THESIS

Tres Hombres Rum Run

Entering the European market with Tres Hombres Rum

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The following document contains a graduation thesis for a qualitative market research on entering the European rum market with Tres Hombres Rum.

IBMS Stenden University and Van Hall Larenstein Graduation Thesis

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“In the realm of ideas everything depends on enthusiasm…in the real world all rests on perseverance.”

(Johann Wolfgang von Goethe)

Preface

The following report is a graduation thesis I wrote to complete my college studies of International Business and Management Studies at the Stenden University in Leeuwarden. This report contains the market research I conducted over the past five months for Fair Transport B.V., an import company that wishes to enter the European market with a new brand of rum.

This report contains the body of work I executed in order to reach the objective outcome for answering the main research question. The research required countless hours of reading and online searches for data on consumption behavior of different countries, economic conditions, market trends and industry news and reports. It required hours of travel and a number of very pleasant visits to different retail liquor stores. For the past five months I have repeated the story behind this brand to countless friends and family, engaged in deep conversation with people who are in the know of spirits and sustainability. I completely submerged myself into the world of rum and have come out a bit of an expert if I must say so myself.

The reason I immediately took to this thesis assignment was due to my passion for this industry. My career goals are to work in the spirits industry and therefore I want to take every opportunity I get, to learn more and more about every aspect of it. This thesis assignment gave me the opportunity to look at the industry from a different perspective and actually opened my eyes to aspects I wasn't aware existed. I hope that the readers of this thesis take that same journey into the rum world as I did.

This research also gave me the opportunity to engage with people in the field who share my passion. One such person was Mr. Luis Ayala the founder of the Rum University in Austin, Texas and who is also the Editor and Publisher of Got Rum? Magazine, whom I met via the LinkedIn group, Rum Lovers Unite, I would like to thank him for his support. I would also like to thank Mr. Patrick van Sluis, who shared his knowledge on rum and the spirits industry with me on a number of occasions. Also a special thanks to the other opinion leaders who took the time to help give insight of their stores and their invaluable understanding of this sector, Mr. Martijn Pronk, Mr. Tom Kats, Mr. Maarten Besseling and Mr. Perry van Dijk. Thank you to all the participants of my consumer survey, who took the time to take the survey and whose answers helped support my research. I must also give a special thanks to my two mentors at Van Hall Larenstein Mr. Oene Schriemer and Mr. Dethmer Boels who guided me on this sometimes bumpy journey to completion. A warm thanks to all the members of Fair Transport B.V. in Den Helder for giving me this opportunity and intrusting me with this very special task. Finally I would like to thank my dearest family who are always my biggest supporters and fans. Even all the way in Aruba, I can always count on their undying love and support. Thank you.

Garrett Oliver Koolman

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Executive Summary

The following report contains a market research for Fair Transport B.V., an alternative import/export company based in Den Helder in The Netherlands. In order to bring awareness to the situation maritime transport carbon emissions Fair Transport B.V has developed a label that will be placed on products from companies that wish to transport their merchandise using carbon neutral shipping methods or reduced carbon output methods. In order to get this concept out into the public, Fair Transport B.V. has decided to bring their own brand of rum to the market, named after their restored merchant sail ship the Tres Hombres and consequently named the rum Tres Hombres Rum.

Being a Dutch company, the assignment discussed in this report is to generally explore the Dutch, German and Belgium rum markets. From the three markets explored the Dutch market was selected as the target market for Fair Transport B.V. to enter with Tres Hombres Rum. The dark rum market in The Netherlands is highly underdeveloped making up only 9.3% of the total Dutch rum market. The Dutch rum market is expecting a 4.2% CAGR between the years 2009 and 2014.

Even though the dark rum category is highly underdeveloped, the presence of the large multinational spirits companies with strong brands cannot be ignored. Companies like Bacardi, Diageo, Pernod Ricard, The Edrington Group, Remy Cointreau Group and Surminame Alcoholic Beverages N.V. all have a strong position in the dark rum category in approximately 75% of the Dutch retail liquor stores. Along with these strong brands the ever growing presence of new "niche-spirits" with sustainable principles such as Fair Trade, Organic, Biological or Eco-friendly are entering the market. In the spirits sector this also becoming more evident with sustainable spirits entering the market in the vodka, whisky, rum and even Cachaça category.

Due to the fact that the Dutch liquor store market is split between two different segments; the retail liquor store chains and independent retail liquor stores, one segment was more suited as a distribution channel for this product. The chosen segment was the independent retail liquor stores; this is because these channels are more flexible. Given the product format of Tres Hombres Rum and the limited supply, independent liquor retailers are the better option.

The current market trend in the Dutch spirits industry is that consumers are down-trading more and more towards affordable products and value/quality brands. According to the market research the key element to the successful market entry and long term growth of Tres Hombres Rum is building the brand.

In order to build the brand the Marketing Mix was applied using the 5 P's of Marketing to cover the Product, Price, Promotion, People and Place in order to effectively enter the Dutch rum market. Given the level of competition and premiumisation of the rum category, new brands need to decide in which segment of the rum category they will position their brand. The price to quality ratio dictates on which side of the segment the rum brand will be positioned. For Tres Hombres Rum to maintain their current position in the higher super premium segment of the rum market, the product's overall appearance will need to be enhanced. Consistency of the rum quality and taste is also crucial in building a spirits brand and is according to the consumer survey conducted for this research as the most important aspect when choosing a new brand of rum. If the presentation of the product cannot be enhanced, then the recommended retail price needs to be reevaluated. This would require the brand to position Tres Hombres Rum in the average price range of other Gran Añejo Dominican rums currently available on the Dutch market with a slight increase in price to contribute to the Fair Transport label.

When competing in the growing Dutch rum market valued at €155.2 million in 2009, promotion becomes a critical element in the overall success of the brand. In the case of Tres Hombres Rum and Fair Transport B.V. this requires creativity and the application of resources in effective low cost high impact platforms like social media and press media. By maintaining the flow of information about the actions and accomplishments of Tres Hombres Rum and Fair Transport constant with followers of the brand via Twitter, Facebook, LinkedIn and Hyves, allows like minded people to live along the brand. It also allows for the opportunity to connect with more like minded business partners and creates a snowball effect of followers at an extremely low cost.

Behind every great idea there is someone or a group of people who thought of that idea. This is embedded in Fair Transport B.V. and Tres Hombres Rum, it is a marketer's dream. The story behind this rum brand; three young Dutch captains' who are taking on the challenge of changing maritime transportation. It is a story that practically sells itself. These are the people who are living the brand and need to connect with consumers and retailers in order for the public to put a face on the brand. When living the brand the connection the *tres hombres* make with independent retailers will garner the support they need from this distribution channel that is essential to their successful entry to the market.

Chapter1. Research Design

1.1 Company Description

Fair Transport B.V. is one of the three entities under the umbrella of Atlantis BV. Fair Transport B.V. main objective is to change the perception on how maritime transport can be done in a sustainable way. Its first initiative into educating the public that goods can be transported in an efficient and less environmentally taxing way is the Tres Hombres 32 meter Schooner Brig. Using the Tres Hombres Ship, Fair Transport B.V. is introducing its own branded sustainably transported rum: Tres Hombres Rum. The main objective for Fair Transport B.V. and its Tres Hombres Rum is to enter and distribute its rum in the European markets of The Netherlands, Germany and Belgium.

Stakeholders involved:

Organizational level:

- Atlantis Foundation
- Fair Transport B.V.
- Tres Hombres S.A.
- Mardi S.A.
- Governmental organizations (Trade commissions, Alcohol and Tobacco Regulators)
- Nongovernmental organizations (Fair Trade stores, Fair-spirits distributors etc.)

Individual level:

- Shareholders of Tres Hombres S.A.
- Founders of Atlantis
- Add Export Import Consultancy B.V.

Fair transport B.V. is looking to establish the marketing and distribution of its Tres Hombres Rum into new markets. Namely the Dutch, German and Belgium rum market have been selected for evaluation. This research design will give a brief explanation of the problem definition and the steps that were taken in order to achieve a recommendation for Fair Transport B.V. and how it can best achieve its goal of entering the best suited market with Tres Hombres Rum. In order to achieve the effective, relevant and practical outcome; a multi-method qualitative market research approach was chosen. Fair Transport B.V. is looking to enter into relatively big markets with a relatively limited supply of products and resources. Given the conditions of time, money and relevance; the right scale for this research approach is extremely important.

1.2 Management Problem (Problem Statement)

Marketing problem; Fair Transport B.V. is trying to identify the most successful methods it can implement in order to bring its product to market: Tres Hombres Rum successfully on to the European market. The biggest marketing problem is: "How can Fair Transport B.V. enter an established market with an existing product that only differs in one characteristic, which is the mode of transportation compared to competing products and brands?"

1.3 Research Questions

Main research question:

What is the best method for Fair Transport B.V. to enter the spirits retail markets with Tres Hombres Rum?

Sub-questions:

1. *Identify the right market for Tres Hombres Rum to enter amongst The Netherlands, Germany and Belgium?*
2. *Who are the main competitors in the selected rum markets?*
3. *How are the distribution networks or channels set up, for spirits in the selected spirits markets?*
4. *What is the market trend in the selected country for Rum?*
5. *What is the market trend in the selected country for sustainable products?*

1.4 Conceptual Model

Since the management problem is a Marketing Problem, the chosen conceptual model for this research is the ***Marketing Mix*** also referred to the 5 P's of marketing. Marketing is not the simple promotion of one's product; however promotion only forms one part of the marketing mix.[1]

Marketing Mix

1. Product: The most important aspect of the marketing mix is the product. Everything in the marketing plan starts off with the physical product or service a company wishes to deliver. In the marketing mix the product, looks at all the attributes of the end-product to see if they satisfy the need of the end-consumers. These attributes are for example the packaging, the appearance, the quality, the consistency and uniformity of the product and the category it belongs too.

2. Price: Once the product has been established, the pricing needs to be determined. The pricing is extremely important since it needs to reflect the value that the product is delivering to the end consumer. Pricing a product is an important step for any company since it must cover the costs and deliver profit for the company, but must reflect market pricing in order to effectively compete in the market place.

