



# RIO RUM

## Business Development Plan

March 25, 2010



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# Executive Summary

- Rio de Janeiro is a melting pot of cultures, flavors, and excitement though for most, they vicariously travel there from their living rooms with food and travel shows such as *No Reservations* with Anthony Bourdain or *Three Sheets* with Zane Lamprey
- Consumers are looking for excitement, an experience to take them away to a far away place
- RIO RUM, a fresh, vibrant Ultra Premium Brazilian Rum will bring Rio de Janeiro to the people and show them how to celebrate life, “Rio Style”
- Positioned as an ultra premium Brazilian rum that embodies “The True Taste of Brazil,” RIO RUM will bring the many faces and the experiences of Rio de Janeiro to America through Samba parties, Carnaval experiences, etc.
- Leveraging the exposure that Rio de Janeiro will experience due to the forthcoming 2014 World Cup and the 2016 Olympic Games – the flavors, the fun, the passion, the products of the city and all of Brazil will assist RIO RUM in becoming center stage.
- The target audience will be those that embrace life. Two groups in particular are those in the gay community and Millennials
- The gay consumer has spending power and tends to “own” products that honor their lifestyle while Millennials are experimental and seek new, exciting products.
- The Rum category is the second largest distilled spirit category in the US growing at 1.6% through 2009p. The category has not experienced the benefit of a ultra premium rum. RIO RUM will be the brand to take this category by storm.
- Anticipate launch by March 2011 and build brand volume to 100,000 9Lt. Cases by 2016.

# Brand Objective

To launch RIO RUM, *the true taste of Brazil* and *the true taste of fun* at the local level first followed by full nationwide implementation

To build the brand to 100,000 cases by 2016

# Year 1 Strategy

## 1. Prepare for launch:

- Finalize the Distiller, Product, and Packaging
- Initiate implementation of established plan

## 2. Trade:

- Obtain distribution agreements within targeted launch markets;
  - NY: Chelsea District NYC and high-end hotels and cocktail bars in the Meat Packing District
  - Rio de Janeiro - (lead by Brazilian Distiller)
- Hire and place Market Manager (MM) and obtain a minimum of 50 points of night club/bar distribution and 50 points of off-premise distribution
  - Chelsea District and High-end Hotels and Clubs in Meat Packing District, NYC – 1 manager

## 3. Travel:

- Establish Duty Free for distribution in NY and Rio de Janeiro airports
- Establish distribution on airlines with frequent flights from Rio de Janeiro to NYC

## 4. Consumer:

- Bring Rio de Janeiro to NYC. Share the joie de vivre of RIO RUM through the energy of Samba dancers, bateria drums and tambourines, etc.
  - Generate significant impression through public relations campaigns that take the RIO RUM Samba Dancers and instruments to Morning Shows, news stations and “in the streets”
  - Conduct 1 major NYC Samba launch event and 5 NYC Club Samba specific events
- Launch sweepstakes to send winner's to Rio de Janeiro during Carnival
- Gain support among target audience as “The Official, Unofficial Rum of Carnival”
- Focus on mixability as a replacement for ubiquitous rum drinks in “the bar call” – RIO & Coke, RIO & Red Bull, RIO on the Rocks etc. and as a ultra premium cocktails like the RIO Mojito and RIO Cosmo
- Establish Visitor Center in Rio de Janeiro (led by Brazilian Distiller) to share the story of RIO RUM and welcome sweepstakes winners

## 5. Achieve sales volumes as listed (9L cases):

Year 1 (March 2011 – February 2012)

- 1000 cs

# Year 1 Target Market

Year 1

Chelsea and  
Meat Packing  
Districts, NYC

## *Duty Free & Travel*

- NYC Airports
- Airlines with NYC to Rio de Janeiro routes

## *Rio de Janeiro, Brazil*

- led by Brazilian Distiller



# Year 2 Strategies

## 1. Prepare for Expansion

- Confirm brand proposition and positioning
- Modify positioning as needed
- Confirm brand movement, reorders
- Secure Trademark Rights in Caribbean

## 2. Trade:

- **Expand distribution within next round of markets and states;**
  - NY and key surrounding states – CT, MA
  - Miami/Ft Lauderdale, San Francisco
  - Expand MM's and continue to grow points of on and off-premise distribution per MM
    - Markets: NY (2) Miami Beach/Ft. Lauderdale (1), San Francisco. (1)

## 3. Expand Duty Free to include Cruise Lines and Caribbean

## 4. Consumer:

- Continue to use Samba dancers to generate significant brand awareness and PR
- Elevate efforts around Carnival for launch in new markets and increased awareness in existing markets
- Conduct 15 Samba events for RIO RUM at on/off premise accounts
- Consider “the faces of Rio de Janeiro” as spokespeople to emphasis diversity and spirit
- Continue sweepstake for chance to attend Carnival or World Cup in 2014
- Utilize Visitor Center in Rio de Janeiro (led by Brazilian Distiller) as welcome to sweepstakes winners
- Continue efforts as “The Official, Unofficial Rum of Carnival”
- Maintain focus on mixability as a replacement for rum in “the bar call” – RIO & Coke, RIO & Red Bull, Rio on the Rocks etc. and as a ultra premium cocktails like the RIO Mojito, RIO Cosmo, RIO Martini

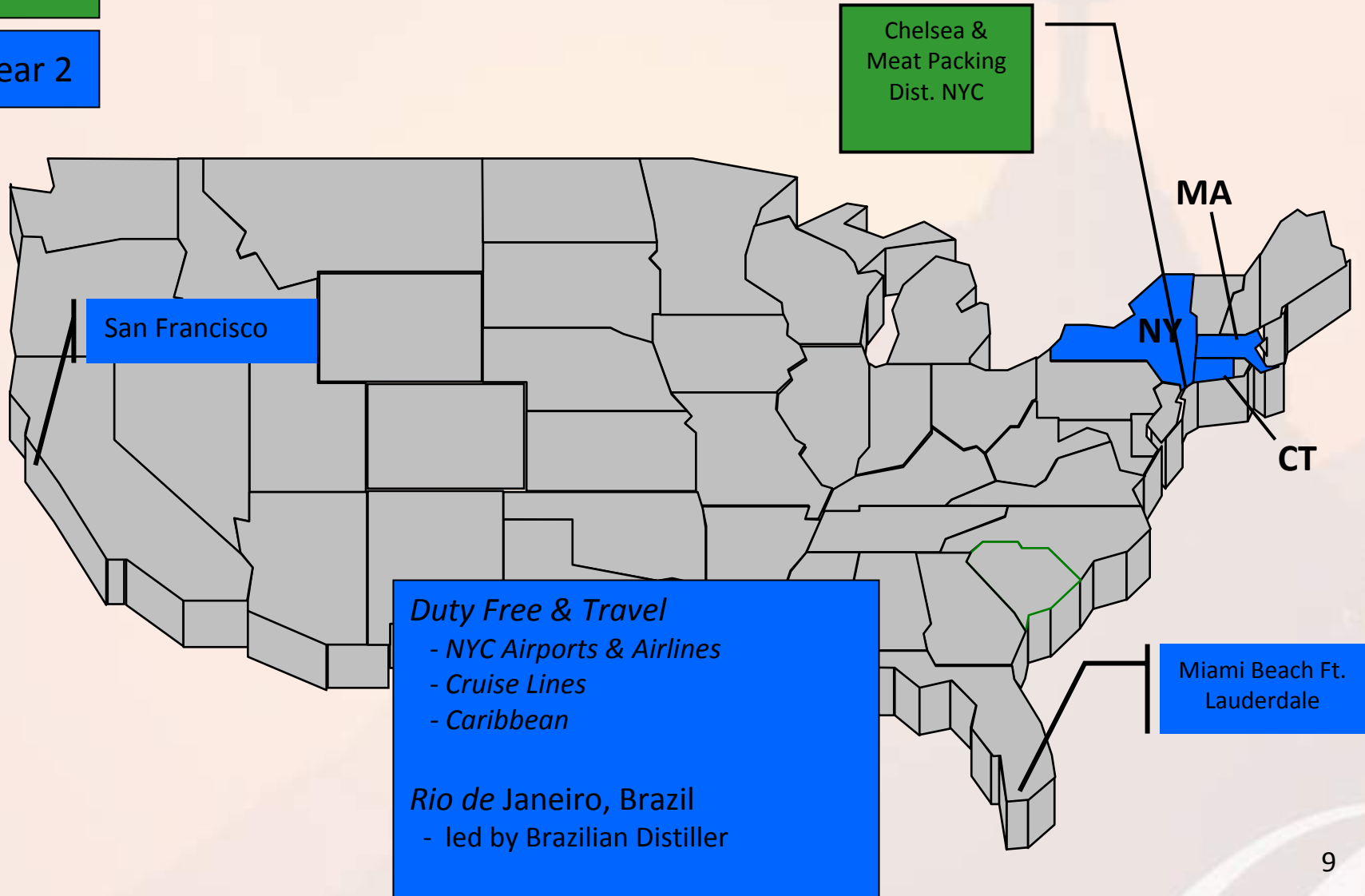
## 5. Achieve sales volumes (9L cases):

- Year 2 (March 2012 – February 2013) 8 6100 cs

# Year 2 Target Markets

Year 1

Year 2



# Year 3 Strategies

## 1. Continue Expansion Efforts

- Secure Trademark Rights in Europe

## 2. Trade:

- Expand distribution within the next round of states;
  - Top Rum Markets: MN, WI, MI, IL, OH, PA, NJ, MD, GA, TX, CA, FL, WA
- Continue to expand MM's to grow points of on and off-premise distribution per MM
  - Markets: NY (2), South FLA (1), Los Angeles. (1), San Francisco (1), Chicago (1), TX (1)

## 3. Continue to build relationships with Duty Free and Cruise Lines

- Increase Duty Free markets to include Western Europe- Germany, UK, France, Spain

## 4. Consumer:

- Expand PR efforts to include presence at such trendy events as Fashion Week in conjunction with Brazilian Designers, Film Festivals and the Aspen Food & Wine.
- Continue to open new markets and build momentum with existing markets through activities around and during Carnaval
- Conduct 15 regional Samba events for RIO RUM
- Expand “The Faces of Rio de Janeiro campaign” with sweepstakes for trip to Carnaval and/or World Cup
- Utilize Visitor Center in Rio de Janeiro (led by Brazilian Distiller) as welcome to sweepstakes winners
- Continue efforts as “The Official, Unofficial Rum of Carnaval”
- Maintain focus on mixability as a replacement for rum in “the bar call” – RIO & Coke, RIO & Red Bull, Rio on the Rocks etc. and as a ultra premium cocktails like the RIO Mojito, RIO Martini and RIO Cosmo

