

ASIA'S GROWING TASTE FOR CRAFT SPIRITS

Asia has been late to the craft spirits party, but is now making up for lost time.

Michel Brekelmans and Alex Oldroyd report

The craft spirits movement may be maturing in the US and Europe, but it is at an earlier stage of development in Asia, with very few brands having reached real scale and fewer still sufficiently proven to attract a multinational investor.

The nascent brands in the region may struggle in the face of local lockdowns and a difficult investment backdrop, but the ones strong enough to survive may go on to become sizeable brands, as happened with some of the American craft players that survived last decade's financial crisis. In the meantime, the multinationals have started to seek targets in the region to enhance their premium import portfolios and some are even resorting to creating their own craft entries in the absence of anything to acquire.

The gap in the market is really for premium brands of Asian origin — both within Asia and internationally — and it is probably better to look at the independent brands that have started to appear in the region as nascent premium international brands rather than necessarily viewing them as 'craft'.

Rise of craft spirits in Asia

The alcohol industry has been going through something of a Golden Era in recent years, thanks to accelerating growth of premium brands. Within that, there has been a fascinating



The Kyoto Distillery's Ki No Bi Gin

effervescence in craft spirits which has invigorated the premium segment, both generating growth in the craft segment itself and inspiring greater innovation from established brands.

The original craft movement created an appetite for locally produced food and drinks that emphasised the concepts of uniqueness and authenticity. The niche resonated with adventurous consumers who were interested in the provenance of products. Spirits brands have long relied on heritage, underpinned by local regulation, to enhance their credibility, so there is less distinction between a premium brand with a specific origin and 'craft'. Asia has home-grown premium brands, but only Japanese whisky has historically sold much outside its home market. Following the success of independent brands in the US and Europe, entrepreneurs are developing their own brands across several markets in Asia.

As small and independent distilleries proliferated in the US and Europe, craft spirits developed a following among the mixologists who led the cocktail renaissance in the 2010s. In the US, this manifested itself in the success of craft American whiskies which were a prominent component of the classic cocktails favoured by hipster bartenders. In Europe, gin's capability to showcase a variety of flavours and styles led to artisanal versions popping up at fashionable bars long before the explosion of less sophisticated products in the mass market.

Asia was relatively late in nurturing a local craft spirits industry. Looking back, craft spirits launches increased by 265% globally between 2011 and 2015, mostly driven by the US and Europe: of all craft spirits launched in this time, 49% were in the US and 42% in Europe, compared to just 4% in Latin America and 3% in Asia-Pacific.

Asian markets tend to have a large base of domestic spirits, mostly white, with a smaller premium segment dominated by Western brown spirits, Scotch and/or Cognac (with the notable exception of China, where the premium segments are dominated by baijiu). However, as consumption occasions evolve, potentially accelerated by recent lockdowns that have encouraged consumers to drink at home, the product range is evolving too. The emerging craft brands are a mixture of innovative approaches to a pre-existing domestic product and experimentation with locally produced whisky.

With warmer climates, ageing is faster, so the wait for the whisky is shorter. However, in contrast to some of the American craft players, the whisky pioneers in most Asian markets don't have the option of outsourcing aged whisky to get their sales started if they want a genuine local origin product — so they just have to wait. In some cases, they have to break new legal ground too, in order to be able to operate at all.

The popularity of Japanese whisky, which has seen significant year-on-year increases in shipments over the past decade, put Japan on the map as a producer of premium spirits, paving the



Tanglin Gin is made in Singapore

way for Japanese gin and craft spirits from other Asian countries.

In Japan, several startups are now trying to replicate the success story of Suntory and Asahi in Japanese whisky, creating craft whisky brands and also moving into gin distilling. The Japanese multinationals have built a reputation for quality in their exported whisky. Given the exclusively premium nature of Japanese exported spirits and the inventory constraints on the major Japanese whisky brands, craft players may be able to open export markets even before really establishing themselves domestically, a strategy that has not really been adopted by craft brands from other regions.