3. Promotion: Once the first 2 P's in the marketing mix have been established, communicating the product to public becomes an important step in selling the product. Promotion must be well thought out since the amount of time and money spent on this aspect must show a positive return on investment in terms of sales. The commonly used Promotional Mix includes advertising, selling, public relations and different sales promotions.

[1] Dennett Consulting Group, Power shift Marketing, Gear1, 2010

4. People: This aspect of the marketing mix refers to the people behind the product. These are the people who sell the product, who represent the brand, the people who interact with consumers and the people who handle the customer service. When looking at people in the marketing mix this refers to how the people fit and embody the image of the product a company wishes to project.

5. Place (Distribution): In the marketing mix, place refers to how the product will reach the customers. Choosing the appropriate distribution channels is important to factor in the marketing plan. Decisions must be made in order to establish the appropriate channels such as, the internet through web-shop, retailers, wholesalers etc.

When applying the marketing mix in a marketing plan, it is important to choose the right sequence of the five P's since the company must prioritize the right elements and apply the marketing mix accordingly. For example the price cannot be set, if the product has not been established. Choosing a distribution channel cannot be done before setting a price.

1.5 Methodology

Multi-method qualitative market research

Market description using external secondary data: In order to execute the qualitative market research one needs to establish a market description. (Kotler, 2008) The market needs to be described with data in order to establish the market potential by evaluating the following fields using external secondary data:

- Market size
- Market share
- Distribution networks
- Market growth rate
- External factors that could impact the market

Market potential using primary qualitative data collected through surveys: By analyzing the market description and establishing the market potential by taking a sample of consumers one can understand the market as a whole. The main part of a qualitative research is the sample. Apart from this, the design of the sample questionnaire as well as the quality of the analysis of the data collected are critical to the overall results and ability of the researcher to make informed and reliable recommendations.

Relevance of external secondary data

Market size: The market size is important in understanding the number of buyers and sellers in a particular market. This is especially important for companies wishing to launch a new product or service; since a small market is less likely to support a high volume of goods. A large market could encounter stiffer competition. (Forbes business dictionary, 2011)

Market share: It is important for market research to understand how a market is divided in percentages and what percentage belongs to which company, product category and category grade.

The spirits industry is highly consolidated and distribution in each market is limited to a hand full of distributors.

Distribution channels: In order to understand the logistical frame work of branded spirits distribution in these markets it is important to understand the distribution channels at work in the Dutch, German and Belgium market.

Market growth rate: What is the future growth potential and speed expressed in percentages of a particular market. Compounded annual growth rate (CAGR) , is the rate at which the market is growing over the period of a year taking into account the annual compounding of that growth percentage.(Investopedia, 2011)

External factors that could impact the market: Looking into possible government regulations that could play a key role in the future development of your target market is an essential part of a market research. It is also important to know if there are social changes that could affect the successful implementation of your market entry in a negative or positive way.

External Secondary Qualitative Research

Collect, analyze and interpret data in order to answer sub-questions 1-5 using the following sources.

- Desk Research
    1. Literature on Rum, European spirits market, distribution and marketing
    2. Internet sources on Rum, Beverage Industry insiders, Market strategies on competitors, liquor markets etc.
- Qualitative and quantitative data from government sources and trade sources
    1. Publication of government statistics on national consumption
    2. Government trade laws for import/export of spirits
    3. EU regulations on the Rum market (current/forth-coming future)
    4. Trade sources on market size and market share of competitors
    5. Rum category prices and sales data

Relevance of Primary data collection through surveys:

In order to understand the market potential as a whole, 2 different surveys were conducted, these surveys were designed in order to collect relevant data in a time and cost efficient manner. This primary qualitative research method was conducted targeting two groups. One survey was designed on a B2B (Business to Business) level in order to collect relevant data from distributors and retailers of spirits in the chosen markets, named **Survey 1**. The second survey, **Survey 2** was executed in order to collect qualitative data from end consumers who are purchasers or are consumers of rum. **Survey 2** was designed to get product specific qualitative data related to consumer behavior.

Primary data collection method: Instrument = Questionnaire

As has been mentioned two different surveys were administered; both were questionnaires for collecting qualitative data. These questionnaires were designed using closed ended questions in the form of:

- Survey 1: Essay Questions
- Survey 2: Multiple choice

Survey 1: Interview-administered; structured interview or telephone questionnaire.

The reason for this approach with **Survey 1** is the high validity rate, the high confidence rate that the right person has responded, high response rate and speed of data collection from closed ended questions. (Saunders, Lewis, Thornhill, 2007) The objective of **Survey 1** is to administer qualitative research in order to use descriptive statistics to analyze the data and establish the central tendencies in the different sample groups from the different markets. **Survey 1** will be designed to yield relevant information on:

- Distribution and logistics of spirits
- Sales volumes
- Product range
- Product behavior
- Consumer observation

Survey 2: 12 question online questionnaire.

The reasons for this approach with **Survey 2** are the amount of subjects that can be collected, cost and time efficient and low influence of researcher on sample subjects. (Saunders, Lewis, Thornhill, 2007) **Survey 2** was send out via mailing list of subjects with a vested interest in the subject, selected through the mailing list of consumers with interest offered by Pat's Wine and Spirits and to members of Rum Lovers Unite, a social network group on LinkedIn. **Survey 1** has been conducted in person, the questionnaires for consumers will be mailed directly to them and send out via social media to specific subjects, using online survey service: Zoomerang. Keeping the questionnaire of **Survey 2** short and on subject will enhance response rate and time, allowing for vast amounts of data to be collected. Understanding the consumers' behavior towards rum in general and sustainability and fair products is essential to understand the market potential to this specific product. Factors that will be looked at in order to establish consumers demand for a rum product such as Tres Hombres Rum are:

- Rum features: Flavor, Packaging, Age, Origin etc.
- Price
- Sustainability elements
- Perceived value
- Purchasing motives
- Purchasing patterns

Sampling:

Sampling method for Survey 1: *non-probability purposive sampling with a focus on key themes: use heterogeneous sampling method*; data will be gathered targeting specific subjects at specific locations. The reason for this approach is that the research objective is of a practical matter and towards a specific target group (Saunders, Lewis, Thornhill, 2007) Sample size for **Survey 1** was a small group of 5 subjects who are opinion leaders in the Ducth alcoholic beverage industry. Opinion leaders are the core group of people to whom one turns to for advice, insight, opinion and views, due to their direct interest in a particular business sector or industry. There their experience is vital for understanding current and future trends of a particular market sector.[2] When focusing on a group of subjects with previous knowledge of an industry or sector, a sample of smaller amount is reliable for gathering useful and reliable information. (Ruyter, Scholl, 2003) Sampling method for **Survey 2:** *non-probability, self selection sampling method*; data will be gathered from specific subjects who share a common consumption pattern. The reason for this approach is to understand if the primary data reflects the market trends collected in secondary data. Sample size for **Survey 2** was approximately **2000** subjects with interest in the spirits industry. These were 1,700 through Pat's Wine & Whisky direct mailing list and 263 members of the Dutch Wine & Spirits The Netherlands group via LinkedIn. The expected response rate is between 5-40% for online surveys according to Query Group. The validity of information gathered through web-based surveys has scores higher then personal interviews.[3]

Reliability and plausibility of qualitative research data.

When conducting a qualitative research the term plausibility is used rather than validity. This is due to the fact that the researcher plays an ever more vital role in a qualitative research then in a quantitative research. Since this research was a qualitative research on the rum industry in a particular market, the triangulation method was used in order to heighten the validity rate of the overall outcome in the recommendations. Triangulation in research is when a researcher is looking at a particular point from different perspective (Baarda, 2010). In the case of this research the point looked at were the European rum market and eventually the Dutch rum market from the perspective of the secondary data and reporting, the perspective of opinion leaders and the perspective of consumers.

Data analysis and interpretation of the data collected using graphs, charts and statistics.
Analyzing Multiple Source Secondary qualitative Data:

Sources that will be collected, analyzed and interpreted in secondary documentary form will be:

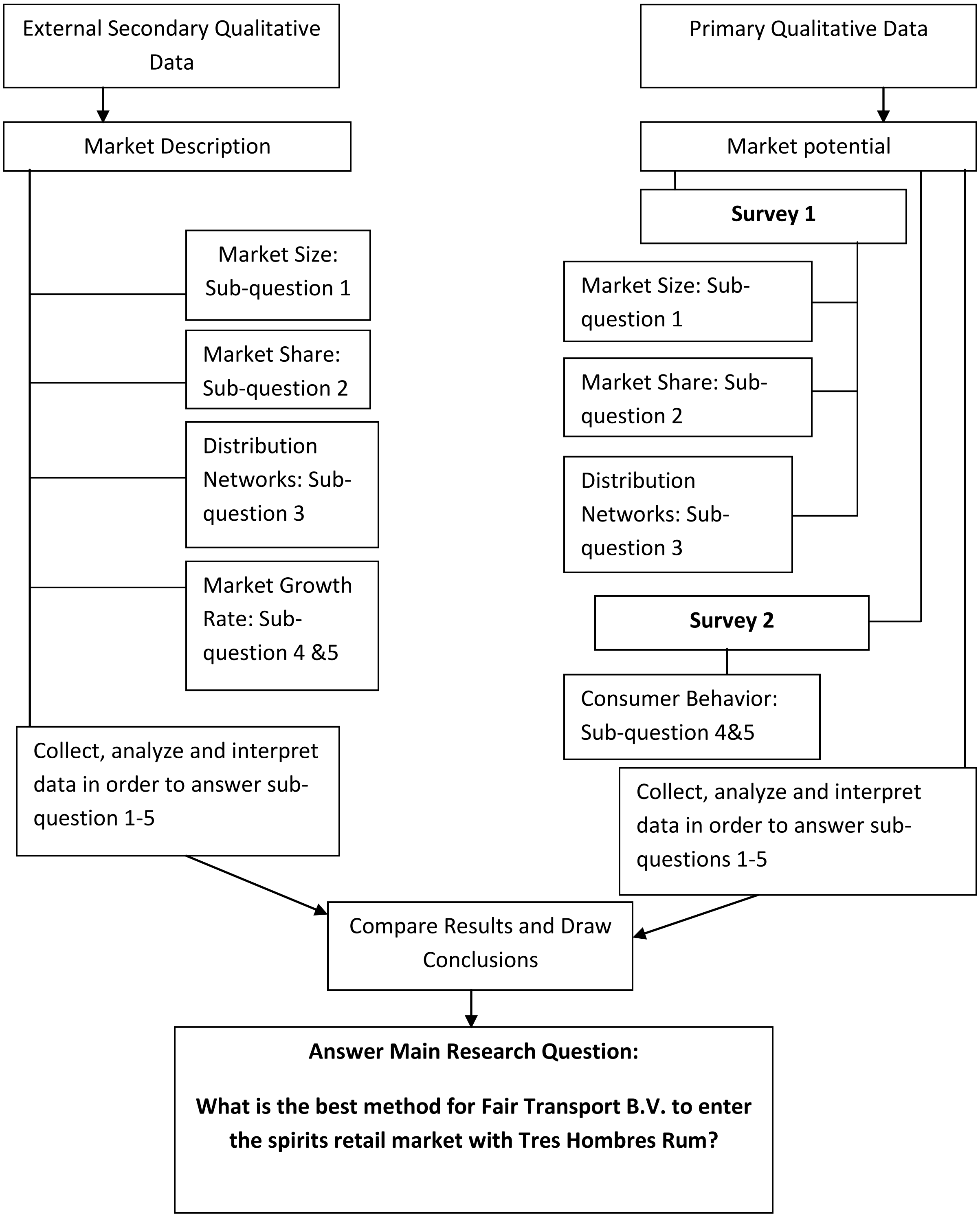
- Written: literature, articles, market research reports, annual reports, market surveys and market periodicals.
- Non-written: presentations, documentaries and interactive websites/blogs