## 5. Achieve sales volumes as listed (9L cases):

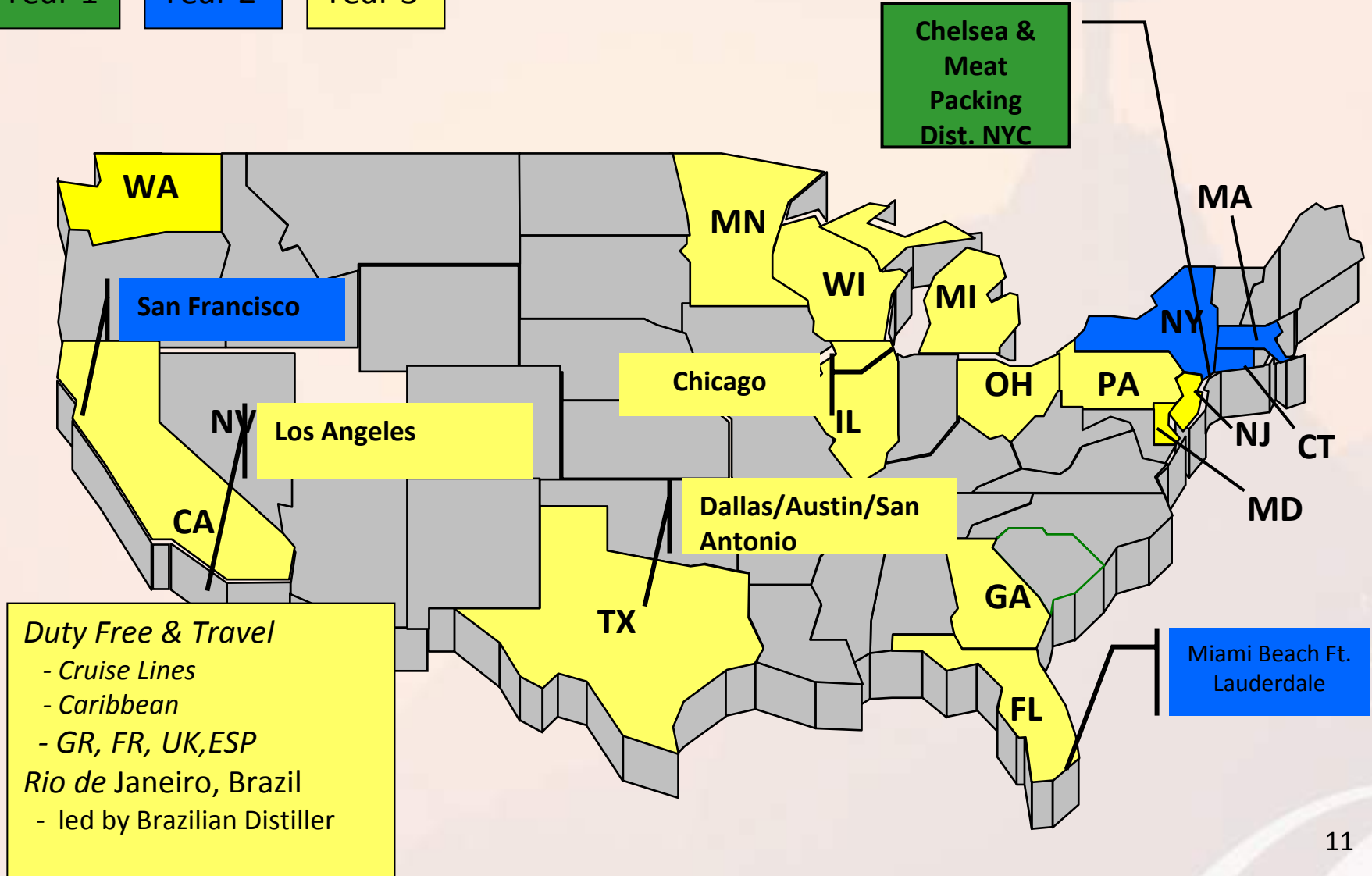
- Year 3 (March 2013 – February 2014) 17,000cs

# Year 3 Target Markets

Year 1

Year 2

Year 3



# Assessing the Landscape Trends and Beverage Consumption





## Macro Trends Impacting The U.S. Beverage Alcohol Market

# U.S. Population Growth

The U.S. population now tops 300 million and will add 2.3 million new legal drinking age consumers in 2009 and 2010



# Growing Ethnic Diversity

The fast growing multi-ethnic population is fueling interest in new drink experiences from around the world



Ethnic Group	1960	2008	2050
White	85%	68%	46%
Hispanic	5%	15%	30%
Black	9%	12%	15%
Asian	1%	5%	9%

# The Explosion Of Flavor

Today's Bar Chefs are using exotic ingredients from around the world to cater to consumer demand for new flavor experiences



# Affordable Luxury

Across all consumer goods categories, the luxury segment continues to outpace total category growth

High-end beverage alcohol offerings are an affordable luxury



# Drinks Are Again Fashionable

Popular television shows like Sex And The City and Entourage have helped make social drinking both acceptable and fashionable





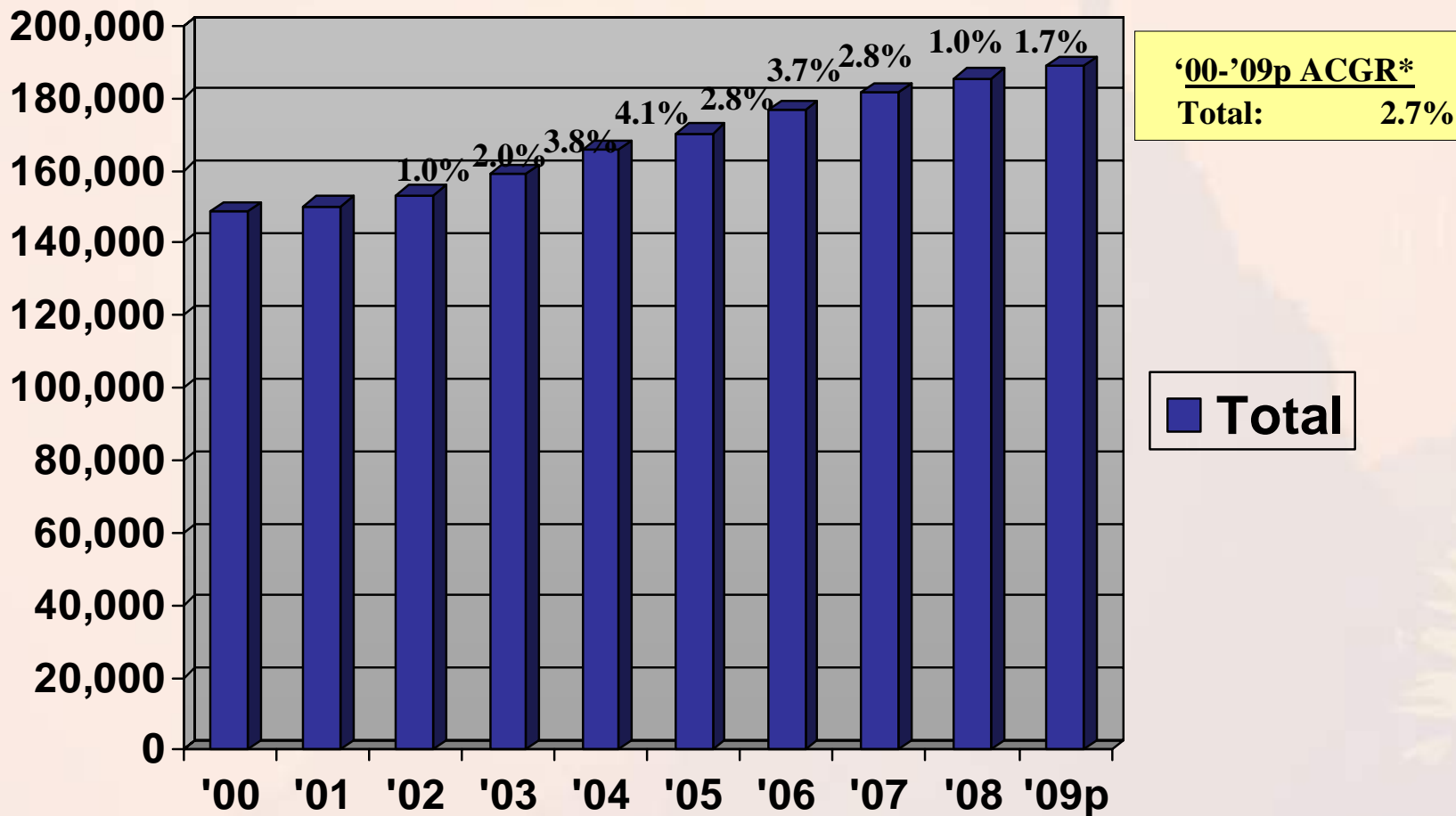
# Spirit Category Trends

# Overview

- The economy impacted spirits consumption in 2009, though the worst of the crisis appears to be behind us now.
- Despite some slowing as a whole, several spirits categories continue to grow, in particular Vodka's, Rum's and Tequila's.
- Consumers are still drawn to strong brands that deliver a strong value proposition with motivating credentials, strong heritage and a relevant image
- Value is the key to capturing today's consumers but the market is still premium driven since consumers define value and the combination of quality and price, not just price

# Spirits Growth 2009p

## (9 Liter Cases and Percent Change)

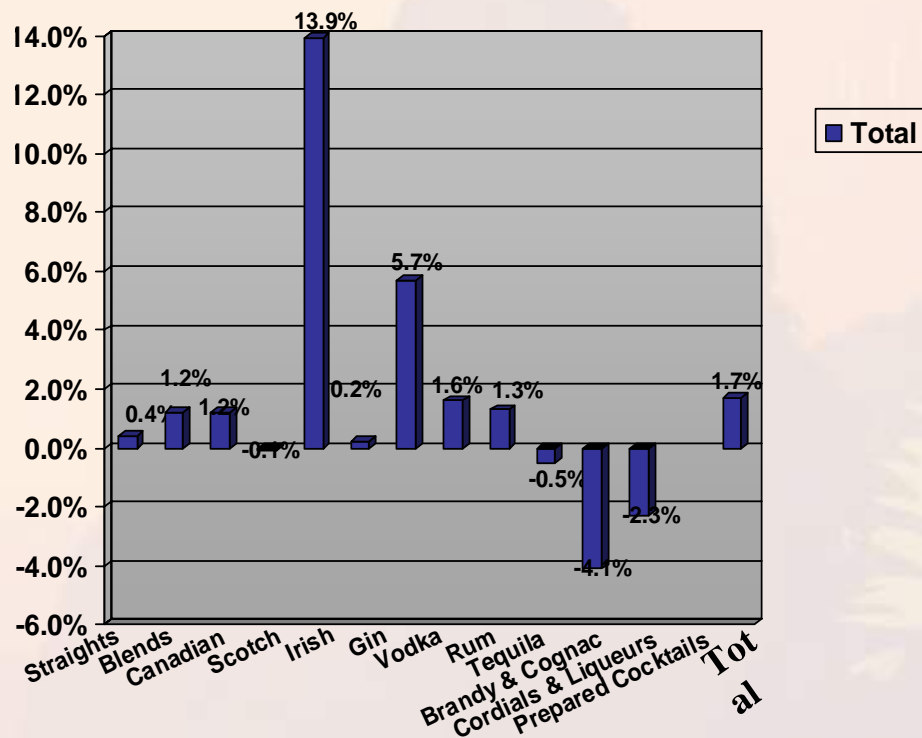
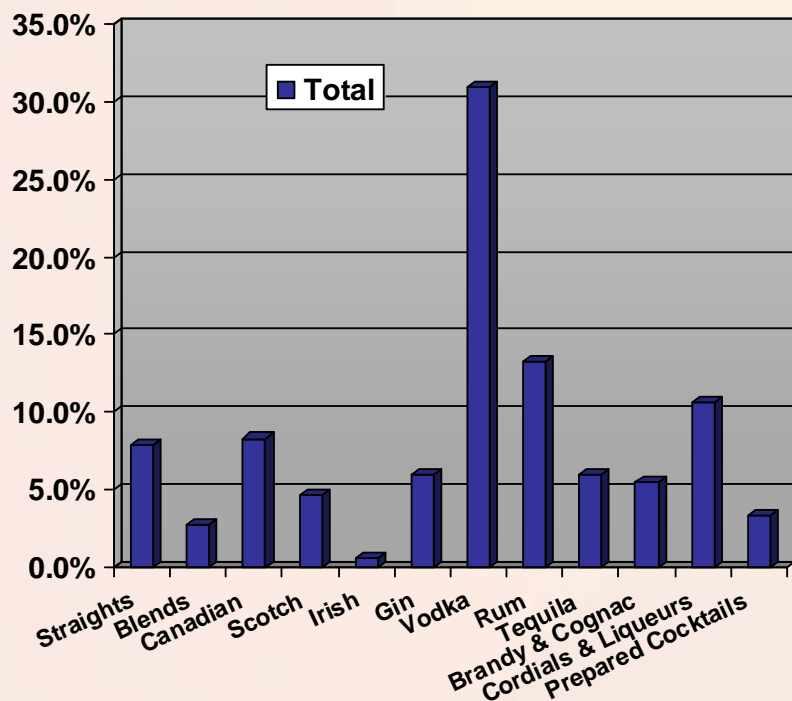


