



THE "DECISION CORRIDOR" IN YOUR BAR

By Ernest Beck

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BOSTON -- When Greg Pitts sidled up to the bar at the Baja Cantina restaurant here one recent evening, he was ready to order his usual round of beers. Then he noticed something strange: a tap adorned with a plastic margarita glass, complete with a slice of lime and a Jose Cuervo tequila logo. The bartender wore a "Margaritas on Tap" polo shirt, and a neon sign flashed the same message.

Mr. Pitts, a 39-year-old executive recruiter, had stepped into "the decision corridor," as executives of Diageo PLC describe it. The London-based company, the world's largest liquor company and owner of the Cuervo brand, has found that more than 60% of bar customers don't know what they will drink until seconds before they place their orders. So Diageo, whose global brands include Smirnoff vodka and Johnnie Walker Scotch whisky, has formed what it calls a Drinks Invigoration Team. Its mission: to tilt the decision corridor in Diageo's favor.

The Diageo team is studying how bars can be redesigned and bartenders retrained to encourage more people to splurge on a premium cocktail, containing a Diageo brand. The Jose Cuervo margarita dispenser -- being tested in Boston and several cities in Texas -- is one of the team's ideas. Diageo says the taps assure consistency. By attracting attention at the crucial moment of choice, the devices also reduce the risk that customers will specify a rival brand of tequila in their margaritas.

Diageo already has a commanding lead in the global spirits market, bolstered by its recent agreement to buy 10 major brands and the wine business of Seagram Co. for \$5 billion. In 1999, Diageo sold 98.8 million cases, more than double the volume of its nearest rival, Allied Domecq PLC. If Diageo's four-person invigoration team succeeds, the company will gain an even bigger "share of

throat," as the company puts it.

Based in Dublin, the team experiments with bar "environments," bottle-display techniques and how to match drinks to customer moods. Team members also tinker with gadgets to sell drinks quicker -- like the margarita dispenser, or a machine that squirts a fruit smoothie laced with Smirnoff vodka in seconds.

Diageo's rivals are skeptical about this effort to rethink the way bars sell booze. The industry has long relied mainly on glamorous ads and fancy bottles to build brands. Reinventing the bar is "is not on our agenda," says a spokeswoman for Allied Domecq.

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Ian Tottman, general manager in Britain for the French liquor company Pernod Ricard SA, scoffs at the margarita dispensers. "If you pay top dollar for a cocktail, you want to see the theater involved in preparation -- not something served like beer in a German beer hall," he sniffs.

But John Gilmore, a 47-year-old Irishman who heads the Diageo team, has long viewed bars as powerful marketing tools. In the early 1990s, after working as a marketing manager for Guinness beer in Asia, he helped design and spread the wildly successful Guinness Irish pub concept. Stuffed with Irish bric-a-brac, and blaring Irish folk music, the pubs made drinkers crave a pint of Guinness as soon as they stepped in the door.

In 1997, when Diageo was created through the merger of Grand Metropolitan PLC and Guinness PLC, Mr. Gilmore

More on Page 2



Decision Corridor

From p 1

saw a chance to do for spirits what he had done for stout. The spirits market has been stagnant for years; average annual sales growth globally for the top 100 premium spirits brands was a scant 0.06% between 1995 and 1999, according to Impact, a trade publication.

One afternoon finds Mr. Gilmore and his team pondering an offbeat strategy for moving more cases of booze: bubbles. Bubbles whet the appetite for spirits, Diageo research indicates, and provide a sense of movement in a bar when there isn't any. There are bubbles galore in the team's laboratory, which is a bar called B2B in the company's office on the outskirts of Dublin, where Diageo makes Baileys Irish Creme liqueur.

Team members gaze at a cascade of bubbles in a wall-size glass enclosure behind the bar. The picture is an alpine scene, glowing in white light. Mr. Gilmore imagines pictures that change, like a rotating billboard, to "evoke brand moments" -- cream-colored, for example, to push Baileys.

Green might work for Gilbey's gin. For evening hours, the backdrop could become an erupting volcano, bathed in red light. "Red gets people in the seduction mood," remarks Mr. Gilmore, with a sly smile and a lilt in his voice.

Women are a prime target for Diageo because they're "open to brand experimentation," says Dympna Hughes, another member of the drinks team. "For women," she says, "going to a bar is like shopping."

The Diageo team has identified six species of bar. Among them are "style bars," where "leading-edge media types feel at home" and sip vintage champagne or fancy fresh-fruit martinis, according to a Diageo briefing document for bar owners. Smirnoff and energy drink Red Bull would work at a "buzz" bar, where patrons want to "pull or be pulled," or at a buzz/brash bar, which has "pumping music and hormones."

Philip Hickey, who owns several bars in Dublin and recently opened a renovated pub that became a buzz/brash place called Q, agreed to let Diageo design one of three bars at his establishment. In exchange, he has agreed to use Diageo brands as the house brands -- those poured by default when customers don't specify a brand.