[2] Oxford Business Dictionary: Opinion Leaders

[3] Journal for Marketing and Research: A comparison of the validity of interviewer-based and online-conjoint Analyses, Klein, Nihalani&Krishnan, 2008

Analyzing Primary Qualitative Data: The data collected has been analyzed and interpreted with relevance to the desired objective In order to analyze the data the software SPSS 17.0 has been used to create a data set and run tests and Microsoft Excel to draw charts, graphs and tables. By analyzing and interpreting the data using statistics, the data received helps draw conclusions that are subject to random variations. Analyzing frequency distributions can help confirm perceived market trends and help answer the question of what the next step should be.

1.6 Action Plan



Chapter2. Introduction

The world is changing and growing, although not physically the global population is continuing to grow in an upward trend. For this expansion of the global population, the planet earth is paying a hefty price. Global warming although disputed by many is no secret. Consumerism and profit could be seen by some as the main catalyst for this abuse on our environment. This thesis is not written by an environmentalist nor biologist, but by a business student. To most environmental activist, business and businessmen and woman are seen as the "enemy" whose sole purpose in life is to make profit no matter what the cost on our environment. But if our history serves us correctly, it has been business that has changed and improved quality of life on this planet. Sure science has been the most important aspect in creating the world we live in today, but it has reached its progress through funding from business for research & development and innovation. Business is a unique science, where when applying the right objectives can accomplish amazingly positive outcomes on a grand scale, both financially and physically. The negative effects on the planet earth due to the business process being executed by most companies today is no secret. But the business community is seeing that continuing the strategy that brought the planet to this point is not sustainable. Business needs to be conducted differently, natural resources are finite and mining them and burning them as sources of energy have dire consequences. No one company can change the current situation but by re-wiring the mind set of entrepreneurs and business leaders a collaborative effort can make a difference. Fair Transport B.V. is such a company, by re-revolutionizing the current way of maritime transportation, turning the clock and going back to using "merchant" vessels as means of transporting goods across oceans can make a big impact on the current carbon emissions being released in our atmosphere by cargo freighters. It is estimated that international shipping in 2007 contributed to 870 million tonnes of CO^2 emissions which is equal to 2.7% of global CO^2 emissions.[4] If this situation is not properly addressed it is estimated that international shipping could contribute to 18% of global Green House Gasses emitted by 2050.[5] The company's focus is on developing the sustainable goods market as well as exploring to change the fuel and high level carbon emission being released by ocean freight transport by way of the Eco-liner. This thesis is not about sailing vessels neither, it is about rum. Fair Transport B.V. is a distribution company that uses a restored Merchant Sail Ship that sails without zero use of fossil fuel. It is a totally carbon free transportation method. Along with this form of transportation Fair Transport B.V. has developed a Fair Transport label. This label will be placed on any product that employs the Fair Transport B.V. owned ship named the Tres Hombres for the transportation of their products. The Fair Transport label in itself is a product developed by Fair Transport B.V. much like the Fair Trade label introduced by Max Havelaar in 1988. The Fair Trade Foundation describes Fair Trade as:

"Fair Trade is a strategy for poverty alleviation and sustainable development. Its purpose is to create opportunities for producers and workers who have been economically disadvantaged or marginalized

[4] IPPC, Climate Change 2007: Synthesis Report. Contribution of Working Groups I, II and III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change

[5] Second IMO GHG Study 2009. International Maritime Organization (IMO)

by the conventional trading system. If fair access to markets under better trade conditions would help them to overcome barriers to development, they can join Fair Trade." (Fair Trade Foundation, 2011)[6]

Fair Transport however refers to the sustainable sea transportation of goods with the goal of significantly reducing or completely eliminating the carbon emissions during the transportation of the load of goods. In order to communicate the transportation label, Fair Transport B.V. decided to introduce its own rum under the Tres Hombres Rum label. The rum is distilled and bottled in The Dominican Republic by Mardi S.A. and is aged for 8 years. In 2010 Fair Transport B.V. imported 3,000 bottles of Tres Hombres Rum. On June 4th, 2011 the second rum run will be completed, importing 5,000 bottles of Tres Hombres Rum. This thesis will look into two main factors. The first factor concerns the market conditions for Tres Hombres Rum in three European countries; the domestic market (The Netherlands) and the two neighboring markets (Germany and Belgium).

1. Establishing the market demand for premium rum in these markets is extremely important for Fair Transport B.V.
2. Another important aspect is determining what strategy would work best to enter the best suited for Fair Transport at the moment of these markets with Tres Hombres Rum.
3. The final most important aspect to successfully introducing this product into the market, is finding the most suitable distribution channels for Tres Hombres Rum is.

The second main factor of this thesis concerns the products USP (Unique Selling Points). Here the goal is to understand the consumer behavior towards rum and sustainable products in the best suited market for Tres Hombres Rum. The factors that need to be identified are:

1. The level of added-value consumers place towards products with a unique story behind them.
2. Understanding the value in monetary terms consumers are willing to contribute towards this product.
3. The best way to communicate this product and build this brand (promotions).

This thesis will focus on establishing suitable answers to the above mentioned questions in order to solve the following research question:

What is the best method for Fair Transport B.V. to enter the spirits retail market with Tres Hombres Rum?

The outcome of this thesis will be to assist Fair Transport B.V. in making an informed decision for the brand building strategies it wishes to implement for Tres Hombres Rum.

[6] www.Fair Trade.org.uk

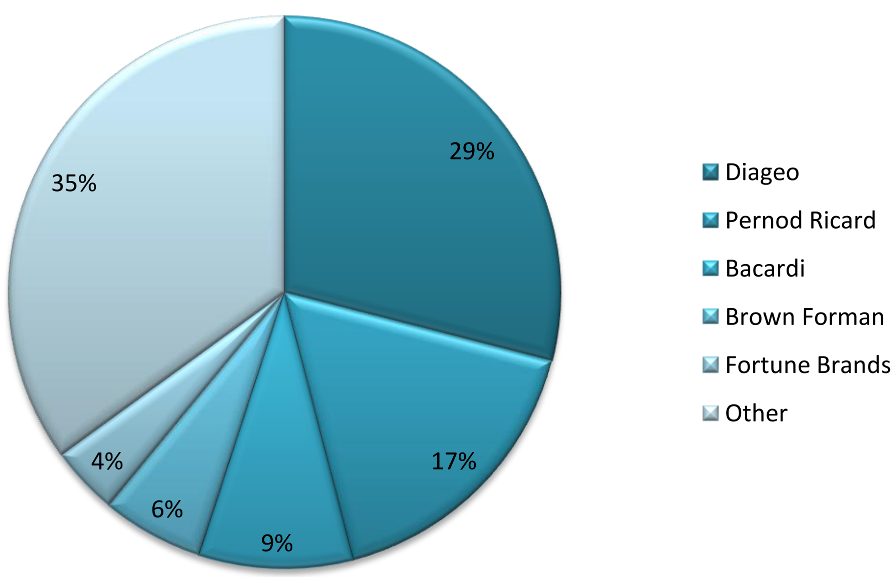
Chapter3. The Market Sector

3.1 The Spirits Industry

After a long history of mergers and acquisition and through organic growth, the premium spirits industry today is a complex industry where 65% of the industry is controlled by 5 companies. Of these 5 companies, one is still privately held and the rest are all publicly traded. The remaining 35% of the spirits industry is controlled by smaller companies, who in their own right are quite large but are not in the same category as the industry giants.[7]

Chart 3.1

Global Market Share of Premium Spirits in Volume



*(*Source: Impact Databank Top 100 Premium Spirits, February 2010)*

As can be seen in the pie chart depicted above Diageo Plc. and Pernod Ricard SA combined control almost half of the premium spirits industry with a combined control of 46% market share. According to the latest release from IMPACT Databank march 24th 2011, Diageo retained its position and strengthen its position as industry leader in premium spirits, in the Scotch whisky

[7] www.just-drinks.com

category Johnny Walker Brand was ranked number one global spirits brand by value with a retail value in 2010 of $4.7 billion.[8]

Chart 3.2

*(*Source: IWSR 2009 and Pernod Ricard Annual Report, 2009/2010)*

From the 5 industry giants, 4 of these companies have strong rum brands in their portfolio.