Source: B.I.G. Handbooks  
 (p) Preliminary

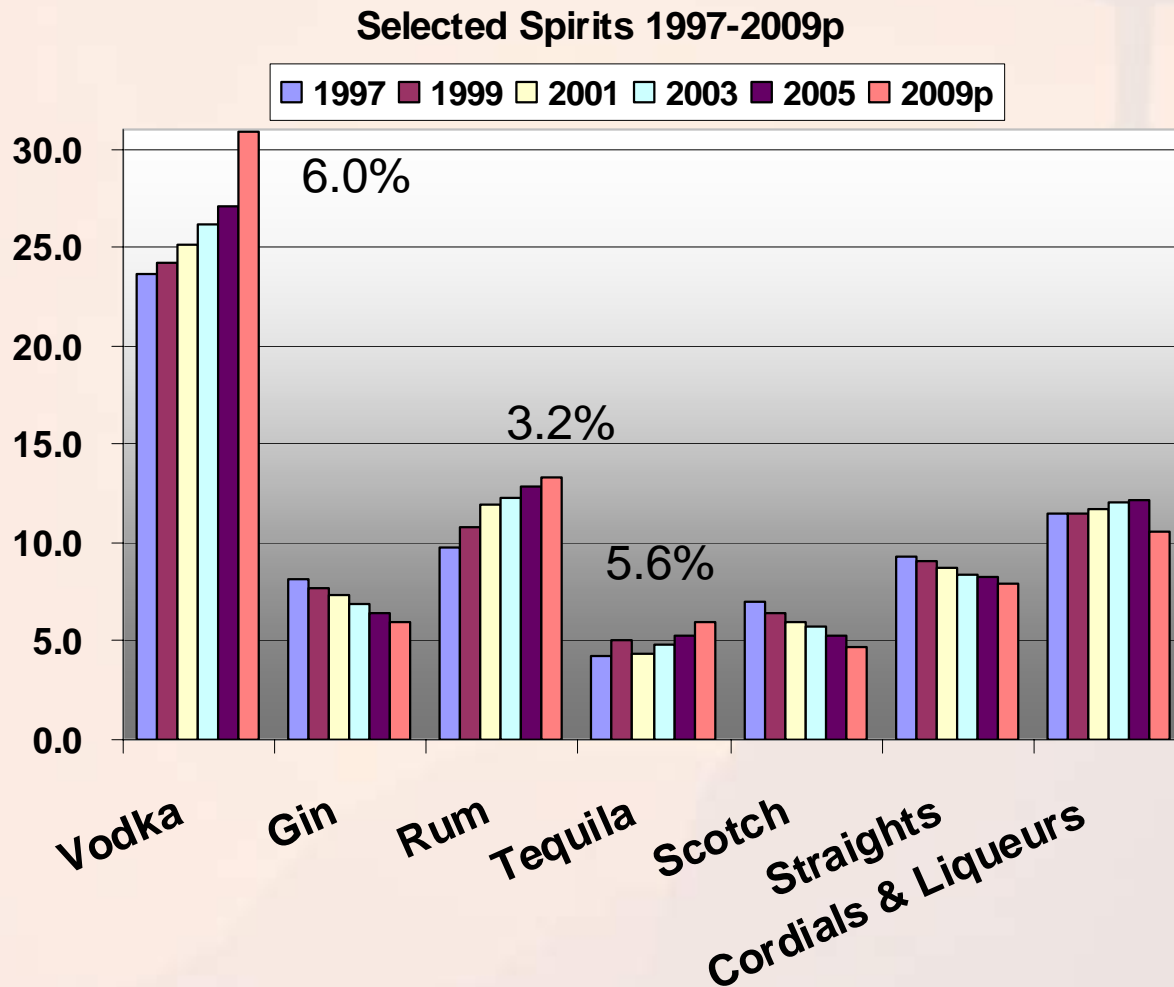
\* Annual Compound Growth Rate

# Category Share and Growth

2009p Distilled Spirits Consumption by Category

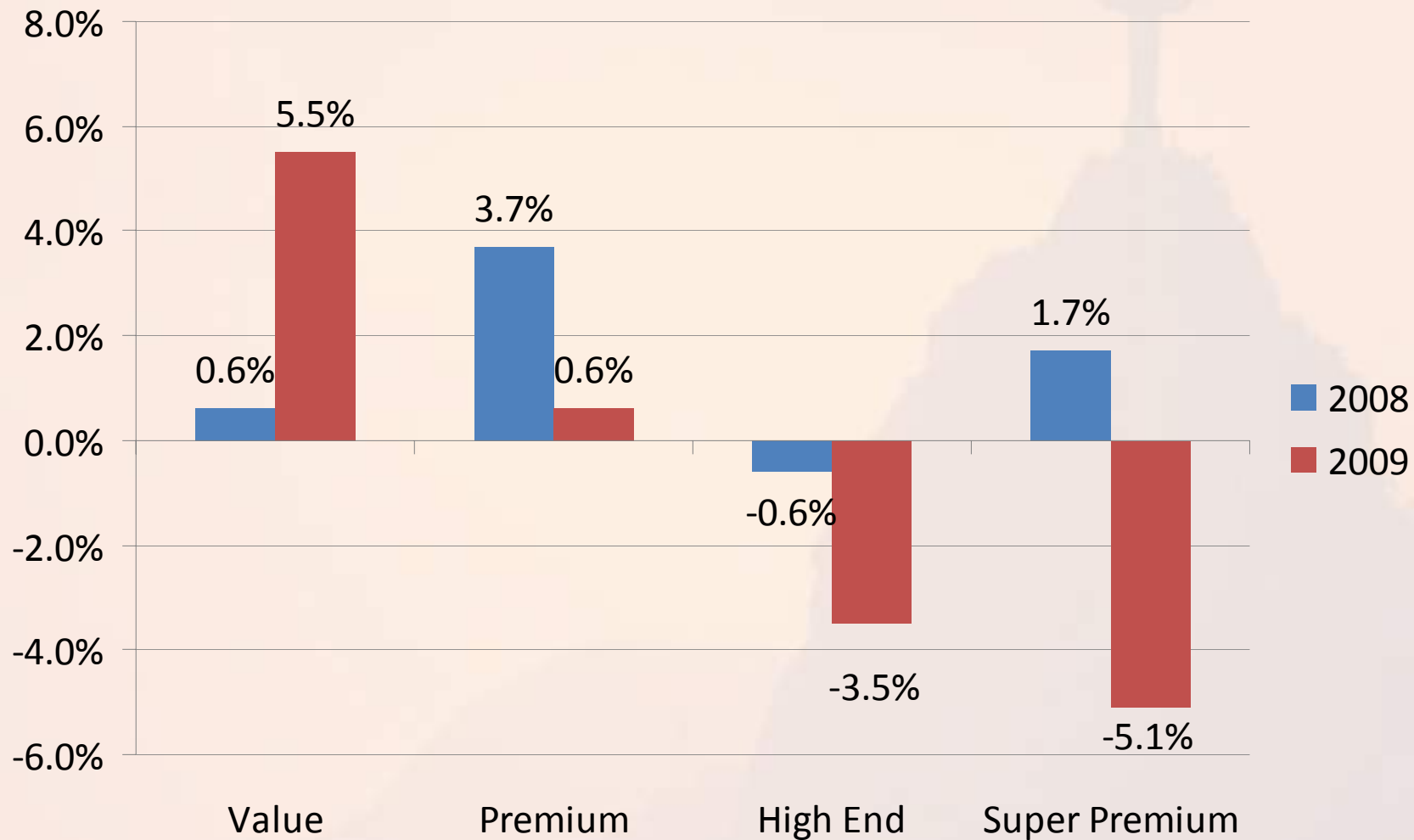


# Category Share of Distilled Spirits - Total U.S.



Source: B.I.G. Handbooks  
(p) Preliminary

# Spirits Volume Growth by Price Segment



# Impact on Imports

## Total U.S. Percent Change vs. Prior Year

(% Change 2008 vs. 2009p)

### Imports Rising

- Canadian Whisky +2.2%
- Scotch Whisky (Single Malts) +2.1%
- Irish & Other Whiskey +13.9%
- **Vodka (Imported) +8.4%**
- **Rum +1.6%**
- **Tequila +1.3%**

### Imports Declining

- Gin (Imported) - 4.1%
- Brandy (Imported) - 5.4%
- Cognac - 4.9%
- Cordials & Liqueurs (Imported) -4.3%



Source: B.I.G. Handbooks  
(p) Preliminary

# 2009p Fastest Growing Brands\*

Total U.S.

## Irish

Jameson +19.2%  
John Power +6.7%  
Tullamore Dew +3.2%

## Tequila

Pepe Lopez +16.0%  
Juarez +18.8%  
El Jimador +26.0%

## Vodka

Svedka +34.1%  
UV Vodka +29.2%  
Three Olives +13.6%  
Burnett's +24.9

## Rum

Sailor Jerry +16.3  
Admiral Nelson +29.4%  
Jack Flavored Rums +37.8%

## Scotch

Ballantine's +5.0%  
Buchanan +4.9%  
Johnnie Walker Black +6.3%

## Gin

New Amsterdam +77.8%  
Hendrick's +12.1%  
Barton +5.0%

\* Minimum Case Sales Vary by Category

Source: B.I.G. Handbooks  
(p) Preliminary

# 2009p Growth Brands

## Fast Track – Spirits

**Admiral Nelson**



**+29.4%**

**Pearl**



**Burnett's Vodka**



**+24.9%**

**Pinnacle**



**Ciroc**



**Sailor Jerry**



**+16.3%**

**Citronge Orange**



**Seagram's Vodka**



**+29.4%**

**Jack Flavored Rums**



**+37.8%**

**Svedka**



**+34.1%**

**Jameson**



**+19.2%**

**Three Olives**



**+13.6%**

**Juarez**



**+18.8%**

**UV Vodka**



**+29.2%**

Source: B.I.G. Handbooks  
(p) Preliminary



# Cocktail Trends



**To consumers, it's all about the drink!**

**Spirit cocktails are now culturally fashionable  
expressions of style and sophistication**

# US Market Trends - Cocktails

- Despite the softening of the economy, there continues to be a resurgence in Cocktail Culture both on/off premise
- Cocktails play a key role in driving category sales in the US. Examples:
  - Margarita: Tequila
  - Martini & Cosmo: Vodka
  - Rum and Coke & Mojito: Rum
  - Caipirinha: Cachaça
- US Consumers seek “affordable indulgences” – small, visible indulgences that reward hard work/stressful lives but do not break the bank
- As a result, consumers trade up to their favorite cocktails made with higher priced brands as one such affordable indulgence
- Despite declines by mature super premium and above premium brands, newly introduced super and ultra premium spirits are enjoying success
- Imported spirits that often carry the higher price point and image are the primary benefactor of consumers trading up.
- Vodka and Tequila categories tend to be driving spirits cocktail growth

# 2009p On-Premise Spirits Trends Total U.S.

## Top 10 On-Premise Spirit Brands

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

## Leading On-Premise Growth Brands

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.

