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Premium-and-Above Spirits Predicted to Eclipse Low- Priced Spirit Sales

JOTO SAKE FINDS FOOTING IN US

MARKET Imported sake in the US climbed from \$22 million (243,000 cases) in 2003 to \$63 million (467,000 cases) in 2011, per data from Adam's Wine Handbook. Domestic sake is growing but not as fast as imported. "It is a pretty typical trading up, premiumization story where you have the premium imports driving the growth in the category. But at the same time domestics are pushing everything along too," Henry Sidel, founder of sake importing company Joto Sake LLC, told WSD. **LAUNCHING JOTO SAKE:** After seven years of importing and selling artisanal sake brands, Henry realized "the market was really ready for something else and something more." This inspired him to launch the company's own brand, of the same name. "When we first started, it made sense to have just artisanal, authentic brands

- the brands that you would find in Japan - because the market was more specialized at that time. But over the years as I've sold more sake around the US and seen more and more people get into it, I felt a greater need for us to have a brand that was more accessible that could sell in chains and non-Japanese restaurants. That was really the motivation for it." The Joto Sake brand is available with three products to start: Joto Junmai (\$26), Joto Nigori (\$30) and Joto Daiginjo (\$45). "In terms of developing the brand, I felt there were two crucial ingredients. We had to have a brand, and it had to have information. With sake, people are craving some kind of information. That is the two goals with the brand." Henry chose a design firm in Adelaide, Australia called Parallax Design to help develop the brand. "We were able to work together really effectively through modern technology." DISTRIBUTION STRATEGY: Henry's established import brands are in about 35 states with Young's Market, Southern Wine & Spirits, Republic National Distributing Company, Allied, Martignetti and Vin Sauvage. Through the company's current distributor network, they have rolled out Joto Sake to California, Oregon, Illinois, Minnesota, New York, New Jersey, Hawaii, Colorado and Massachusetts. It will hit shelves in Texas and Florida in 2013. "I haven't launched some markets because I really want a slow build and for us to be able to support the brands properly

before we go bigger," says Henry. So far, distributors have been receptive to the new product, he says. "Some of the inspiration for the brand was driven by distributors saying 'we want and need something that is easy to sell that we can just go everywhere with that everyone can understand, opposed to the more educated people on the team.'" MARKET STRATEGY: "One of the first things I wanted to achieve with the Joto brand is to sell to our current customers. I feel the toughest test of the brand is if they like it and adopt it because it is more accessible. We are having luck and success with that." Joto's business is about 75% on-premise, largely dominated by Asian restaurants. In keeping with a prior successful on-premise strategy, Joto has produced coasters that match the labels of the three sakes to support flight programs. Joto is also trying to increase retail distribution through in-store tastings. One of their goals is to expand the Joto brand beyond the traditional Asian restaurant account, "especially in the national accounts and chain arena. I'd say that has been somewhat of a challenge for us, getting into chains. This more accessible packaging gives them something that they can sell more easily." Safeway currently sells some of Joto's import brands in select stores in California, but Henry is aiming to get into all their locations with the Joto brand. "We view it as a doorway into sake, and certainly a way to unify our whole portfolio.

The graphics and the look and feel of the Joto line is going to be carried over to the back labels of our current import line so it creates a link between them." Henry expects to launch a sparkling sake, unpasteurized, seasonal sake and a ginjo in 2013 as well. **SAKE ON STRONG GROWTH PATH:** Sake is on a good growth trajectory, especially considering recent hardships. "We've been dealing with some pretty negative challenges in the category for the past three or four years basically due to the exchange rate. When we started in 2005 we got 125 yen to the dollar, and now it's about 77. So our cost of goods have basically doubled, and that really started in 2007. So you've seen suppliers like me having to raise prices, work on tighter margins, cut expenses, not hire as many people as we'd like, and really not market and promote and educate at the level that the market needs and wants. Yet the category continues to grow and expand and enter new channels." In fact, sake is larger than French Champagne, Single Malt Scotch and Irish Whiskey based on volumes. "The opportunities to drink sake and the frequency are pretty significant. French Champagne is wonderful and I love Champagne, but I think Champagne is still stuck a little bit in occasion drinking and gifting," says Henry. While acknowledging that sake is also an occasion drink, "the occasions for sake are so much greater.... It's starting to creep out of that [occasion] category. It's more driven by what I call liquid-driven accounts

like beer bars or wine bars. It's also driven by high-end restaurants that are cutting edge." **WHY IT'S GROWING:** Henry believes the increasing popularity of Japanese food is helping to educate consumers and grow the sake category. "Japanese food is very popular because it's light and it's healthy, and because we have such a strong Asian population in the US." A trend he sees growing in all parts of the US. "We sell in Wisconsin and Minnesota," he added. As a result, people are taking an interest in sake as well. "Instead of just thinking of sake as something generic that people get hot in a carafe with some cups, people now expect to see sake lists when they're going to Japanese and Asian restaurants that have different kinds of sake and talk about regions and flavor and types. Even if they don't know much or anything about sake they now have a different image of it. There's so much discovery with sake." He also believes taste similarities between sake and craft beer and spirits is helping boost the category. "The flavor profile of sake has a strong yeast character that I think appeals to a lot of craft beer drinkers. We see a lot of similarities in terms of consumers and accounts with craft beer and craft spirits and obviously some with wine. But I would say the affinities are more with craft spirits and beer than wine. So that's another benefit, I think, to the category in terms of what is moving it."

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