Table 3.1 Strategic Rum Brands of the Industry Giants

Diageo Plc. Rum Brands	Pernod Ricard SA Rum Brands	Bacardi Limited Rum Brands	Fortune Brands Rum Brands
Captain Morgan	Havana Club	Bacardi	Cruzan
Zacapa Rum	Malibu Coconut Rum	Bacardi Flavors	Ronrico
Myers's Rum	Montilla	CastilloRon	Conch Republic
Ron Cacique		Palmas	
Pampero Ron		Ron Estelar	
Bundaberg Rum			

*(*Brown Forman was not included in this table since they do not have any rum brands in their portfolio)*

[8] Diageo Annual Report 2010 & IMPACT Databank 2011

3.2 The Global Rum Market

Today authentic rum is known by three different names: Rum, Rhum or Ron. Rum is also split into different categories: Spiced or Flavored Rum, Dark or Golden Rum and Light (Sliver) or White Rum.[9]

The top four rum brands by volume are:

1. Bacardi distilled in Puerto Rico, number 2 premium spirit brand in the world, number 1 rum brand in the world. (Bacardi Ltd.)
2. Captain Morgan distilled in USVI, number 8 premium spirit brand in the world, number 2 rum brand in the world. (Diageo Plc.)
3. Ron Brugal distilled in The Dominican Republic is the number 21 premium spirit brand in the world, number 4 rum brand in the world. (The Edrington Group.)
4. Havana Club distilled in Cuba number 22 premium spirit brand in the world, number 3 rum brand in the world. (Pernod Ricard S.A.)[10]
   (See Appendix VII)

From the industry leaders, not one of these companies has Dominican rum in their portfolio, but amongst the top rums on the global market the Dominican Republic produces some of the very best quality of rum.[11] The Dominican rum brand working with a major player in the spirits industry is Ron Brugal, who is controlled by The Edrington Group. The global rum market in 2010 totaled 150 million cases.[12] A case of rum according to Euromonitor is considered 9 liters of the rum spirit (12 bottles at 0.75 liters per bottle), making the global production of rum last year 1.35 billion liters. Rum makes up 12% of the world spirits market. The majority of rum is produced in Latin America and the Caribbean. Rum is the fastest growing category in the spirits market with a positive growth rate of 7% of global spirits sales. The future growth in the rum category will come from three drivers:

1. The products formats
2. Price Points
3. Innovation

Rum is one of the spirits whose sales benefit the most from the brands stories; consumer research has shown that consumers are gearing stronger towards smaller rum distilleries who can offer rums with a unique taste profile and authenticity of the products origin.[13]. The global rum market has experienced a 7.4% CAGR the last 5 years making its overall growth from 2004 to 2009 43%. The vodka category experienced a 9.2% CAGR between 2004 and 2009 globally. However the forecast for the rum category for 2010 to 2014 is 3.5% CAGR where vodka is expected to slow down

[9] IWSR (International Wine and Spirits Research) 2010
[10] IWSR Top 50 International Spirits Brands by Volume ranking, 2011 (Appendix)
[11] The complete book of Spirits, 2004
[12] Euromonitor 2010
[13] Diageo Rum Market Investor Report by Ed Pilkington, Diageo Global Category Director for Vodka, Rum and Gin, 2010

to 3.3% CAGR.[14] Rum as any other spirit has its **key markets** and combined these markets take 73.2% of the global rum market. These key markets have all seen a significant CAGR between 2007 and 2009.

Table 3.2

Key Rum Market	Global Rum Market Share	CAGR (2007-2009)
1. USA	• 28.9%	➢ 5%
2. India	• 10.4%	➢ 16%
3. Spain	• 7.0%	➢ 2%
4. Canada	• 6.5%	➢ 4%
5. UK	• 5.7%	➢ 8%
6. Germany	• 4.2%	➢ 3%
7. France	• 3.5%	➢ 7%
8. Venezuela	• 2.5%	➢ 50%
9. Dominican Republic	• 2.4%	➢ 15%
10. Australia	• 2.1%	➢ 12%

**Retail sales value per 2009 IWSR (International Wine and Spirits Research) Report.*

From the key markets shown above, Fair Transport B.V. will be exploring the German market which is the 6th largest rum market as possible entry markets in Europe for Tres Hombres Rum in addition to two smaller markets The Netherlands and Belgium. The reasons why these three markets have been chosen for the initial entry of the brand are due to their geographic location, logistics and market conditions. Other European markets such as Spain although being the 3rd largest rum market globally is experiencing a down-trading trend in its spirits market, forming part of the PIGS (Portugal, Ireland, Greece, Spain) markets. The Spanish rum market has had a 2% CAGR between 2007 and 2009, but has seen a sharp decline in 2010 and the market trend shows consumers are down trading towards less expensive rum brands. Spain is the largest market for Venezuelan ron Cacique owned by Diageo Plc.[15] Given the current condition of Spain, other prospective markets in Europe could be more suitable for future consideration. These are the British and French markets; the UK makes strategic sense being the largest market of Fair Trade products as for France's geographic location makes logistical sense for Tres Hombres Rum. The only down side of the French rum market, is that it is driven by Rhum Agricole, Rhum Agricole is a different kind of rum then Tres Hombres Rum. Rhum Agricole is produced purely by distilling sugar cane juice and not molasses and can only be distilled in copper pots stills and not the Covey continuous stills. Rhum Agricole differs from molasses based rum in that it is less sweet and has a lighter "body" then rum distilled from molasses, some would say that Rhum Agricole is more complex than its counterpart. Rhum Agricole is only produced on French Caribbean islands, such as Haiti, Martinique, French Guyana, etc.[16]

[14] IWSR & Euromonitor Rum market 2014 Forecast, 2009
[15] Richard Woodward PIGS Market Spirits Report, Aroq Ltd. 2011
[16] Rum University, Rum Runner Press, 2003

3.3 Current Global Trends in the Rum Category

The Spirits industry is seeing a shift in the rum industry, a shift towards the premiumisation of the Rum market. Last year market heavyweights have seen a strong growth in the Asian markets for cognac.[17] This shift has shown a potential opportunity for super premium rums. When looking at the premium and super premium spirits market, rum was the only spirit that didn't have a strong position in this segment of the industry. Compared to vodka, whisk(e)y and brandy the super premium segment for rum is extremely underdeveloped. Diageo Plc. is leading the super premium rum market development with its premium rum brand Ron Zacapa Solera 23 and its super premium Ron Zacapa XO.[18] This direction towards creating a super premium segment for rum can benefit Tres Hombres Rum, since it will change price structure known to the rum market. Rum is considerably inexpensive with an average price range that is 22% lower than the average price of single malt Scotch whisky globally. With the premiumisation of this segment people will encounter rums in higher price ranges and in time this could create opportunities for Tres Hombres Rum sales at its current retail price point. Compared to other small distillery rum brands, Tres Hombres Rum's retail price is positioned in the same price range of most single malt Scotch whiskies.

3.4 Niche Spirits and Market Demand for "Fair" Spirits

The concept of Tres Hombres Rum's aggregated value of being a spirit that has been transported from the Caribbean to Europe free of carbon emissions places it in the "Niche Spirits" segment of the spirits industry. The Niche Spirit segment shows great growth opportunity, especially for spirits coming out of Latin America and the Caribbean.[19] This region is known mostly for the production of rum and tequila. But in recent years the marketability of different spirits produced in this region has gained industry interest. Products such as Pisco, a grape brandy produced in Chile show great diversity and growth potential. But amongst the sugar cane based products there are a number similar products being distilled in this region of the world, two of which are also produced by Mardi S.A. These are Aguardiente (Fire Water), a clear distilled spirit made from sugarcane with an anise flavor originating in Colombia. The other is Mamajuana or Damajuana, a bulk rum who derives its flavor and supposedly aphrodisiac effects by adding a variety of herbs including the bark of the Roupala Montana tree[20]. In Haiti another sugar cane distillate is Clairin, similar to rum it is much harsher on the pallet and is primarily used in voodoo rituals. The final and largest competitor of rum is Cachaça. Cachaça is a sugar cane spirit produced in Brazil. The future of cachaça looks extremely profitable with the growing strength of the Brazilian economy as one of the leading countries in the BRIC emerging markets, along with the growing popularity in west of the Brazilian culture. Cachaça is expected to gain in popularity given the upcoming international events that Brazil will be hosting, the World Cup in 2014 and the Summer Olympics in 2016, giving the opportunity to expose this national spirit on a global stage.

[17] Pernod Ricard Annual Report 2010
[18] IWSR Report, Rum Sector Reaping Premiumisation Dividend, Ben Cooper, 2011
[19] International News Service, 2010
[20] Rum University, Rum Runner Press, 2003

These are all niche spirits but there is another segment of niche spirits that fall along the same principle as Tres Hombres Rum, these are the biological, Fair Trade, eco-friendly produced and organic spirits. [21] Amongst these spirits there is Erhmanns Fair Vodka, launched in 2009. Ehrmann's Fair Vodka is a Fair Trade Vodka distilled in the Cognac region of France using organic Bolivian quinoa. Then there is Papagayo Organic Fair Trade Golden and White Rum from Paraguay owned by Organic Spirits N.V. This rum is distributed by Sundara, a Dutch distribution company that specializes in Organic, Fair Trade and Biological wines and spirits. Amongst these niche spirits you can also find Highland Harvest Organic Scotch Whisky, a blended scotch whisky from three organic single malt whiskies' and one organic grain whisky. The biggest difference between these brands in this niche segment is that there sustainability principles are directly integrated in the end product. Whereas Tres Hombres Rum's sustainable character derives from its Carbon Foot Print during transportation. But it is amongst this group in the Niche Spirits segment that Tres Hombres Rum will be competing.