Source: B.I.G. Handbooks  
(p) Preliminary

# Leading Spirit Call Brands On-Premise by Region, 2009

<u>Rank</u>	<u>Northeast</u>	<u>Midwest</u>	<u>South</u>	<u>West</u>
1	Grey Goose	Absolut	Absolut	Grey Goose
2	Absolut	Bacardi	Jack Daniel's	Jack Daniel's
3	Jack Daniel's	Jack Daniel's	Bacardi	<b>Patron</b>
4	Bacardi	Grey Goose	Grey Goose	Absolut
5	Stolichnaya	Captain Morgan	Crown Royal	Bacardi
6	Captain Morgan	<b>Patron</b>	Captain Morgan	Ketel One
7	Jose Cuervo	Stolichnaya	<b>Patron</b>	Captain Morgan
8	<b>Ketel One</b>	Jose Cuervo	Stolichnaya	Tanqueray
9	<b>Patron</b>	Ketel One	Tanqueray	Stolichnaya
10	Tanqueray	Crown Royal	Jose Cuervo	<b>Bombay Sapphire</b>

Source: B.I.G. Handbooks

# Most Popular Mixed Drinks On-Premise

## 1999 Compared with 2009

<u>Rank</u>	<u>Drink</u>	<u>Share Change</u>
1	Margarita	down
2	Martini	up
3	Rum & Coke	down
4	Mojito	new to list in 2007
5	Vodka & Tonic	stable
6	Long Island Iced Tea	stable
7	Jack Daniel's & Coke	up
8	Cosmopolitan	stable
9	Vodka & Cranberry	stable
10	Gin & Tonic	stable

Source: B.I.G. Handbooks

# U.S. Rum Trends



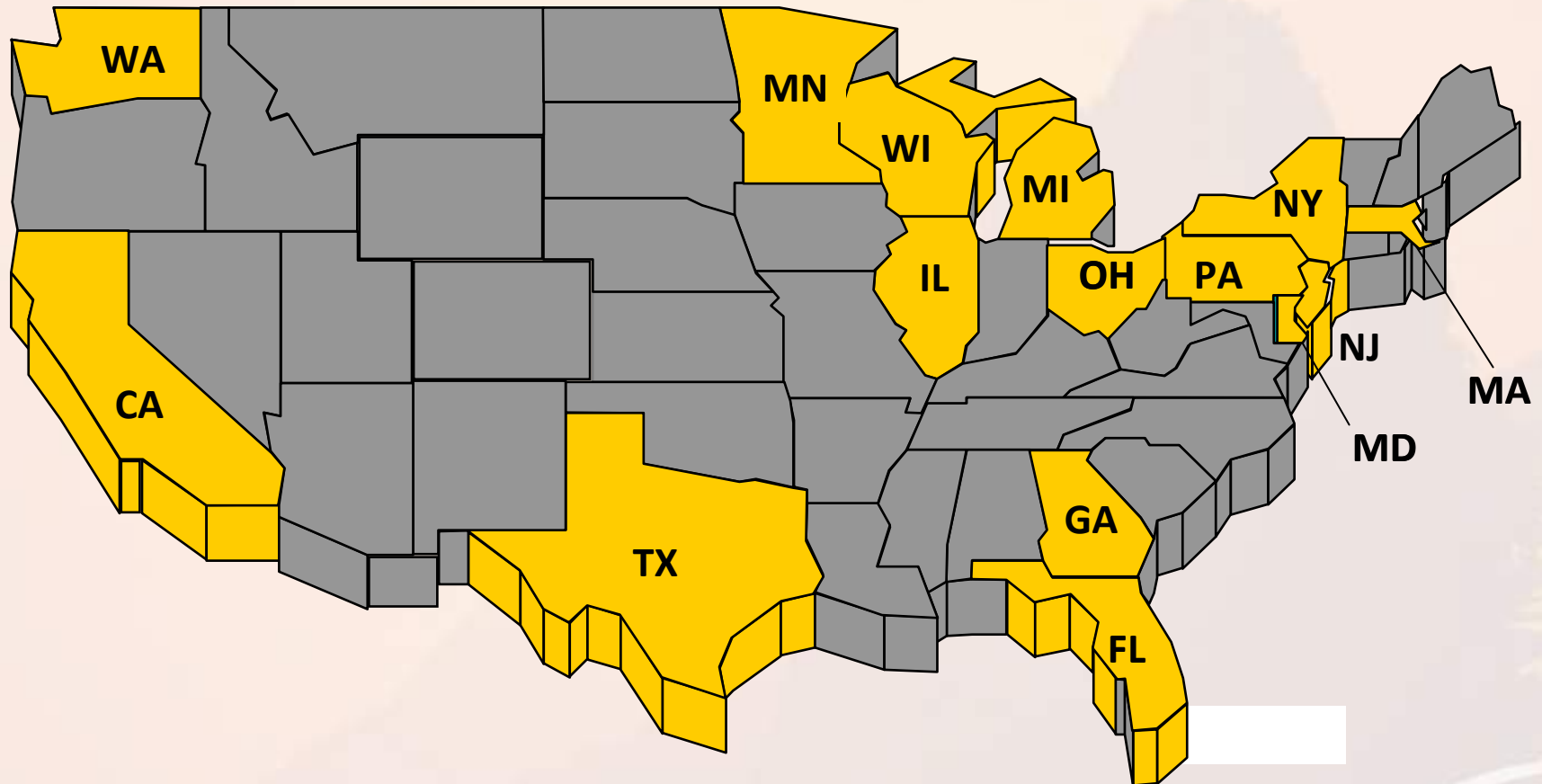
# Rum Summary

- The rum category grew 1.6% in 2009p mainly driven by the core, popular-priced segment (Bacardi, Captain Morgan, Malibu)
- The rum category consists of a variety of aged, flavored and spiced rums as well as Cachaça, a distilled spirit from Brazil that is made from sugar cane juice (most rums are distilled from molasses, however Rhum Agricole is also distilled from free-run cane juice)
- All varieties of rum are typically positioned together in the rum section at retail and on-premise however it is not uncommon to find cachaça in sections other than Rum
- Rum has not yet capitalized on tremendous growth of the higher-priced segments unlike sister spirits vodka and tequila
  - Focus has been on creating a fun environment while consuming ubiquitous drinks such as Rum and Coke versus offering them a trade up to high end cocktails made with super-premium rums
- Super-premium rum suppliers are enthusiastic about the category as they believe that rum is positioned to expand into the ultra-premium space the way tequila and vodka have

Source: B.I.G. Handbooks  
(p) Preliminary

# Top 15 Rum Markets

The Top 15 states account for nearly 70% of US rum volume



# Through 2008, Rums continue to lack Super & Ultra Premium presence

Leading Rum Brands (Thousands 9-L Cases)							
Brand	Origin	Segment	Supplier	2007	2008	% Chg	Share
Bacardi	Puerto Rico	Premium	Bacardi	9,180	9,364	2.0%	38.1%
Captain Morgan	Jamiaca	Premium	Diageo	5,246	5,453	3.9%	22.2%
Malibu	Barbados	Premium	Pernod Ricard	1,667	1,632	-2.1%	6.6%
Castillo	Puerto Rico	Economy	Bacardi USA	1,125	1,045	-7.1%	4.3%
Cruzan Rum	Virgin Islands	Premium	Absolut Spirits Co.	611	648	6.1%	2.6%
Ronrico	Puerto Rico	Economy	Beam Global	528	471	-10.8%	1.9%
Admiral Nelson	Virgin Islands	Economy	Luxco	330	410	24.2%	1.7%
Sailor Jerry's	Puerto Rico	Premium	Wm Grant	213	344	61.5%	1.4%
Myers's	Jamiaca	Above Premium	Diageo	315	320	1.6%	1.3%
Barton Rum	USA	Economy	Constellation	222	235	5.9%	1.0%
Top 10 Brands				19,437	19,922	2.5%	81.1%
Total Rum				23,916	24,557	2.7%	100.0%

Source: Adam's 2009, Reflect volume through calendar year 2008

Volume Stated On A Thousands Of 9L Cases Basis

# Volume vs. Growth

## 2008 and 2009p\*

84% of the U.S. Rum volume comes from 10 “mainstream” brands. However, exceptional growth, though small is coming from premium, boutique brands

### Sales by Volume ('08)

Brand	Cases (000)	07/08% change
Bacardi	9,364	2%
Captain Morgan	5,479	4.5%
Malibu	1,632,	-2.2%
Castillo	1,045	-7.1%
Cruzan	648	6.1%
Capt. Mor. Parrot Bay	593	-3.5%
Ronrico	474	-10.2%
Admiral Nelson	425	29.4*
Sailor Jerry	344	16.3*
Myers	297	-5.7%
<b>Total Top 10</b>	<b>20301</b>	<b>2.3%</b>
<b>All Others</b>	<b>4309</b>	<b>.05%</b>
<b>Total Rum</b>	<b>24610</b>	<b>1.6%*</b>

### Top 10 percent change ('08)

Brand	Cases (000)	07/08% change
Leblon	27	92.9%
Sailor Jerry	344	16.3*
Admiral Nelson	425	29.4*
Proximo	20	66.7%
Calico Jack Spiced	15	29.3%
Trader Vics	91	21.3%
Ron Viejo	20	17.6%
Brugal	132	15.8%
Pyart Rum	23	15%
Barbarossa	49	11.4%
<b>Total Top Ten</b>	<b>1146</b>	<b>9.5%</b>
All Others	23,464	89.5%
<b>Total Rum</b>	<b>24,610</b>	<b>1.6%*</b>

# The Super & Ultra Premium Rum Category

# Super & Ultra Premium Players and Positioning

<u>Brand</u>	<u>Positioning</u>	<u>Origin</u>
<b>Oronoco</b>	Handcrafted, fresh-cut mountain cane	Brazil
<b>Tommy Bahama</b>	Lifestyle fashion brand. Line extension of Tommy Bahama.	Barbados
<b>Bambu</b>	Premium white rum. 4X distilled. Rum for vodka drinkers/The vodka of rum	Antigua
<b>Depaz</b>	Martinique gold rum	Martinique
<b>Rhum Barbancourt</b>	Family produced Rhum Agricole. Cane juice, aged.	Haiti
<b>Rhum Clement</b>	Free run cane juice, AOC/Terroir, tradition, History	Martinique
<b>Charbay</b>	Artisan rum. Triple distilled, Pot still, Hawaiian and Caribbean sugar cane syrup. Charbay vodka line extension	U.S.
<b>Ron Zacapa</b>	Cognac of rum	Guatemala
<b>Santa Theresa</b>	Aged Venezuelan rum	Venezuela
<b>Zaya</b>	Aged from Copper pot distilled, 12 years	Guatemala

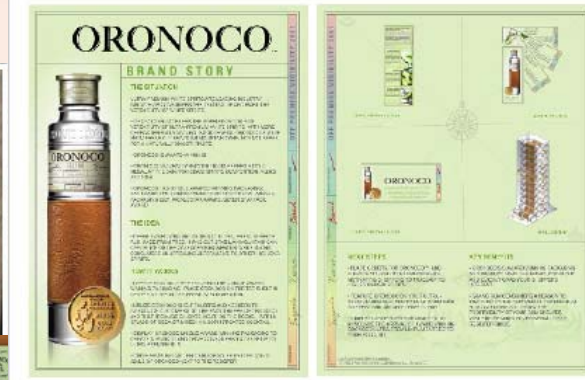
## Oronoco

Oronoco Rum; Brazil \$35 retail

Importer: Diageo, launched in 2005

Oronoco is a Brazilian Rum and has many similarities to RIO RUM in terms of positioning. The presentation and packaging are popular among bloggers but the product reviews are not all the great.