The Diageo design for Q is a sleek, crescent-shaped bar with a soaring, cylindrical backdrop of frosted glass, mirrors and shelves stocked with Smirnoff bottles. Cocktail sales have taken off since the renovation, Mr. Hickey says, shouting

over the throbbing disco music.

Still, persuading consumers to switch drinks isn't easy. James Fegans, a 27-year-old marketing manager for his family's supermarket business in Dublin, likes the Q's clean surroundings and the young, hip crowd. Sitting at the bar, he considers a cocktail instead of his usual beer. But after watching the bartender fumble with a drink, he declines. "I'm tempted, but not tonight," says Mr. Fegans.

Even when a customer does take the bait, success isn't assured. Usually, Simona Springer orders a glass of Chardonnay. But when she walks into the Zander bar near London's Victoria Station one recent evening, the flickering candles and chic clientele put her in the mood for something special. The 37-year-old ophthalmologist, in black trousers and jacket, scans a list of more than 60 cocktails, including a cranberry vodka cocktail and a chocolate martini. She orders a Krupnik sour -- and wishes she hadn't.

"Tastes like cough medicine," Dr. Springer sputters, pushing away the glass with its yellowish mixture of honey-infused Old Krupnik vodka (made by Polmos of Poland), lemon juice and Angostura bitters.

Diageo's ideal bartender might have read Dr. Springer's tastes more accurately. Stuart McCarroll, bar-operations manager for the Diageo team, advises bartenders to maintain eye contact with the customer and never talk about politics or the weather.

As Diageo sees it, speed is of the essence for bartenders. At Boston's Baja Cantina, bartender Joseph Duprey delivers a margarita in just under 10 seconds -- compared with the three minutes required to prepare a margarita by hand. "When I'm busy, it's incredibly convenient," Mr. Duprey explains. "Just pull the lever, that's it."

Baja's manager, Nancy Martin, likes the gadget too, because it boosts revenue and eliminates waste. With the dispenser, Cuervo tequila sales have increased to four cases from three cases weekly. "It's awesome," concludes Ms. Martin.

Mr. Pitts, the Baja Cantina regular who used to order beer, tried the instant margaritas and is now a convert. So is Kelly Roberts, a 33-year-old accountant who is another Baja Cantina habitue. "I saw Jose Cuervo staring me in the face on the tap, and had to try it," she recalls. "It's always smooth, never too sweet or sour. You know exactly what you're getting."



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IS YOUR BARTENDER SELLING DRINKS?

By Ian Foster

As the accompanying article clearly suggests, you can significantly boost profits as a direct result of the way you run the operation.

If 60% of your customers do not know what they are going to order until they are standing in front of your bartender, this offers an exciting selling opportunity worth a lot of money. If you are not so sure, just look at the way the liquor companies value that opportunity. Here are some clear lessons:

Suggestive Selling: Is your bartender actually selling drinks? Most of the time when I cannot decide what to order at a bar, I ask the bartender for a recommendation. Invariably, the response I hear is "Well, what do you feel like, Dude?" Obviously, most bartenders waste an opportunity to sell a drink, being content to merely take an order.

If most of your bar customers have difficulty deciding what to order, you have a clear opportunity to help them make up their minds. Ideally, the customer would order a drink that:

- they cannot find at a competing bar
- your customer will enjoy
- is very profitable for you

As we recommended in Booz Nooz #8, you should develop a **signature drink** that meets these criteria. Then train your bartenders to suggest it to your customers.

Don't Let Your Liquor Rep Take Advantage of You

During our inventory audits, we invariably find that our clients have ordered liquor brands that they don't normally carry. Our clients tell us that their Liquor Rep has "given them a good deal" – if they agree to buy this new brand, the liquor rep usually discounts their regular brand.

Your Liquor Rep is not doing this because it is going to help you. They do it because they get a kickback from the liquor manufacturer. For every bar that they sell the new brand to, your liquor rep usually gets \$50 or \$100.

And what do you get? A bottle of something you don't need and won't sell. When one of my customers orders one of these "specials," I find it ends up sitting on their bar for months or years without selling. (See if you have a bottle of Pyrat Rum, Pumpkin Smash or Smirnoff Citrus Twist on your shelves).

When you consider how important a selling area your bar represents, why would you tie up valuable space on something that won't sell? Our industry could learn a lesson from retail. A supermarket owner won't put a new product on the shelf unless the manufacturer pays them a great deal of money to do so. The supermarket owner knows how valuable his shelf space really is.

Ask your liquor rep about this the next time you are offered a "good deal" on a new brand that probably won't sell.



Inside This Issue:

"60% of bar customers don't know what they will drink until seconds before they place their order"

See article starting on page *1* 

- Is Your Bartender Selling Drinks or Just Taking Orders?
- Don't Let Your Liquor Rep. Take Advantage of You

by Ian Foster (page 3)



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