Table 3.3

Brand of Niche Sustainable Spirits	Retail Price
1.Papagayo Organic Fair Trade Rum White	€ 20.95
2.Papagayo Organic Fair Trade Rum Gold	€ 23.70
3.Highland Harvest Organic Scotch Whisky	€ 28.75
4.Erhmanns Fair Vodka	€ 33.69
5.Tres Hombres Fair Transport Rum	€ 39.95
6.Cesar Colussi Iguacu Fair Trade Cachaça	€52.00
7.Cesar Colussi Cesar Bio Fair Trade Rum	€57.50

(All prices per bottles of 0.75 liters)[22]

[21] Niche Spirits Report, International News Services, 2010
[22] www.just-drinks.com, www.sundara.com, www.fairtransport.eu

3.5 Conclusion

To conclude this Chapter one can see that the global spirit market is a vast industry with large market capital supporting strategic brands within the portfolio of industry giants. Due to the financial backing behind global premium spirit in terms of marketing, innovation, distribution, brand management and integration, new entrants with strong product characters are either taken over or taken into joint venture arrangements with industry leaders to increase their brand position and distribution reach. It is extremely difficult for new entrants to compete directly with the industry heavyweights and it is therefore the best strategy to set a new rum brand apart from the rest and indirectly compete with strategic brands. The rum category is an exciting category at the moment eclipsing the position vodka has held in the market for the past 10 years and taking the lead as the fastest growing spirit category for the next four years. Rum is not only growing in volume and value sales, but is also entering new territories within the premium brand industry, joining the ranks of cognac, vodka, tequila and Scotch whisky in the ultra premium segment of the market. Lastly what the industry is observing is a heighten interest from the market to gear towards sustainable products. This trend is rapidly taking on the spirit market creating a niche pocket for specialty brands that are developing new products using sustainable development as the jump-off point for their product development. The introduction of Fair Trade spirits, Organic, Biological and Eco-friendly production methods are slowly pushing their way into the spirits market. If the rapid growth and range within in this niche pocket of the industry is any indicator, this segment looks to continue a fairly positive linear growth trajectory.

Chapter4. The Product Rum

4.1 The Origin of Rum

Rum is an alcoholic liquor distilled from molasses or sugar cane (Oxford Dictionary, 2011). The history of rum is as old as the history of cane sugar which dates back to 1493, when Christopher Columbus brought sugar cane with him on his second voyage to the island of Hispaniola, being the island of Haiti and what is now known as The Dominican Republic. But it wasn't until the mid seventeenth century that the word rum was mentioned, when served aboard British ships after the colonization of Jamaica in 1655. The oldest rum distillery still in operation, resides on the island of Barbados. This is the Mount Gay Rum distillery established in 1703, making it 83 years older than Strathisla Scotch Whisky Distillery, the oldest distillery still in operation in Scotland established in 1786[23].

The word rum itself has a long and checkered past. According to rum historians, the word "Rum" derived from the French word of "Rumbullion". But was purely a descriptive word used to describe the inebriated men who drank the liquor that made them so "rambunctious". But this Caribbean beverage that the European settlers discovered, received different names during the 18th century:

- Kill Devill
- Barbados Water
- Splice the Main Brace
- Grog Demon Water
- Navy Neaters
- Nelson's Blood
- Rum Bastion
- Comfortable Waters
- Keldiuvel (called the Dutch in Surinam it in the late 18th Century)

The Dutch have had a colorful history with rum during their colonization of the Caribbean. One quote that best describes the relationship between the Dutch and rum was *"Rum? 'tis the courage of the fighting Dutchmen, and the main brace of the Royal Navy, a potable charge for explosions of friendship, wings on the slippers of Mercury."* (Novelist , Hervey Allen, The Disinherited, 1943)[24]

4.2 Rums from the Dominican Republic

Rum in the Dominican Republic dates back to the late 15th century when Christopher Columbus introduced sugar cane to the island of then Hispaniola. Dominican rum was amongst the first rum to be exported to Europe almost 300 years after the islands discovery in 1793, fairly late compared to other islands in the Caribbean. It still didn't gain much popularity in Spain during the 18th century when the Spanish preferred their Brandy and Sherry. Today Spain is the 3rd largest rum

[23] Rum University, Rum Runner Press 2003
[24] RUM, A Social and Sociable History 2006

market in the world.[25] The oldest rum distillery still in operations in The Dominican Republic is the Distilleria Bermudez. Bermudez can be traced back to 1852, Bermudez forms part of what is known as "the three B's" of the Dominican Republic. The three B's are three of the most renowned Dominican rums, which include:

- Brugal
- Barcelo´
- Bermudez

Rum is considered as important as water to the Dominican way of life.[26] The Dominican Republic although being an island in the Caribbean with a population of 9,9 million estimated for July 2011, the world's 85th most populated country with a land mass of 48,320 square km; it is the 9th largest rum market in the world.[27] The Dominican Republic is home to 8 distilleries as can be seen in the following table:

Table 4.1

Dominican Rum Distilleries	Year Established
J. Armando Bermudez & Co. ,C por A	1852
Barcelo´ & Co.	1930
Oliver & Oliver Maestro Roneros Cubanos	1958
Ron Matusalem	1959
Vizcaya	1820
Ron Brugal	1880
Ron Atlantico	1970
Mardi S.A. Ron Hispaniola	1995

**El Ministerio de Ron, 2011[28]*

4.3 Tres Hombres Rum

As mentioned before Tres Hombres Rum is distilled, aged and bottled in the Caribbean on the island of The Dominican Republic. The company who produces Tres Hombres Rum is Mardi S.A. Mardi S.A. was founded in 1995 by Mr. Angel Alberto Beltre´ Baez. The company was initially founded for the importation of alcoholic spirits, with a focus towards Aguardiente and Whisky. In June 2000, Mardi S.A. received its classification as a liquor manufacturing company. The license required for this was License #49 under the rules and regulations that govern the alcoholic drinks industry. Today Mardi S.A. distills a number of sugar cane based spirits, first and foremost Rum, Mamajuana and Aguardiente. As for the rum produced by Mardi S.A., it is available in three versions, Gran Añejo (Aged), Oro (Gold) or Plata (Silver). Tres Hombres Rum is a Ron Gran Añejo, aged for 8 years in oak barrels.

[25] The complete book of Spirits 2004
[26] The Rumelier, 2010
[27] www.cia.gov, world fact book, 2011
[28] www.dominicanrum.com/el ministerio de ron, 2011

The barrels used to age Tres Hombres Rum have been previously used to age bourbon. The years the rum rests and ages in oak, contribute to its composition, its color and most importantly its flavor. When the rum spirit comes in contact with the oak wood, it experiences a chemical reaction causing the rum to “oxidize” and mellows its characteristics. Most of the color of the rum is attained by the aging process in oak barrels, some of the color is attained by adding caramel, and this is done in order to maintain consistency in the end products appearance. The Tres Hombres Rum Gran Añejo, consists of blending rums by the master blender. Different rums from different barrels are married together in order to reach the desired taste and consistency using the Solera system. In order to meet the standard of the rum industry, 65% of rum in Tres Hombres Rum has to be aged a minimum of 8 years.[29] Mardi S.A. is also responsible for bottling the Tres Hombres Rum; the current labeling is done by Mardi S.A. facilitating European importation tariffs and limiting the legal liability for Fair Transport B.V. concerning the content of the bottles. The rum label contains the liquid content of the product, the alcoholic content, in the case of Tres Hombres Rum it is 40.0% ABV/ 80° Proof, the liquid quantity, product description concerning the type of rum and lastly the consumption warnings.

Product Image

[29] http://www.hispaniola-spirits.com/mainsite/

4.4 Conclusion

As can be seen rum has a special place in history, rich in folklore and has become a strong part in the culture of Latin America and the Caribbean. Rum is symbolic to the Spanish influence in Central and South America and in the Caribbean. It has become a trademark beverage for the European sailors and merchants associated with the warm tropic region across of the Atlantic. Amongst those islands there is The Dominican Republic one of the islands whose relationship with rum is vested deep within the culture. It is the island with the highest consumption rate in the Caribbean and has a long history of distilling rum. Rum masters have been applying the art of distilling, aging and blending using the Solera method with great care and perfection on the island. Although Marti S.A. is the newest distillery in The Dominican Republic, it is using these traditional methods, applied with great skill and care by its local relatives Brugal, Barceló and Bermudez, brands that have lasted the tests of time. It is essential that Mardi keep its quality high and consistent in order to continue to supply Tres Hombres Rum, in order to have the strong foundation needed to build the brand upon.

Chapter5. The Chosen Markets

5.1 Market Size

When defining the market and its size for the introduction of a particular product one must look at the number of consumers and companies in these markets who would be interested in purchasing or conducting business with this product. The market can be segmented in the following categories:

- Total population
- Potential market
- Available market
- Qualified available market
- Target market
- Penetrated market

Total population is self explanatory refers to the total number of people who reside in a particular geographical location. Potential market refers to the members in the total population who would be interested in the product. Available market is defined as members in the potential market who have enough purchasing power to consume the product. Qualified available market refers to consumers in the available market who are legally permitted to purchase the product. The target market is the segment in the qualified available market that the company will target with its product, also known as the "served market". Penetrated market refers to consumers in the target market who have purchased the product before.

5.2The Dutch market

The Netherlands is the 135th largest country by landmass in the world. The Netherlands shares a border with Belgium and Germany. As of 2010 The Netherlands had an estimated GDP (Purchasing Power Parity) of €462.5 billion in comparison to the world The Netherlands was ranked 22nd. The per capita GDP (PPP) in 2010 is estimated at €27,537 this is ranked at number 20 in comparison to the world[30]. The current Dutch population is estimated at a total 16.7 million inhabitants according to the CBS (Centraal Bureau voor de Statistiek). The male and female population as of 2010 is defined in the following table per age group.