"We're extremely excited about rum in general," said Tom Herbst, director of marketing for rum for Diageo. "It's is a very strong category that's on the rise, and has been getting a lot of attention in the press. We expect it to continue, as we look over the next five years, to grow perhaps as much as 17%."



Oronoco is the first super-premium white rum made with fresh cut Brazilian mountain cane grown on the slopes of the Paraiba do Sul river valley.

**Brand facts**  
 Named for the Oronoco River in Brazil. "Made from fresh sugar cane juice grown on the lush Brazilian mountain slopes of Novo Friburgo in the highlands of Rio de Janeiro state. Oronoco is distilled three times in copper stills to a light clean purity at Fazenda Soledade by famed Brazilian distillers Vicente and Roberto Bastos Ribiero. This pure sugar cane juice distillate is then blended with a small amount of aged Venezuelan rum to give Oronoco a slight vanilla flavor."  
 Source: Diageo web site

# The Players



## 10 Cane Rum

- 10 Cane Rum, Trinidad, \$35 retail
- Importer: Moët-Hennessy
- \$2.5 million promotion expenditure in 2009, down from \$3.0MM in '08
- “Distilling perfection from first press CANE”
- Produced in Trinidad
- No initial sales in each market/all bottles are given
- LVMH Brand Manager: “Rum is such a rich and fertile, image-laden category that you know it is just ripe for development. Marketers of rum evoke John F. Kennedy or Ernest Hemmingway who drank classic rum cocktails such as the daiquiri.”
- Moët-Hennessy USA's 10 Cane rum is broadening its range through sampling, off-trade merchandising and increasing consumer pull, according to brand director Sarah Gorvitz. For the third consecutive summer, the brand's sampling program tours through select major markets where reps press real sugar cane in front of consumers to explain how the brand is made from cane, rather than molasses They're offered tastes of Cane & Cola, and a Mojito. The brand is also expanding the 10 Cane pitcher on-premise program directly to consumers, who can purchase a 10 Cane pitcher, monkey stirrer, acrylic Collins glasses and recipes

# The Players

- **Bambu Rum; Antigua \$35 retail**
  - 4 times distilled; vodka of rums
  - Molasses
- **Starr African Rum; Mauritius \$29 retail**
  - Attractive bottle; African-American response
  - Molasses
- **Charbay Rum; California \$35 retail**
  - Quality oriented brand reputation for distilling several fine spirits
  - Molasses
- **Tommy Bahama Rum \$29 retail (Sidney Frank)**

Alliance with known luxury beachwear brand  
 \$3.7MM in promotion, down from \$6.4MM in '07  
 Molasses



# The Players

- **Appleton Estate \$32 retail (Brown-Forman)\*\*\***  
 Established aged rum brand in US market  
 Produced by Wray & Nephew  
 Not a top priority for importer  
 Molasses - Jamaica  
 \*\*\* **Jack Daniels producer plus several other brands**
- **Rhum Barbancourt \$32 retail (Crillon)**  
 Established aged rum brand in US market  
 Not a top priority for importer  
 Losing market share every year  
 Sugarcane juice – Haiti; distillery severely damaged in earthquake of 2010
- **Ron Zacapa \$45 retail (Dana Spirits)**  
 Established aged rum brand with very good image of quality/reputation  
 A top priority but no white rum brand  
 Molasses - Guatemala
- **Santa Theresa \$45 retail**  
 Aged rum brand with very good image of quality/reputation  
 Spotty Distribution  
 Molasses - Venezuela
- **Zaya \$50 retail (Wilson Daniels)**  
 Established aged rum brand with very good image of quality/reputation (off-trade only)  
 Newest of the aged rum brands here to be launched (1998)  
 Sugarcane Juice – Nicaragua
- **St. James Extra Old \$55 retail**



# Cachaça Category

# Cachaça Facts

- Unknown to many outside Brazil, the cultural significance of cachaça, a distilled liquor, ranks among soccer, Carnaval, and samba. Although non-Brazilian's compare cachaça to rum, their only similarity is that they both originate from sugarcane.
- Cachaça is a liquor distilled from pure sugar cane juice and until recently was only produced in Brazil.
- Cachaça is used in Brazil's most popular cocktail -- the Caipirinha. While the Caipirinha craze took hold in Europe about 10 years ago, cachaça is just beginning to make its mark in the United States. The cocktail's global success has inspired other Caribbean and South American states to produce their own cachaça-like alcohols. Consequently, the Brazilian government has initiated protectionist measures at home and abroad to preserve cachaça's foreign markets.
- It is the third most popular distilled spirit in the world according to the Program for Brazilian Development of Sugar-Cane Alcohol (PBDAC), The difference between rum and cachaça is that cachaça is made from sugar cane juice where rum uses molasses.
- Brazil consumes 1.5 billion liters (390 million gallons) annually, compared with 15 million liters (4.0 million gallons) (1%) outside the country.
- Between 2005 and 2008, importation of Cachaça to the US grew 340%, from 261,000 liters to approximately 900,000 liters, or 100,000 9-liter cases.
- The Cachaça category would be fastest-growing spirits category in the U.S. if separated from rum. Irish Whiskey currently leads at 18.1% growth (08-09 volume) with rum at 1.6% growth.
- A number of rum distillers use sugarcane juice instead of molasses to make their rums, this rum is called "Rhum Agricole".

# Types of Cachaça

There are two types of cachaça: artisanal and industrial.

**Artisanal Cachaças** are produced by thousands of small mills spread all over the country. The distillation unit is a copper pot still. The resulting product comes out in three phases: "heads", "hearts" and "tails". Most of the makers take only the "hearts", discarding (or re-distilling) the other two which have undesirable components. Then the beverage is either bottled or stored in wood barrels for aging. The cachaça is aged in barrels made from a great variety of native or exotic trees such as chestnut, umburana, jequitibá, ipê, grápia, balsam wood, almond, jatobá, guanandi, brazilwood, cabreúva, tibiricá, garapeira, cherry, and oak.

**Industrial Cachaças**, like rum, has two varieties: unaged (white) and aged (gold). White cachaça is usually bottled immediately after distillation and tends to be cheaper. It is often used to prepare Caipirinha and other beverages in which cachaça is an ingredient. Dark cachaça, usually seen as the "premium" variety, is aged in wood barrels and is meant to be drunk straight. Its flavor is influenced by the type of wood from which the barrel is made.

## Cachaça's Position

- Cachaça's growth is driven by the Caipirinha cocktail, similar to the growth of the tequila category with the popularity of the margarita.
  - Leblon (27,000 cases), one of the more visible cachaças has received a capital investment (but no strategic support) from Bacardi and continues to lead the category growth
- Artisanal cachaças are making the most inroads into the US market, many are produced exclusively for foreign distribution
- All cachaças are technically Brazilian Rum but not all rums are cachaças. A distinction that can be confusing to consumers and each brand approaches it differently

# Players

## Leblon Cachaça

**Distilled in Brazil; Aged in French Distillery:**

**Patos de Minas, Minas Gerais, Brazil**

**80 Proof (40% ABV)**

**Typical Price: About \$30 for 750ml**

**Double distilled**

**Available in all 50 states**

<http://www.lebloncachaca.com/>

**Advertising: \$53K in 2008; significant infusion by Bacardi in 2009**



### Company Line

We combine traditional approaches with creative European winemaking techniques to create a cachaça that is extra special. Gilles Merlet, famous master distiller from the Cognac region of France, takes cachaça to a whole new level with his 'French touch,' transforming our distillery in Patos de Minas to the state-of-the-art Maison Leblon. Gilles produces small batches using alembique copper pot stills, then polishes the cachaça in XO Cognac Casks for an ultra-smooth taste. The cachaça is then blended across batches for flavor complexity, body, and aroma.

Leblon is the leading luxury cachaça in high-end establishments, a 2006, 2007, 2008 and 2009 Gold Award Winner at the San Francisco World Spirits Competition and Best in Class at the 2007 Rum Experience International Tasting Competition - London. Is positioned like a cognac with a master distiller from France

## Sagatiba Pura

**Distilled and bottled in Brazil**

**80 Proof (40% ABV)**

**Typical Price: About \$25 for 750ml**

**Pot stillled, aged in Oak barrels**

**Available: NY, FL, CA, AZ**

**Distributor: Southern Wine & Spirits**

### Company Line:

The world's first premium Cachaça is multi-distilled to retain distinct flavor characteristics with a soft aroma that's fresh, lively and delicate. Sagatiba is perfect for Caipirinhas, highly versatile in classic cocktails, and crafted to inspire creative mixology. While it can deliciously replace vodka in any number of mixed drinks, it's also surprisingly good on its own with flavor hints of the fresh green<sup>48</sup> sugarcane. Sip Sagatiba in your favorite cocktail to discover a new world of exotic taste.



## Cabana Cachaça

Distilled and bottled in Brazil for export only

80 Proof (40% ABV)

Typical Price: About \$30 for 750ml

Double distilled in copper pots



- Gained huge exposure with an 09 summer advertising campaign in NYC.
- Produced in Brazil for the US market only
- Positioned and priced as premium, reviews consistently say it is not a premium taste

## BOCA LOCA

Distilled and bottled in Brazil for export only

80 Proof (40% ABV)

Typical Price: About \$25 for 750ml

Double distilled in copper pots

Available: NY, FL, CA, CO, GA, MA,OR,RI,SC,WA,UK

Distributor: Bedford & Grove



### Company Line:

Boca Loca is a premium award winning cachaça made in the heart of Brazil. Boca Loca won a Double Gold Medal at the prestigious 2007 San Francisco World Spirits Competition, a Gold Medal from the Ministry of Rum, and was also named “Best Value Cachaça” by the Beverage Tasting Institute

## Cachaça 51

Distilled and bottled in Brazil

80 Proof (40% ABV)

Typical Price: About \$17.50 for 750ml

Double distilled in pot stills



**The leading brand in Brazil, and holds a 40% market share.** 94 million cases in 2006

Produced under the latest manufacturing technologies and distributed to over 30 countries,

Exports less than 1% of total brand sales

## Rio D Cachaça

**Distilled in Brazil for export only**  
**Regular, Lime, and Passionfruit flavors**  
**80 Proof (40% ABV)**

**Typical Price: About \$25 for 750ML**

**Double distilled**

**Available: In Georgia, Florida, Ohio, Illinois, and the Turks and Caicos Islands**

### Company Line:

Imported from Brazil, Rio D embodies the essence of what a true premium Cachaça represents. Rio D is fermented directly from hand selected sugar cane and distilled using a modern, multi-distillation process founded on a recipe that has been developed and continuously improved since 1532. The result : a unique spirit superior in taste, aroma, and appeal.

