 187-ml. packaging (\$5), tapping into the growing single-serving occasion. Other Italian sparklers on this year’s list include Riondo (+12.5%), Prestige Wine & Spirits Group’s Risata (+13.2%) and Zonin’s Prosecco, whose 13.7% growth last year was enough to propel it to just under 300,000 cases.

Argentine imports achieved noteworthy growth in 2014 as the category continues to expand in the U.S., with two new entries—Quintessential Wines’ Malbec-led Valentin Bianchi (+10.4%) and Guarachi Wine Partners’ Bodega Norton (+20.9%). Trapiche, a pioneering Argentine Malbec brand, made the list for a second straight year. The brand suffered a steep decline when it moved to The Wine Group from longtime importer Frederick Wildman & Sons in 2012. Since the shift, however, the brand has strongly rebounded and in 2014 grew 25% to 350,000 cases after more than doubling in 2013. The Wine Group says Trapiche’s on-premise volume is up 38% from a year ago driven primarily by its Oak Cask and Broquel Malbec offerings and the number of on-premise accounts has grown 27% in that period. And while Malbec accounts for 70% of Trapiche’s