[30] www.cia.gov/theworldfactbook, the-Netherlands, 2011

Table 5.1

Male	x 1000	Female	x 1000
0-14 years	1,490	0-14 years	1,423
15-24 years	1,031	15-24 years	997
25-44 years	2,251	25-44 years	2,226
45-64 years	2,322	45-64 years	2,296
65-79 years	890	65-79 years	1,000
80 years and up	218	80 years and up	430
Total	8,203	Total	8,372

**2010 Mannen en Vrouwen in Nederland, Centraal bureau voor de statistiek.*

When looking at the census taken on the Dutch population on *lifestyle and well being*, recorded in 2009, 20.2% of the Dutch population has been recorded to be non-consumers of alcohol, leaving 79.8% of the Dutch population as a potential market[31]. That being said not everyone consumes strong alcohol, not everyone who consumes strong alcohol consumes rum, not everyone who consumes rum will consume Tres Hombres Rum and not everyone who purchases Tres Hombres Rum will consume it. But the market potential can be estimated at 13.3 million consumers. Other factors that play a role in determining the actual potential market also reflect on legal parameters. According to Dutch law the legal drinking age in The Netherlands is 16 years of age for low strength alcohol, low strength alcohol is classified as alcoholic beverages containing 15% ABV (Alcohol by Volume) or lower. For stronger products containing alcohol content above 15% ABV the legal drinking age is 18 years[32]. From the potential market the income and expenditures play a role in determining the available market. As mentioned before the Dutch population has a fairly high purchasing power, ranked number 20 in the world per capita. To further determine the available market monetary expenditures of the Dutch population with relevance for Tres Hombres Rum four factors were looked at, these are the following:

- National Consumption
- Foods and Beverage Expenditures
- Drinks (Alcoholic)Expenditures
- Durable Goods and Sustainability Expenditures

The Dutch national consumption in 2010 had a value of € 274.8 billion and on foods and beverage the market value in 2010 reached €39.9 billion. As for the Dutch alcoholic drink market the Dutch consumption was valued at €5.7 billion in 2009. Given the current state of the natural environment, consumer behavior towards durability of products and sustainability has become a global trend. In 2010 the durable goods and sustainability market had a value in The Netherlands of €46.9 billion showing an increase compared to 2009 where the market was valued at €46.3 billion. [33] From the 13.3 million inhabitants in the potential and available markets, age needs to be taken into account when analyzing the qualified available market. As mentioned before the legal purchase and consumption of strong alcoholic beverage is 18 years of age in The Netherlands. When looking at

[31] www.cbs.nl/kerncijfers/populatie/mannen en vrouwen in Nederland & gezond en wellzijn/roken en drinken
[32] www.rijksoverheid.nl
[33] www.cbs.nl/kerncijfers/Inkomen-bestedingen/consumptie huishouden 2011

the population make up of The Netherlands the qualified available market can be estimated in the range of 13 million consumers. Tres Hombres Rum is targeting a specific market segment that being the distilled spirits market and more specifically the European rum market. As it is seems to understand the Dutch market, the following paragraph will describe this in more detail what the Dutch spirits and more specifically the Dutch rum market looks like. Being a new product the market penetration for Tres Hombres Rum is hard to determine for the Dutch rum market.

5.2.1 The Dutch rum market

In order to understand the scope of the Dutch distilled spirit consumption one can look at the revenue generated by the government on excise taxes (accijnzen). The excise tax can be good indicator in two factors, the consumption and upward movement in the excise tax rate by the government.

Table 5.2

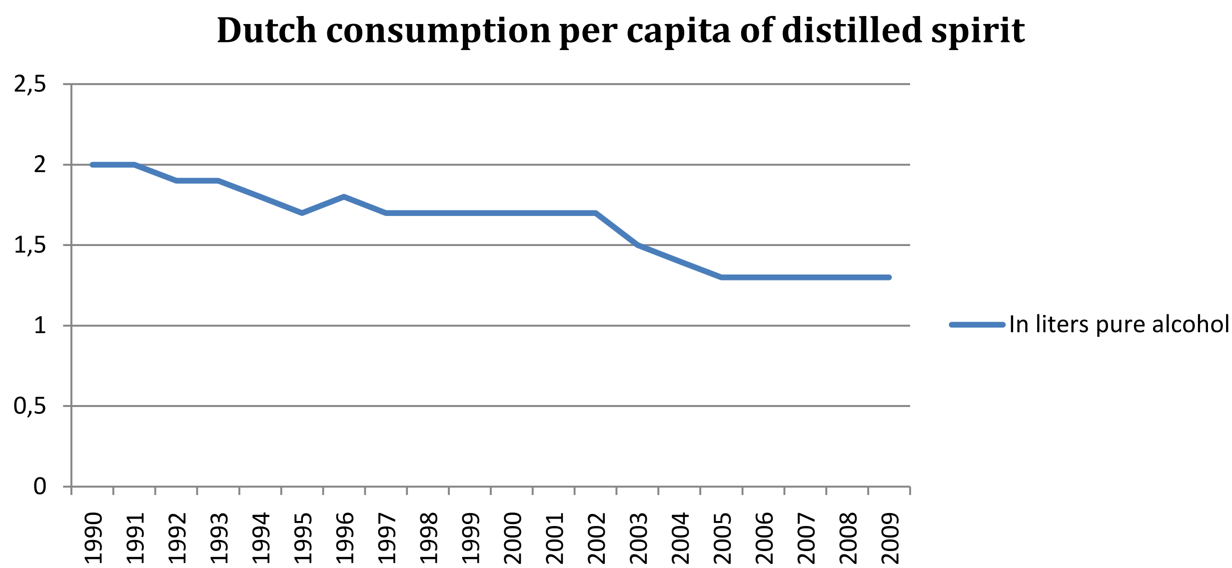
Excise revenue on distilled spirits in The Netherlands in million Euros	
2006	326
2007	325
2008	339
2009	317

**Ministerie van Financien*

Although the Dutch alcohol expenditure totals €5.6 billion including wine and beer in 2009, the national consumption of distilled spirits has seen a downward moving trend in the last 20 years. In 1990 and 1991 the national consumption of distilled spirits was 2.0 liters pure alcohol per capita, since 2005 the consumption has been recorded consistently at 1.3 liters pure alcohol. The line chart below describes this downward moving trend. [34]

[34] Productschap Drank Commissie Gedistileerd, kerncijfers 2009

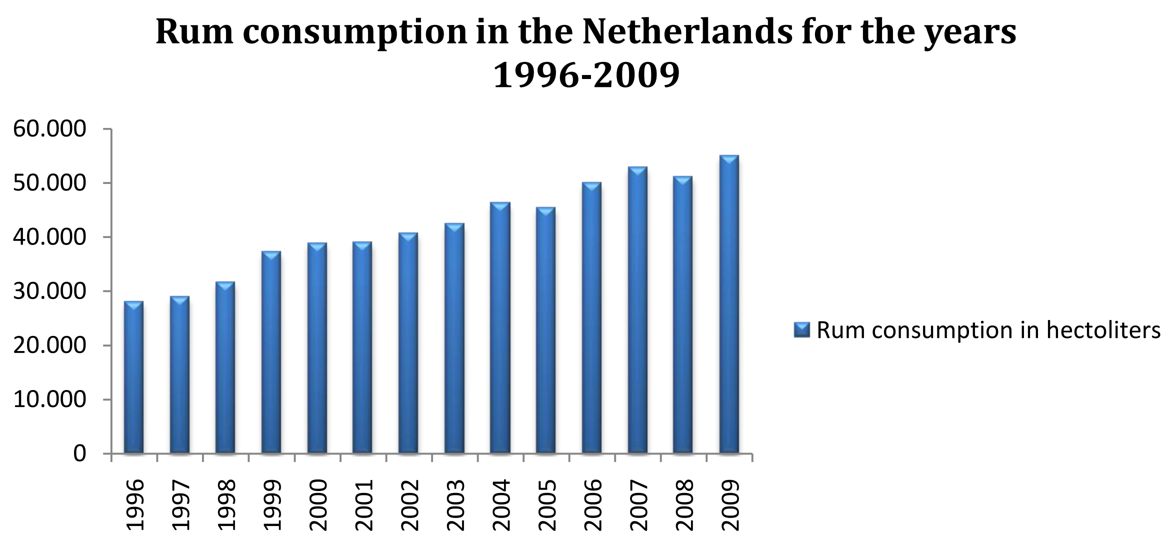
Graph 5.1



The distilled spirits consumption in 2009 in hectoliters for all categories was a combined total of 649,645 hectoliters. For the rum market, the rum consumption in The Netherlands in 2009 totaled 54,945 hectoliters this equals to 8.5% of the distilled spirits market. This shows an upward trend for the Dutch rum market since 2007. In 2007 rum consumption totaled 52,866 hectoliters equal to 7.8% of the distilled spirits market for 2007 and in 2008 rum consumption totaled 51,145 hectoliters equal to 7.7% of the distilled spirits market for 2008.[35] The Dutch rum market had a value of € 155.2 million in 2009, showing a 3.7% CAGR since 2004 in financial terms. In terms of rum consumption in liters the Dutch rum market in 2009 showing a CAGR 3.8% since 2004. The projections for the Dutch rum market in 2014 will be worth € 190.9 million representing a CAGR of 4.2% between 2009 and 2014. The Dutch rum market is lead by light/white rum, representing 90.7% of the total and dark/golden rum the remaining 9.3% in 2009. Bacardi has 72% market share, being the automatic market leader in The Netherlands.[36]

[35] www.slijterijvakblad.nl/statistieken
[36] Euromonitor Dutch Rum Market Report 2011

Chart 5.1



**De Slijterij Vakblad 2009*

Alcoholic beverage with alcohol content above 14% ABV can only be sold in liquor retail stores that carry a license to sell strong alcohol.

5.3 The German Market

Germany is the 62th largest country by land mass in the world. In 2009 the population was 81.8 million inhabitants. According to a recent census conducted by the Federal Statistical Office (Statistisches Bundesamt Deutschland) the population of Germany is showing a dramatic decline, the expected population by 2060 is projected between 70 and 64 million inhabitants. The two main factors for this phenomenon are, low birthing rates and a growing pace of German migration.[37] In 2011 the estimated German population is 81.4 million inhabitants.