Note: Rio D's name could potentially cause consumer and trade confusion but is not considered a viable concern at this time based on their current activity level in the US



## Pitu Cachaça

**Distilled and bottled in Brazil**

**80 Proof (40% ABV)**

**Typical Price: About \$11 for 750ml**

**Pot Stilled then aged in white oak casts**

**Available: nationwide**

**Distributor: Winebow Inc. Montvale NJ**

### Company Line:

Symbolized by the red Pitú on the label (some people call it **the lobster**), Pitú is the most recognized brand of **cachaça** in the world. Made from fresh cut sugar cane, it is known for superb quality, and how well it blends with fresh fruit and juice. Pitú is the spirit of the Caipirinha, the national cocktail of Brazil.



A faded, light-colored background image of the Christ the Redeemer statue perched atop a mountain peak, with a hazy sky and distant cityscape visible.

# RIO RUM

## Situation Review

# RIO RUM Current Situation

- RIO RUM is currently finalizing a distiller, the product, packaging and financial details
- Anticipate being ready to launch the brand by March 2011
- Initial test market launch sales forecast at 1000 cases in first 12 months.
- MHW, LLC will be their US Importer of Record
- There is currently no existing marketing support for RIO RUM in US

# RIO RUM History

- Rio Rum LLC is the brainchild of Jonathan Flaum and Adam Jenkins.

Jonathan is a native New Yorker. Jonathan's fourteen year history with Brazil has been both work and pleasure. He has run adventure travel tours through Brazil and has been an investor in a hotel. Jonathan has worked in the film and advertising industry for the last fifteen years.

Adam is from New Zealand, has worked in the film and advertising industry for the last fifteen years. He currently owns a media company and has lived in New York for the last six years.

Adam and Jonathan have created Rio Rum with an eye for the future. Within the next six years the world media will be concentrating more and more on Brazil. The momentum of the Soccer World Cup (2014) and the Olympics (2016) will elevate both Brazil and Rio de Janeiro into the consciousness of America and the world.

# RIO RUM Packaging



# RIO RUM Production

Weber Haus has been identified as the potential distiller

Since 1848, Weber Haus has been making Cachaça at their family owned estate in Ivoti, RS in the southern region of Brazil. Starting with the sugar cane grown on the estate, everything that goes into their cachaça is produced on the estate. The mature sugar cane is cut 'green' since burning the sugar cane before the harvest lowers the quality of the fermentable sugar in the cane. A double cane press is used to extract the juice. Once fermentation is complete, it is distilled in copper alembic stills.

Weber Haus was one of the first distilleries to be certified by the **National Institute of Metrology Normalization** and Industrial **Quality** (INMETRO) the official accreditation body in Brazil. They also were the first to make flavored cachaças and are one of the few "Certified Organic" cachaças being produced today.



# RIO RUM Brands

RIO RUM is developing several artisan Ultra Premium Brazilian Rum varieties

- **White** – the lead rum will be an Ultra Premium Brazilian Rum and double distilled in oak barriques
- **Gold** - a blend of the cellar master's aged rums, is an excellent introduction to the complexity and aromatics of aged rums.
- **Flavors** – Acai Berry, Passion Fruit, Papaya, Mango, and Coconut

# RIO RUM

## Position Assessment

# Crafting the Brand Concept

What is this product? How do we want to define it?

What consumer wants and needs does this fulfill?

What makes the product unique /differentiated?

Why should the consumer buy the product (“reasons to believe”)?



## Crafting the Brand Concept

What is this product? How do we define it?



# RIO RUM is a...

South  
American  
Spirit

Ultra  
Premium  
Brazilian  
Rum

Rum

Cachaça

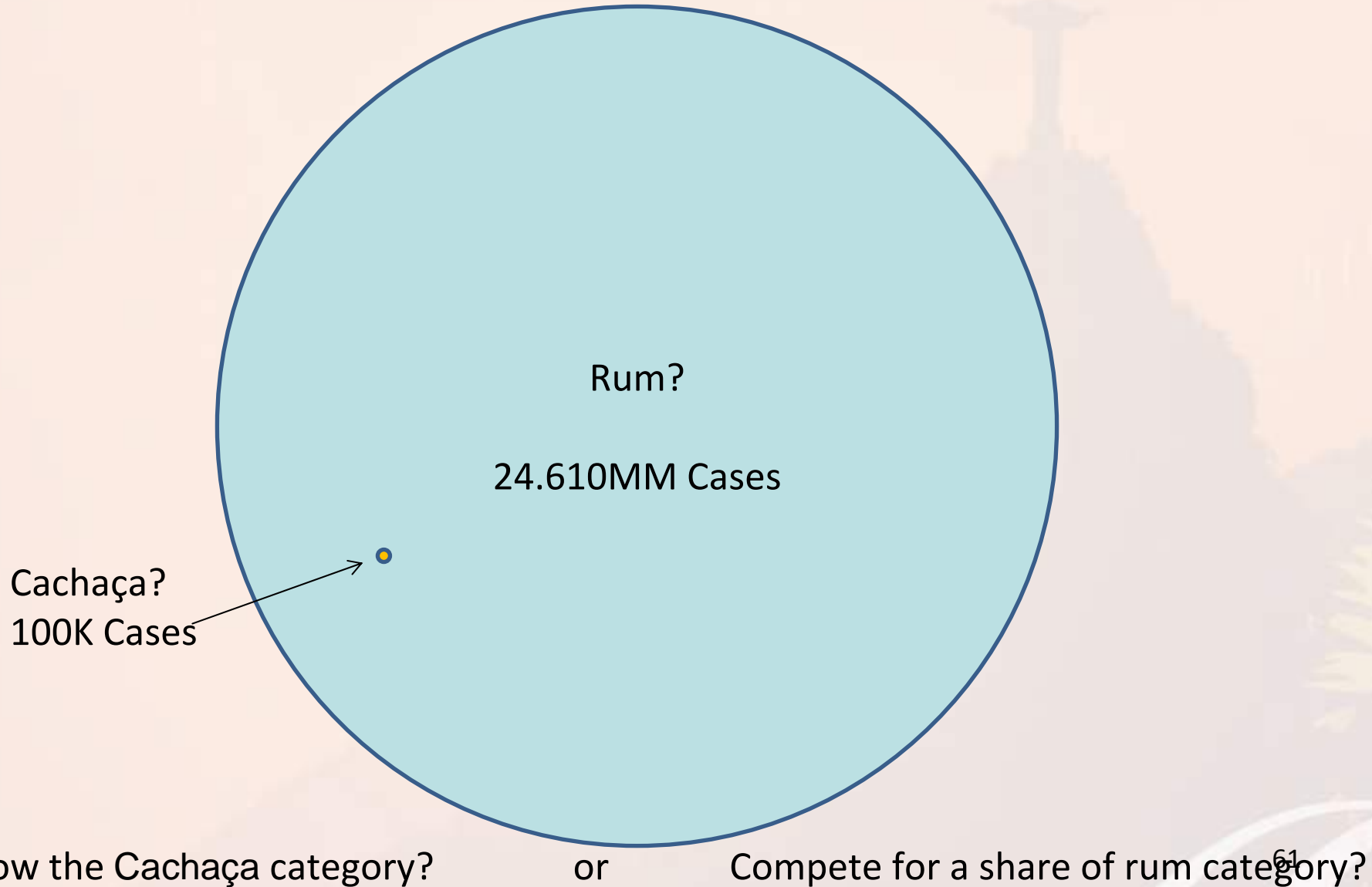


Mixable  
Spirit

This will influence

- how consumers and the trade view the brand (what it is, how they drink it, when they drink it, who it competes with)

# What does RIO RUM want to achieve?



# Position RIO RUM as a Cachaça?

- Cachaça is a very small subcategory of rum  
Estimated 100,000 9-L cases
- Approx. 10-12 brands leading efforts

Brand	Approx. Retail Price*
Leblon Cachaça	\$ 30
Cabana Cachaça	\$ 30
BOCA LOCA	\$ 25
Sagatiba Pura	\$ 25
Rio D Cachaça	\$ 25
Cachaça 51	\$ 17.50
Pitu Cachaça	\$ 11
* Based on NY pricing (exc. New York City)	

- Beginning to receive some on-premise interest and “buzz” due to
  - Leblon
  - The Caipirinha
- Marketing efforts very limited and focus on push/not pull
- Consumer awareness and demand very limited

# Position RIO RUM as a Cachaça?

## Advantages

- Straightforward communication to trade and consumers
- Newness & uniqueness – trade expressing some interest in Cachaças

## Disadvantages

- It's a niche position
- Brand communication must focus on creating category awareness, rather than creating a strong proprietary brand image
- Educating the trade and consumers is an expensive proposition that takes time
- Trade will view brand as a small player in a small pond and not interested in investing their energy and funds in building brands, that is the supplier's job.
- Retailers unlikely to shelve it in rum section
- Other brands have demonstrated the difficulty of building a new category
  - Cachaça – Leblon, Cabana and Sagatiba have collectively spent \$20+MM in past 4 years and category is still under 100K cases
  - Tequila – took Cuervo 20 years and huge marketing spending to become a 2MM case brand
  - Irish Whisky – just became a 1MM cs category after years/decades of investment by Jameson

# Position RIO RUM as an Ultra Premium Brazilian Rum?

- The Rum category is the second largest spirits category
- The Ultra Premium Rum category is underdeveloped and growing

Brand	Approx. Retail Price*
Oronoco	\$ 35
10 Cane Rum	\$ 35
Charbay Rum	\$ 35
Rhum Barbancourt	\$ 32
Appleton Estate	\$ 32
<b>Tommy Bahama Rum</b>	\$ 29
<b>Starr African Rum</b>	\$ 29
* Based on NY pricing (exc. New York City)	

- Beginning to receive on-premise interest and “buzz” due to
  - Investment by large suppliers, e.g. Oronoco by Diageo
- Marketing efforts very limited
- Consumer interest in premium cocktails continues to grow

# Position RIO RUM as a Ultra premium Brazilian Rum?

## Advantages

- Brazilian Rum as a spirit has heritage and authenticity – not a new, fabricated spirit making it easy to differentiate from other rums
- Ultra Premium rum as a category is underdeveloped and ripe for expansion
- Consumers are interested in new mixed drinks. Fits well with mixability.
- Market for mixable white spirits is huge and growing
- Key influencers (mixologists, bloggers, etc) interested in new ideas and news.
- Excellent potential to capitalize on consumers' interest in small, handcrafted/artisanal products
- Consumer interest in and willingness to pay for imported super-premium products and perceived differences (e.g. anejo or 100% blue agave for tequila)
- RIO RUM is technically a type of rum by US labeling standards
- Growing interest in Rio de Janeiro and Brazilian culture
- Olympics, World Cup coming to Rio de Janeiro

## Disadvantages

- No ultra premium rum has achieved significant momentum
- Ultra premium rum cocktails not widely viewed as a cocktail option
- Trade is not interested in building a brand; they support brands that sell

## Crafting the Brand Concept

What Consumer Wants and Needs Does It Fulfill?  
What is the Personality?



# Consumer Needs RIO RUM will Fulfill

Tangible (Rational) Benefit	Intangible (Emotional) Benefits
A great mixed drink	A new experience
A new way to experience familiar mixed drinks (e.g. RIO & Coke, RIO & Red Bull,etc)	Discovery
A new drink experience - RIO Mojito, RIO Cosmo, RIO Martini	An adventure
Unique taste	An escape
Bold taste	Freedom from the ordinary
A better rum	Fun
A great Brazilian Rum	Trendsetter
Smoothness	Excitement

# What Personality does it evoke?

If this brand was a person, what characteristics or personality would it have?