Japan has also found itself in the midst of its own craft gin boom, with the number of domestic producers swelling to around 30 in 2019, taking on the established Western volume brands through a combination of heritage, local botanicals and product quality. Brands are promoted heavily using social media platforms. Some of the producers may eventually release whiskies too, either blending liquid from overseas to age in Japan or waiting for their own liquid to mature. However, there is a risk these craft whisky products fail to meet the high quality standards of the leading multinational-owned export brands, given the relatively loose regulation of the term 'Japanese whisky' compared with whisky from other regions. Nonetheless, some established craft players have already built a good reputation and, in some cases, attracted a multinational partner.

In 2015, The Kyoto Distillery was the first craft player in Japan dedicated exclusively to gin. Pernod Ricard recently made a significant investment in the distillery which will enable it to build out capacity. David Croll, Noriko Kakuda Croll and Marcin Miller, the founding partners, remain fully invested in the business which they will continue to run.

Kaikyō Distillery, historically a family owned shochu distillery, now



makes Hatozaki whisky and 135° East Hyōgo Gin. It received investment and guidance in whisky production and blending from the Paulsen family which owns Marussia Beverages. Marc Torterat of Marussia says of the partnership: "Portfolio complementarity and emerging categories are essential to our M&A strategy. In this respect, the creation of the Kaikyō Distillery captured the rise of Japanese whisky and the emergence of Japanese gin at the right time. Both brands are surfing on the category trends and growth."

Chichibu, which works with local farmers for much of its grain supply, is now a well-established craft Japanese whisky with around a third of its sales outside Japan. It was founded in 2007 by the grandson of the founder of the Hanyu Distillery, using equipment and inventory salvaged from Hanyu when it closed.

Meanwhile, Beam Suntory and Asahi have tried to exploit the craft opportunity by launching Roku Gin and Nikka Coffey Gin respectively, both already available internationally.

Joining the ginassance

Singapore has a dynamic drinks scene with numerous entries on the list of best bars in the world. The home of the Singapore sling, it is a lighthouse for trends across the global cities of Asia, historically a stopping-off point for the spice routes and now, a stop-off for global travellers. All this makes it an ideal place to develop a craft gin, especially given the interest and demand for premium artisanal spirits that have already developed.

Local entrepreneurs are already producing innovative products such as made-in-Singapore gins distilled from honey and gula melaka, and spirits infused with Asian botanicals. Brands include Tanglin Gin (which won the prestigious Silver Award at the 2019 San Francisco World Spirits Competition), Brass Lion, Compendium, Maracatu Cachaça, and The Orientalist Spirits. The latter is taking a pan-Asian approach with distilleries in Singapore, South Korea,

Beam Suntory's Roku Gin



Hatozaki whisky and 135° East gin are made at Kaikyō Distillery in partnership with Marussia Beverages

Taiwan and Tibet, where its ingredients are from.

Tanglin Gin, founded in 2018, was the first gin to be made in Singapore since 1965. Charlie van Eeden, co-founder of Tanglin, says there was certainly an advantage for the early entrants to the craft world. Tanglin was proactively courted by local supermarkets and even by DFS, the operator of the Changi Airport duty free. These customers were looking for genuine local spirits against a backdrop of an island trading hub that has relatively few such brands to really call its own. This represents a marked contrast with the experience of European craft brands that find it difficult to access either duty free or larger supermarket chains until much later in their development.

Singapore itself is a relatively small market, so van Eeden says he is already opening overseas markets. "Singapore is a stamp of quality, it is a low-risk, credible place to export from," he says. Although he accepts that it is hard to get noticed by distributors in international markets, he is encouraged to find that they are interested in gins of Asian origin.

Craft brand examples from Thailand include Chalong Bay, Phraya Rum and Lanna, a rice spirit produced by local bartenders from Bangkok cocktail bars. Even in less-developed Asian economies, craft spirits brands are emerging. Cambodia has Samai Rum, co-founded by two Venezuelan expats, while Sri Lanka-based Rockland Distillery released its Colombo No.7 Gin in 2015. Rockland's roots date back to 1924 when it was founded and became the first commercial distillery to be established in Sri Lanka to produce arrack. ●

In the October issue, Intel examines the nascent craft movement in China and India.

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