Table 5.3

Male	x 1000	Female	x 1000
0-14 years	5,569	0-14 years	5,282
15-64 years	27,227	15-64 years	26,618
65 years and up	7,217	65 years and up	9,558
Total	40,013	Total	41,458

**www.cia.gov/theworldfactbook/Germany*

Germany is the 6th largest economy in the world with an estimated GDP (Purchasing Power Parity) €2,011 billion in 2010. The GDP (PPP) per capita is estimated at €24,420 in 2010 which puts it at number 33 compared to the rest of the world.[38] According to the German Federal Statistical Bureau

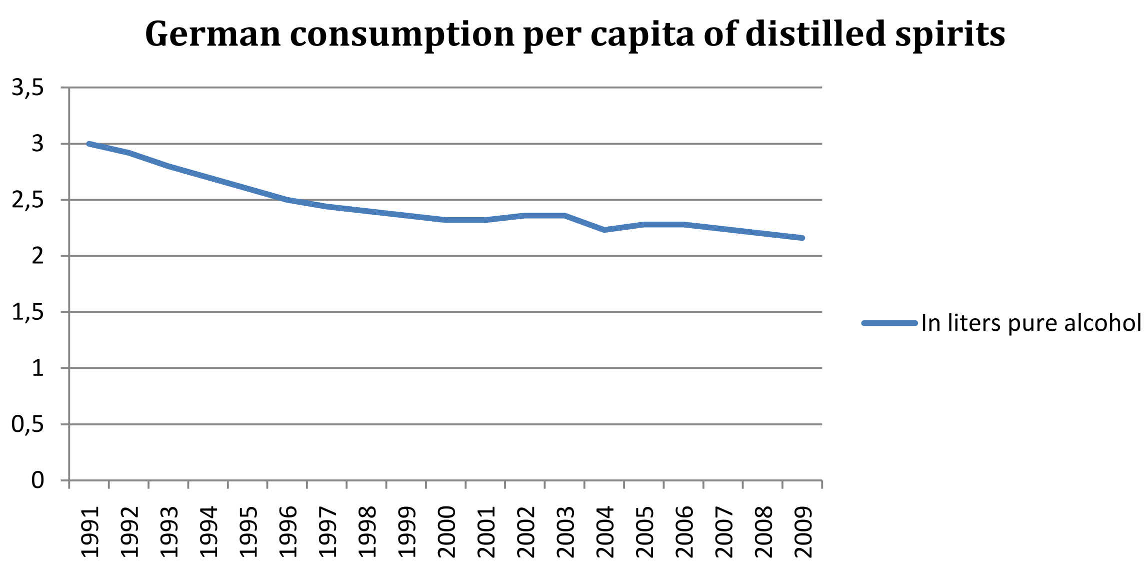
[37] Statistische Bundesamt Deutschland, Germany's Population by 2010
[38] www.cia.gov/theworldfactbook

the German household expenditures for Food and Beverage was an average of 14.3% and for recreational, leisure, restaurant and culture expenditures averaged at 35.6% of the Household income in 2008.[39] German law states that the legal drinking age in Germany for wine, beer and cider is 16 years, for distilled spirits it is 18 years. A growing problem in Germany is the growing rate of alcohol abuse amongst minors. From a survey conducted on 12,448 pupils' grades nine and ten, the regular consumption of beer amongst minors grew from 56.4% in 2003 to 66.8% in 2007. Within the same period spirit consumption also increased 52.6% to 59.9%. Although spirits is prohibited to minors by law 20% of the pupil who were sampled in this survey reported to have purchased spirits in the supermarkets before.[40] The following paragraph will have a closer look at the German rum and spirits market.

5.3.1 The German Rum Market

The German spirit market has seen some unique trends in recent years, as mentioned above due to the abuse of alcohol amongst minors the national committees have implemented a number of measures in terms of how alcohol is sold and marketed. A report released by the BSI-report titled: Entwicklung des Pro-Kopf-Verbrauchs an Spirituosen 2007 in Deutschland und in der EU[41] gives the following description of the consumption in Germany of Distilled spirits. BSI[42] is the equivalent to the Dutch PDCG (Productschap Dranken Commissie Gedistilleerd).

Graph 5.2



**In order to give uniformity to the consumption graphs, the per capita consumption of pure alcohol in finished spirits of Germany have been divided by 2.5 (2.5 x spirit alcohol content of 40% ABV).*

[39] Statistishe Bundesamt Deutschland, Bonn, 2010

[40] Euro Care European Alcoholic Policy Alliance, Germany: Alcohol Consumption among Minors: an endless public health problem, 2008

[41] Source:www.bsi-bonn.de

[42] Bundesverband der Deutschen Spiritosen-Industrie en Importeure e.V.

In 2009 Consumer spending on spirits in Germany reached € 9.2 billion, imports of final product spirits in 2009 reached 2.6 million hl. Spirits tax revenue generated for German government reached € 6.2 billion in 2009.[43] The German rum market is considered the 6th largest rum market globally with a total rum market share of 4.2% with a 3.0% CAGR in consumption terms between 2007 and 2009. The value of the German rum market is € 903.4 million as of 2009, with a negative CAGR of 1.9% since 2004 in financial terms. The outlook for 2014 shows a negative CAGR of -1% for the German rum market with an expected value of € 861 million. The German consumption of rum in 2009 totaled 322,000 hectoliters and is expected to total 301,000 hectoliters in 2014, showing a projected negative CAGR of 1.4% between 2009 and 2014. The German rum market is lead by light/white rum where from the total German rum market white/light rum represents 56.6% of the total value and dark/golden rum represents the remaining 43.4%. In Germany the market leader in the rum market is Bacardi who controls 28.5% of market share.[44] Germany is a large country that can be divided in 8 different regions and consumption varies per region in terms of Spirit consumption and rum consumption in percentage of the average spirit consumption per region.

Table 5.4

German Spirit Consumption of spirits per capita per region including rum percentage		
Region	**Spirit consumption per capita in liters.**	**Rum percentage of total spirit consumption per capita in region.**
Berlin	6.4	5%
North-West[45]	7.3	10%
North-East[46]	11.6	4%
Nordrhein-Westfalen	4.4	7%
Central[47]	4.1	6%
Thüringen/Sachsen	7.8	4%
Baden-Württemberg	3.7	7%
Bayern	3.9	9%

2007 BSI-Report: Development of per-capita consumption Spirits of 2007 in Germany and the EU (January 2009)

As is seen in the table above the German average spirits consumption of 5.6 liters per capita in 2007 has been skewed due to consumption in regions where per capita consumption of spirits are well above average. For the North-West region where consumption per capita was 1.7 liters distilled spirits above the national average in 2007, 10% of the 7.3 liters was consumed in rum. Another interesting region Bayern where although consumption of spirits was 1.7 liters below the national average at 3.9 liters, 9% was consumed in rum. Rum imports for Germany from January through June 2010 have seen a decline compared to the same periods in 2009 according to the Bundesverband Wein und Spirituosen International e.V. In volume of pure alcohol, rum imports for the periods January-June 2010 reached 113,947 hl. in 2009 this was 119,083 hl. showing a decline

[43] Ernst & Young, The contribution of the spirits industry to the EU economy, 2010 report
[44] Euromonitor, German Rum Market Research Report 2011
[45] Schleswig-Holstein/Hamburg, Niedersachsen/Bremen
[46] Mecklenburg-Vorpommeren, Brandenburg, Sachsen-Anhalt
[47] Hessen, Rheinland-Pfalz, Saarland

in volume of 4,3%. In terms of value this has been a decline of 9,6%. In 2010 rum imports for the periods January through June equaled €82.1 million and in 2009 this was €90.8 million.[48] Unlike The Netherlands, the German liquor store market is different in the sense that strong liquor can be sold in food retail stores and is not limited to be sold by stores carrying a specific liquor license like the Slijterijen in The Netherlands. That makes the distribution of spirits much wider and in the case of Tres Hombres Rum, makes the selection of a channel more relevant. It is the case that there are specific stores that sell liquor and wine exclusively, these are the Spirituosengeschäft and Weinhandlung. It must be added that on pricing they are competing with large retailers who have more leverage in terms of bargaining power with suppliers. Although for Tres Hombres Rum, the Spirituosengeschäft would be the best suited retail channels in Germany.

5.4 The Belgium Market

To the south of The Netherlands lies Belgium, a country who's language, economy and industry are closley related to each other. Belgium is the 141st largest country in the world by landmass. As of 2010 Belgium had a GDP (Purchasing Power Parity) of €275.42 billion ranked 31st in the world. The per capita GDP (PPP) in 2010 was € 26,406 ranked 26th in world. The economic growth rate of Belgium in 2010 was 2%[49]. Belgium pupulation according to European Beureau for Statsitics is 10.9 million as of 2011[50].

Table 5.5

Male		Female	
0-14 years	846,706	0-14 years	812,486
15-64 years	3,475,404	15-64 years	3,416,060
65 years and up	783,895	65 years and up	1,096,926
Total	5,106,005	Total	5,325,472

**www.cia.gov/theworldfactbook/Belgium*

The preportion of household spending in Belgium on Food, Alcohol and Tobacco has seen a decline from 17.5% in 2004 to an estimate 16.7% in 2010, with a total value of consumer spending on Food, Alcohol and Tobacco of €28.8 billion in 2010. The major trends in the market of alcohol consumption in Belgium are concentrated in the wine and beer sector. Overall spirit consumption is projected to remain constant with little growth. The underperformance of blended whisk(e)y's and other liquors is projected to be counter balanced with an increase in the performance of rum, vodka and premium branded spirits.[51] As with Germany the major trend in Belgium is the alcohol abuse amongst the youth population. In a research conducted by the European Commision, European barometer 331,"EU Citizens attitude towards alcohol". Legal drinking age in Belgium being 16 years for alcoholic beverages with a alcohol content below 22.0% ABV and 18 for strong destilates.[52] From this research the concensus was that 89% support the increase of the legal serving and selling