**Fun**

**Carefree**

**Adventurous**

**Sexy**

Sensual

Friendly

Assertive

Ambitious and aspiring

Self confident

Serious

Honest

**Unpretentious**

Quirky

Rebellious

Approachable

Charismatic

Debonair

Dignified

Easy going

Enthusiastic

**Exotic**

Flamboyant

Fun loving

Gregarious

Proud

Reserved

Sassy

Intelligent

Uninhibited

Irreverent

Emotional

Unassuming

Macho

Friendly

Noble

Passionate

**Exciting**

**Joy of Life**



# Crafting the Brand Concept

What Makes it Unique/Differentiated?



# How can RIO RUM Differentiate

<u>Differentiator</u>	<u>Potential</u>
Ingredient/Raw Material	Free run cane juice, “organic / green”
Process/Aging	Special, proprietary distillation process
Handcrafted	Made same way 100 years ago on same equipment, or pot versus continuous
Place of Origin/History	Oldest distillery in the country; Brazilian Rum is the number one Brazilian spirit, consumed for all occasions
Packaging	Bottle shape, cork finish, bottle printed versus paper label, glass quality/decoration, bottle height
Consumption method	Replacement for rum call drinks, premium cocktails, straight consumption in snifter, shots

# Ways to Differentiate: Ingredients

## Ingredients / Raw Materials/Taste

- Made from sugar cane
- Cane fields have a history or “lineage”
- Organic
- Gives complexity or flavor profile that you can only achieve from sugar cane
- Aromatic vs. non-aromatic vs. blended
- Designed for mixability and able to be consumed straight
- What will RIO RUM taste like?
- How will RIO RUM be formulated?
  - for a special flavor profile?
  - for a certain level of smoothness?
  - for optimum mixability?
  - with special characteristics?
  - What proof?

# Ways to Differentiate: Process

## Process – Distillation, Filtration, Resting/Aging

- Special, proprietary distillation process
- Distilled as it was hundreds of years ago (when?)
- Mix of old and new methods
- Special fermentation process
- Batch distilled
- Special stills

# Ways to Differentiate: Handcrafted

## Handcrafted / Artisanal

- Small batch
- Made the same way they were hundreds of years ago
- Combine old methods (which provide what?) with new technologies (which provide what?)
- Supervised by master distiller
- Each batch optimized and tested
- Signatures – denoting quality
- Batches combined for best flavor and smoothness
- Rested (reposed) in small batches
- Distilled to exact proof
- No dilution
- Cane hand selected
- Hand harvested

# Ways to Differentiate: Place of Origin

## Place of Origin

- Brazil, unlike other Ultra Premium Rums
- From the oldest continually operating distillery in Brazil (S. America? All of North, Central and South America?)
  - need to ID documentation



# Ways to Differentiate: Packaging

## Packaging (Bottle)

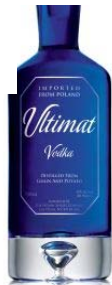
- distinctive shape
- unique cork stopper
- frosted bottle
- embossed or debossed glass
- label screen printed rather than paper
- images
- glass color
- other glass features (things in the glass)
- height or width

## Ancillary Packaging:

- Such as overwrap or box, combo pack, gift sets with glasses, etc.

# Ways to Differentiate: Packaging

Super Premium and Ultra Premium Vodkas, Tequilas and Gins Examples



# Ways to Differentiate: Packaging

## Super Premium and Ultra Premium Rum Examples



# Ways to Differentiate: Consumption

## Consumption Method

- A replacement for rum in bar call drinks, e.g., RIO & Coke, RIO & Red Bull
- Bring a new twist to existing premium popular cocktails
  - Cosmopolitan
  - Mojito
  - Martini
- Create exciting new cocktails

# RIO RUM

## Marketing Strategy



# Brand Positioning:

## RIO RUM Ultra Premium Brazilian Rum

- Roots: Brazil
  - Exotic, mysterious, Carnaval
- Brazilian Rum - The Exotic Sister of Rum
- Drinkable:
  - Bar Call replacement for Rum in range of drinks - RIO & Coke to RIO & Red Bull
  - Enhancement to premium cocktails - RIO Cosmopolitan, RIO Mojito, RIO Martini
  - Perfect for sipping or on-the-rocks with twist of lime
- Tradition:
  - Master Distiller of Weber Haus to oversee
  - 162 years of heritage
  - Award winning
- Packaging
  - Inspired by Rio de Janeiro and its amazing environment. Looking through the bottle you can see the famous Christ the Redeemer statue, some say it is one of the seven wonders of the world. The arches are inspired by the architecture in Rio de Janeiro, from the aqueduct, the cathedrals and nature.
- Name
  - RIO RUM with “Ultra Premium Brazilian Rum” right underneath in smaller font
- What differentiates from other Rums
  - The Experience – Rio de Janeiro, Carnaval, Samba dancers to emphasis the Joy of Life
- What defines the brand
  - Relevant and contemporary (“This is something for me”)
  - Compelling (“I’d like to try that!”)
  - Real (not fabricated or gimmick-y)
  - Volume optimizing (will attract many consumers)

# Source of business: Target Audience

<u>Category</u>	<u>Opportunities</u>
Rum Drinkers	Ultimate Daiquiri, Ultimate R&C
White Spirits Drinkers	Vodka, other Rums, Tequilas, Gin
Cocktail Drinkers	GG Martini, Patron Margarita, Elite Cosmo
Experimenters	Brazilian rum is new, fun
People who drink their spirits straight	Whiskey, Cognac, high end vodka and tequila
People who love Brazil	Samba, fun, Rio de Janeiro, Carnaval
People who have celebration for life	Gay community and Millennials
Urban Markets	High-end hotels, nightclubs, trendy night spots

# Brand Strategy

- Lead efforts for high end rum
- Bring the spirit of Rio de Janeiro to America through Samba dancers and the feel of Carnaval to engage potential users
- Communicate the ***sensuality*** of Brazil, Rio de Janeiro and the role rum plays in celebration and community
- Generate trial and ongoing communication to develop loyal consumers.
- Educate industry and media about RIO RUM creating brand and proprietary drink evangelists.
  - Trade adv, training, web sites, interactive
- Market online to those who are talking about spirits and spirit cocktails
  - Bloggers, recipe websites, key influencers (Plotkin, Pacult etc)

# Advertising Strategy

## Creative Strategy

- Leverage the essence of Rio de Janeiro, the “embracing life” mentality and the “many faces of Rio de Janeiro” to create a point of difference for RIO RUM
  - Spirit
  - Laughter
  - Passion
  - Sensuality
- Create an experience verses a rum
- Play to “the true taste of Brazil” and the “Official, Unofficial Ultra Premium Brazilian Rum of Carnaval”
- Play to consumers interest in new and exciting cocktails
- Focus on drinks that define and differentiate RIO RUM versus “run of the mill” rums

# Consumer Media Strategy

Target Internet Media and Programming including:

- Objective is to get content to where target audience is already spending time on-line (e.g. Social Media) and getting target to RIO RUM content
  - Paid search advertising campaign in geo-targeted markets. Identify corollary behaviors and interests with high CDI ratios.
  - Use online tools to support accounts which carry the brand and align brand building with their needs e.g:
    - Recipe sites and forums: iDrink.com (500K UV/mo), About.com/Cocktails (2 Mil. UV/Mo)
    - “Where to buy” functionality on the website
    - Facebook Fan Page advertising
    - BuyYourFriendADrink.com
    - Local nightlife Blogs and e-newsletters e.g. Thrillist, UrbanDaddy, Shecky’s, Club Planet
    - Viral marketing via blogs and social networking programs
    - Capture emails via website and social media sites to leverage self proclaimed advocates

Value Added Strategy

- Maximize RIO RUM media dollar investment with media-sponsored promotions

# Consumer Public Relations

- Bring the Spirit of Rio de Janeiro to America through samba dancers
- Build awareness of Rio de Janeiro, its history, traditions and roll rum plays in the lives of Brazilians
- Establish a comprehensive and continuous public relations plan to educate consumers about RIO RUM.
  - Maintain a steady stream of press releases about RIO RUM to support visibility and rankings in search engines.
  - Create a RIO RUM News Bureau
    - Create and disseminate a RIO RUM media press kit
    - Send out specially designed kits demonstrating the mixability of RIO RUM
- Seek opportunities for tasting RIO RUM and the RIO RUM Samba Dancers to gain exposure (e.g. Fashion Week link to Brazilian Designers, Film Festivals, Aspen Food & Wine Classic, etc. )

# Consumer Public Relations

- Target Tasting Events
- Actively participate in social media networks – Facebook, Twitter, YouTube etc. on an on-going basis
- Participate in influential cocktail-oriented blogs and sites to further extend RIO RUM awareness and educate consumers
  - RumDood, About.com, Liquor Snob, Cocktail Times, Webtender, Art of Drink, Days that end in Y, Cocktail Nerd, Drink Nation
- Coordinate press trip(s) to Rio de Janeiro with key influencers
  - Editors, writers, bloggers, mixologists

# Consumer Merchandising Strategy

- Create merchandising materials that are synergistic with the overall creative theme and will help educate consumers about RIO RUM and drinks
- POS will be used to drive distribution and consumer take-away and support local efforts to promote the brand
- Customizable materials will be available to support local opportunities
- Themed Event Promotional packages (bar kits/off premise sampling programs)

# Consumer Merchandising Strategy

- Create flow materials (materials considered for production may include the following)
  - Overall POP
    - Brazilian bikinis, flip flops, surfboards, t-shirts, towels. All things Brazilian can be branded with the RIO RUM logo. This will help with the lifestyle impression of RIO RUM.
  - On-Premise
    - Custom POS program
    - Barware : Shakers, Bar mats, Special Glasses
    - Recipe booklet
    - Giveaways – unique items that tie into brand strategy and are proprietary
    - Banner
  - Off-Premise
    - Custom POS program
    - Shelf talker with tear off recipes, website URL
    - Banner
    - Price Spot
    - Recipe booklet
    - Floor Rack

# Consumer Web Strategy

- Utilize website to bring the spirit of Rio de Janeiro to life
- Provide consumers with demonstrated relevant content
  - Images of Rio de Janeiro
  - Samba Dancer Videos
  - Carnival Videos
  - Events
  - Links to info about Carnival, 2014 World Cup and 2016 Olympics
  - Rio Rum Radio – Steaming Brazilian music to bring the party to you
  - The Weather in Rio de Janeiro
  - History of RIO RUM
  - Distiller Info
  - Where to buy
  - Recipes/how to make (animated, printable)
- Create a database of brand enthusiasts
  - Capture interested consumer email addresses on and off line
  - Support all marketing programs with a website visit/ call to action
- Leverage Social Networks (Facebook, blogs): Join the conversation

# Consumer Web Strategy

- Get information out onto the broader web: drink recipe sites, blogs, social networks, trade sites, mixologist sites.
- Search Marketing
  - Target communication to keywords prospects use
- Site Analytics = “Free Behavior-Based Market Research”
  - Learn from what current site visitors do and are interested in, and use information to improve marketing efforts
  - Utilize Google Analytics to measure how doing, what visitors do and want
- Drive traffic to retailers saying “RIO RUM sent me”
- Capture site visitor info on those who visit other sites relevant to Rio de Janeiro and Brazil
- E-commerce: List on existing e-commerce sites

# Packaging Strategy

- The bottle and label design must be consistent with and reinforce the brand's positioning.
- Package must convey a super/ultra-premium image.
- Package must be differentiated from other brands
- Package must convey a brand identity on the back bar.



