

## Reviving the RTD market

*Licensees need to do their part in trying to revive the flagging spirits and RTD categories*

It isn't just up to brand owners to attempt to reverse sagging sales in the spirits and RTD markets; licensees have a part to play as well. Neither category has performed particularly well recently.

The popularity of spirits, with the exception of vodka, has been falling steadily for years and sales of RTDs have fallen by 22 per cent since 2002. So what can be done?

Although these two categories are intrinsically linked – with most RTDs based either on a generic spirit or an extension of a well known spirit brand – they are ironically polarised. One of the main problems for the spirits market is not being able to attract the youth market. And one of the main problems for the RTD market is its failure to generate loyalty from the 18 to 24 age group once they mature into 25 to 30 year olds.

Recently I saw a successful market application of RTDs which was more in tune with consumer needs, recognising that younger consumers mature quickly yet still value the brand that brought them into the category in the first place. Jim Beam has a number of bourbons in its portfolio ranging from White Label to Black Label and aged variants. Each one targets an increasingly more sophisticated, affluent and older market with a different taste profile and each lends its name to a range of RTD products. So for the 18 to 24 market there is a range of products under the White Label brand, such as Beam & Coke and Beam & Ginger; 24 to 30-year-olds can upgrade to a similar range under the Black Label moniker and there's a premium range of RTDs that mirrors the core brand offers.

Each RTD therefore appeals to a different consumer profile, allowing the 18-year-old RTD drinker to upgrade from the entry level RTD to the more sophisticated Black Label then finally to the Aged Supreme products. This strategy not only extends the appeal of the RTD category by enabling the consumer to mature and still have access to a relevant RTD, but also reinforces the values of the core Jim Beam bourbons by price and product positioning.

After the consumer grows out of the Aged Supreme RTD, they are generally ready to begin their journey up the bourbon products. All age groups and consumer groups, therefore, have access to a relevant Jim Beam product. It is easy to transit between the core brand and RTD derivatives across the quality ranges depending on occasion, social group and environment.

With the renewed focus and resources available to spirits brands in the wake of Allied Domecq's break up, I wouldn't be surprised to see other brands and markets adopt similar strategies with their newly acquired brands.

RTDs and spirits are high margin products with low overheads such as handling, stock keeping and inventory costs so it's in the licensees' interest to help resuscitate these flagging markets.



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Licensees should be encouraging such a strategy and supporting it by reinforcing the product positioning and stimulating sales with promotions at relevant drinking occasions. Innovation should not just come from brand owners.

It's a three-way process which should also include the consumers and those who sell to them and interact with them everyday – licensees.

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