# Packaging Strategy: Package Size

Introduce 50 ml, 750 ml and Liter.

- Rationale:
  - 750 size works for retail, gets shelf position and is a display size
  - 1.0 liter size is primarily an on-premise size
  - 50ml is key to trial
- Investigate a value add package for 2011 holiday season that leverages trade up to premium cocktail or as a high-end sipping rum
- Co-Pack with ingredient such as RIO & Coke or RIO and Red Bull
- Case Pack
  - Pack 12 units per case to reduce costs

# Pricing Strategy

- High-end Ultra premium price could be a barrier to trial (particularly at retail)
- Price on lower end of Ultra Premium price points to generate trial
  - Suggested pricing for White - \$28 - \$29
  - Suggested pricing for Gold - \$35

# White Spirits Competitive Pricing

## Leading Brands- Retail Price per 750ml

Price	Vodka	Rum	Tequila*	Gin
Ultra-Premium	<u>Over \$30</u> Crystal Head Ultimat Chopin Belvedere Grey Goose Ciroc Pravda Level	<u>Over \$25</u> Ron Zacapa 10 Cane Pyrat Tommy Bahama Leblon (Cachaça) Oronoco	<u>Over \$40</u> Cuervo de la Familia Patron Don Julio Teq. Corazon de Agave Don Eduardo Sauza Tres Generaciones Herradura Gran Centenario Cabo Wabo	<u>Over \$25</u> Citadelle Magellan Tanqueray No. 10 Hendricks Plymouth Quintessential Bombay Sapphire
Super-Premium	<u>\$20-30</u> Ketel One Trump Absolut Stolichnaya	<u>\$18-25</u> Pussers Goslings Black Seal Sailor Jerry	<u>\$25-36</u> Milagro Cazadores Cuervo Tradicionale 1800 Sauza Hornitos Sauza Commemorativo	<u>\$20-25</u> Tanqueray Boodles Beefeater 24
Premium	<u>Under \$20</u> Smirnoff Skyy Three Olives Tanqueray Sterling	<u>Under \$18</u> Ron Viejo de Caldos Appleton Flor de Cana Bacardi Captain Morgan Malibu	<u>Under \$27</u> Cuervo Especial Sauza Cien Anos Lunazul Cuervo Black	<u>Under \$20</u> Beefeater Bombay Pinnacle

\* Tequila groupings based on pricing of reposado products

# Consumer Market Research

- Conduct consumer research to gain feedback on the brand concept, package (and potentially liquid ), and target audience before invest significantly in the brand.
- Confirm name is proprietary – “ownable” from consumer perspective as Trademark is confirmed
- Refinements can be made prior to market introduction, increasing the brand’s chances of success.
- Research assists in brand sell in to distributors, retailers, key influencers

What type of research?

## *Concept research (qualitative and quantitative)*

- Expose target consumers and trade (bartenders) to the product
- Show a visual of the package (can test different package designs)
- Gives insight into purchase interest, likes/dislikes, expectations about the brand, response to pricing, perceived position relative to competitors, etc.

## *Product (liquid) research*

Feedback on the liquid

Does it meet expectations?

Get experts to taste it such as Robert Plotkin

# Route to Market

- Importation Options
  - Use MHW
  - Set up own import company
  - Find an existing importer interested in taking the brand
  
- Selling and managing distributor options
  - Using importer's sales organization
  - Set up own sales organization
  - Brokerage or sales force for hire
  
- Selling and managing target accounts options
  - Using importer
  - Using distributor
  - Subcontract with existing spirit sales companies

# Trade Marketing Strategy

## Advertising

- Develop trade ads that “bring to life” Rio de Janeiro and the experience that RIO RUM exudes
- Emphasize consumption options for RIO RUM
  - Replacement for Rum in RIO & Coke, RIO & Red Bull, etc
  - Enhancement to premium cocktails – RIO Cosmo, RIO Mojito, RIO Martini, etc
  - Straight or on the rocks with a twist of lime
- Execute a targeted trade media plan to build brand awareness and signature drinks among retailers and bartenders/managers in target markets
- Objective is to overcome obstacles of “Never heard of it”, don’t see any support.”

# Trade Marketing Strategy (Cont.)

## Public Relations

- Continually execute public relations plan to educate the trade about RIO RUM and the ultra premium category
  - Maintain a steady stream of trade press releases to support visibility and rankings in search engines.
  - Create and disseminate the same RIO RUM media press kits
  - Trade editor trip to Rio de Janeiro, Brazil and World Cup
- Leverage RIO RUM Samba Dancers for various Trade opportunities

# Trade Marketing Strategy

## Relationship Marketing

- Influence the influencers- Generate significant editorial through trade journals with key influencers – Plotkin, Pacult, Abou-Ganim, David Comer, Ray Foley, Jim Skeadas, Junior Merino, Dale DeGroff, Brian Van Flandern, et al.
- Work with Wine and Spirits Guild, NABCA, Millennium, Cheers Conference, Santé Restaurant Symposium to increase visibility

## Trade Shows and conferences

- Participate in key trade shows: WSWA, NC&B, Manhattan Cocktail Classic, Tales of the Cocktail, Regional beverage shows (FL, TX, CA, NY), NABCA, Santé Restaurant Symposium.
- Enter all spirit competitions until receive a gold medal and 90+ rating (SFWS, Ultimate Spirit, Ultimate Cocktail, BTI, London etc.)

## Education/Training

- Develop and Execute a distributor/retailer/waitstaff education program

# Performance Metrics

- Measure reorders at retail on and off premise.
- Category and Brand Awareness as measured by Usage and Attitude study
- # Points of distribution as measured by Diver
  - on and off premise
- Turn at retail
  - Nielsen/IRI
  - Customized account level reporting from field marketing team
- Usage/listing/features of RIO RUM in drinks as measured by menu program tracking.
- Case volumes (Shipments and Depletions)
- Website traffic stats

# RIO RUM

## Financials



# Financial Needs

- Investors are required in order to produce product; fund building a U.S.-based team to manage importation, marketing and sales to drive consumer awareness & usage, distribution and stated volume goals.
- The goal of the financing is to execute the Company's plan to achieve a minimum of 17,000 cases of product sold in the U.S. annually by the end of Year 3 and lay the foundation for the future
- Use of Funds
  - Recruitment of RIO RUM Team
    - Product Development/Packaging – Weber Haus
    - BAT for Marketing and Advertising
    - Next-Level Marketing for Brand Ambassadors
    - MHW for Importation Management
    - Salaries
  - Implement this plan and meet goals as established and agreed with RIO RUM LLC

# RIO RUM AMP Budget

- See RIO RUM Financial Projections 3.25.10.xls

# RIO RUM Package Costs

- See RIO RUM Financial Projections 3.25.10.xls

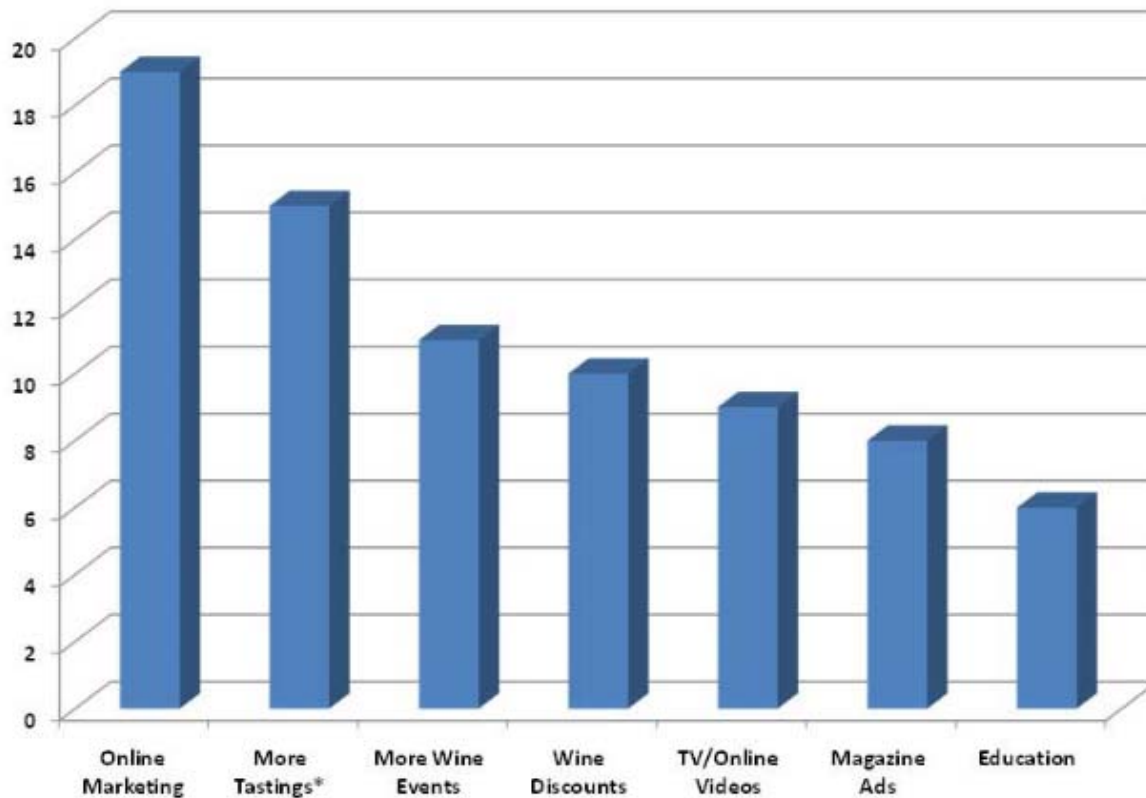
# Appendix

# Meet the Millennials

- Annual income of \$200 billion and can expect to inherit \$17.8 trillion from previous generations, making this the WEALTHIEST GENERATION EVER.
- Social media plays a huge part in their lives... spend anywhere from 2 to 8 hours a day on Facebook alone.
- Their thirst for new experiences has a clear impact on their alcoholic beverage choices - they frequently seek new tastes, and more importantly are increasing wine consumption over beer.
- Millennials are more open to trying imported wines, tend to go straight to red wine rather than sweet to white to red like prior generations
- They are the most optimistic about the economy and their wine consumption continues to rise.
- Most Millennials consider themselves as novices or only slightly knowledgeable about wine.
- In communicating to them, authenticity is absolutely critical
- They look to and trust reviews and ratings from peers much more highly than traditional “experts”.

# Marketing to Millennials

“Millennials...are known for their distaste of slick advertising and possess a very acute "SPAM"o'meter.



\* Outside of Wineries

They seek **authenticity** in products--**trusting friends and word of mouth** over traditional promotion techniques.....”

“Millennials prefer frictionless interaction, a **tailored approach**, honesty and trust, and are more concerned with convenience than price.”

# Team

- RIO RUM LLC
  - Jonathan Flaum, Co-Founder
  - Adam Jenkins, Co-Founder
- Brand Action Team (BAT)
  - Jeff Grindrod – Managing Partner
  - Steve Raye – Managing Partner
  - Denise Menefee – Executive Director
- MHW LLC
  - John Beaudette
- Next-Level Marketing
  - Mike Ginley