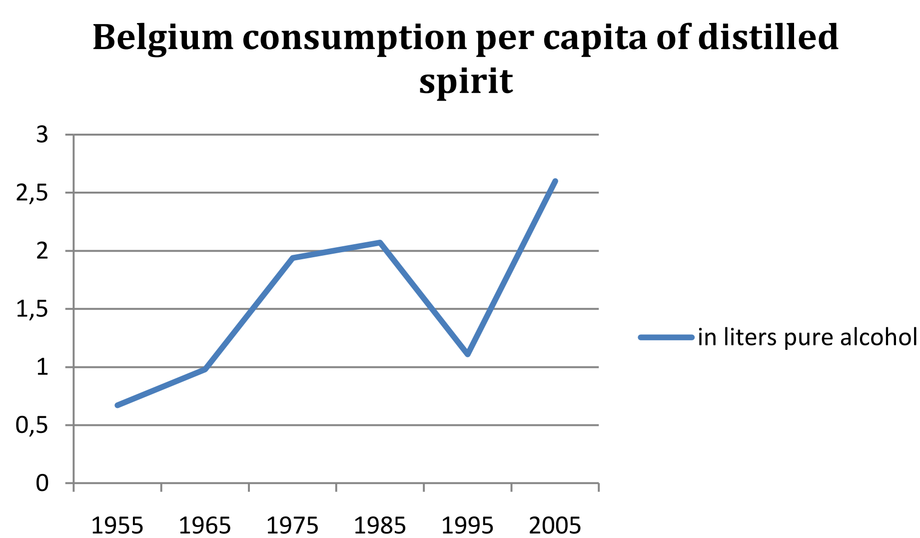
[48] Source:www.wein-spirituosen-verband.de
[49] www.cia.gov/theworldfactbook
[50] http://epp.eurostat.ec.europa.eu/population/database
[51] Economist Intelligence Unit/Consumer Goods/ Briefings & Forecasts/Belgium
[52] Eurobarometer 331, April 2010

age of alcohol to 18 years accross all EU memberstates. Consumer spending on spirits drinks in Belgium in December 2010 reached €1,450 million. Domestic sales of spirits reached 523,900 hl. The government revenues for Belgium directly and indirectly created by the spirits industry have reached €801 million of which excise and VAT have generated € 233 million in 2009. According to a study conducted by Ernst & Young, 70% of all spirits sold in Belgium and Luxembourg which equates to 367,000 hl. are sold in supermarkets and liquor retailers.[53]

5.4.1 The Belgium Rum Market

According to the a World Health Organization report alcohol consumption in Belgium between 2001 and 2005 was 9.8 liters of pure alcohol per capita and has remaind stable according to recent trends. In a report conducted by the European Spirits Organization in 2005 this was 9.3 liters pure alcohol of which spirits contributed to an avarage of 1.3 liters pure alcohol per capita[54]. But according to OECD Database[55], alcohol consumption is on the rise reporting that alcohol consumption in pure alcohol is currently 10.7 liters per capita of which 2.6 liters is contributed by spirits.[56]

Graph 5.3



**Source: World Drink Trends 2004 & OECD Database 2007*

The Belgium rum market was valued at € 51.2 million in 2009, showing a CAGR of 2.5% as of 2004. The projected growth rate for the rum category in Belgium is estimated to be 2.4% CAGR reaching a total value fo €57.6 million in 2014. In terms of volume the Belgium rum market had an overall performance of 2.5 million liters of rum in 2009, showing a CAGR of 2.1% in volume since 2004.

[53] Ernst & Young, The contribution of the spirits industry to the EU economy, 2010 report
[54] European Spirits Organization CEPS, Alcohol consumption per capita in EU25, LPA 2005
[55] OECD: Organization for Economic Co-Operation and Development
[56] www.nationmaster.com/country/Belgium/food, 2011

The projected market volume of rum by 2014 is estimated at 2.8 million liters. This indicates a CAGR of 2.0% between 2009 and 2014. The rum category is lead by White (Sliver)/Light rum with a rum market share of 66.9% and Dark/Gold rum accounting for the remaining 33.1%. The market leader in Belgium is Bacardi Limited with 33.3% market share.[57] Given its French influence there is a high consumption rate of Rhum Agricole in the Belgium rum market. Rhum Agricole falls under the rum category of Dark or Golden rum and as seen in the table above this rum category accounts 33.1% market share. As with Germany, spirits are sold by supermarket retailers, spirit wholesalers and liquor store retailers. As illustrated there is a decline in projected CAGR value of the rum market, on the other hand there is an increase of CAGR in volume, this is a clear indicator that consumers are down-trading in the Belgium rum market to brands positioned at a lower price point.

5.5 Conclusion

From the three markets that were initially chosen to explore the market potential for Tres Hombres Rum, the economic outcomes are all very favourable for the introduction of a specialty good. The economic situation, geographic location, demographic situation and regulatory situation are all closely alligned. When looking at the alcohol consumption rates and specifically spirit consumption in regards to rum the summary gives a clear overview of the more favorable market to concentrate on as can be seen in the the following table:

Table 5.6

Rum market overview of The Netherlands, Germany and Belgium

Country & Year	Value (in million)	Volume (in hectoliters)	White rum market share	Dark rum market share	Value CAGR
The Netherlands *2009*	€ 155.2	54,945	90.7%	9.3%	**3.7%** *(2004-2009)*
2014	€ 191.9	63,000	90.7%	9.3%	**4.2%** *(2009-2014)*
Germany *2009*	€ 903.4	323,000	56.6%	43.4%	**1,9%** *(2004-2009)*
2014	€ 861	301,000	56.6%	43.4%	**-1%** *(2009-2014)*
Belgium 2009	€ 51.2	25,000	66.9%	33.1%	**2.5%** *(2004-2009)*
2014	€ 57.6	28,000	66.9%	33.1%	**2.4%** *(2009-2014)*

**Source: Datamonitor Rum in The Netherlands, Rum in Germany, Rum in Belgium to 2014 Report, January 2011*

Table 4.5 summerises the trends in the 3 markets looked at and gives insight into how the rum category has performed and what the outlook is up to 2014. Relevant points for Tres Hombres Rum that need to be considered are first that the German and Belgium Dark or Golden rum markets are well developed. This indicates that the level of competition and available brands in this rum category are fairly high. Given the vested intrest of industry leaders such as Bacardi, Diageo and

[57] Datamonitor, January 2011

Pernod Ricard with large financial capital behind their strategic brands: Bacardi Gold, Bacardi Dark, Captain Morgans and Havana Club, it will be hard to gain market share without vast financial resources. Another area to point out is that both these markets show negative growth in terms of value. The forcast for Germany for the period 2009-2014 shows a CAGR of negative 1% and for the same period for Belgium a drop in CAGR of 0.1% compared to CAGR for the period 2004-2009. On the other hand the Dutch rum market is showing positive growth in both value and volume. The Dutch rum market is expected to reach a market value of € 191.9 million by the end of 2014 showing a CAGR of 4.2% in value between 2009 and 2014. Another important aspect to consider is that the Golden and Dark Rum category equates to only 9.3% of the rum market share. This indicates that it is highly underdeveloped, offering great growth opportunity for new entrants who wish to enter this segment of the rum category. The market share is an indication that competition should be relatively low for Golden and Dark Rums, allowing great brand building potential for new brands in this rum segment. It is fair to assume that the focus of the large industry leaders are not concentrated yet on this category, which is an advantage for smaller less known brands to gain accsess to a piece of the small marketshare and grow as a brand. The main factor for success is choosing the right position for the new brand; based on price, quality, branding and distribution. Identifying the key segments in the market and the oppropriate distrubution and retail channels is key to building brand position and gaining market share. Since Tres Hombres Rum brand is in its infancy as a brand, it is best for it to focus on the Dutch market and establish a strong market base before venturing into new markets in Europe.

Chapter6. The Selected European Market: The Netherlands

6.1 Dutch liquor store retailers "Slijterijen"

The Dutch spirits market is a very dense spirits market with 26 different categories identified by the Commissie Gedistileerd. Amongst these 26 categories the largest share goes to domestic spirits such as Jong Jenever at 21.6%, Beerenburg 5.9%, Laaggradige Jenever 2.5% and Bessen Jenever 1.6% of the distilled spirits market in 2009.[58] The Dutch liquor retail market can be divided in two categories, retail chain liquor stores and independent liquor store retailers. Combined the total sales revenue the Dutch liquor store industry generated was €1,003.1 million in 2010. The contribution of the two sectors has been €605.6 million for the retail chain liquor stores and €397.5 million for independent liquor store retailers.[59] The following table shows the sales revenue for the Dutch liquor retail stores for the years 2007-2010:

Table 6.1

Sales revenue for the Dutch retail liquor store market in million Euro			
Year	Retail Liquor Stores Chains	Independent Liquor Stores	Total Revenue
2007	555.1	437.1	992.2
2008	587.6	440.2	1,027.8
2009	621.7	441.4	1,063.1
2010	605.6	397.5	1,003.1

*Source:*AC Nielsen*

Between 2009 and 2010 the sales revenues for retail liquor stores have dropped with €60 million in The Netherlands. Another important number to see from the table above is the increase in sales revenue since 2007 for the retail chain liquor stores compared to the decrease of sales revenue for the independent liquor stores. According to the HBD (Hoofdbedrijfscap Detailhandel) as of 2010 The Netherlands counts 2,767 retail liquor stores including liquor stores that form part of supermarkets. The following table shows the number of liquor stores per province in The Netherlands.

Table 6.2

Liquor Store count per province in The Netherlands			
Drente	110	Noord-Brabant	329
Felvoland	51	Noord-Holland	497
Friesland	157	Overijsel	191
Gelderland	360	Utrecht	191
Groningen	113	Zeeland	89
Limburg	125	Zuid-Holland	551

*Source: *HBD o.b.v. CBS en Locatus 2010*

[58] PDCG, Commisssie Gedistileerden, Kerncijfers 2009
[59] AC Nielsen, Slijterij Vakblad 2010

What can be concluded from this table is that in The Netherlands there is 1 retail liquor store for every 6,013 Dutch inhabitants.[60] Among the 2,767 retail liquor stores the top 5 retail chains of liquor stores in The Netherlands are:

1. Gall & Gall with more than 540 stores, 50% of which are held by franchisees. Gall & Gall is owned by the Ahold group.[61]
2. Mitra is the second largest retail chain of liquor stores in The Netherlands counting 320 stores, 70 stores are held by franchisees. From the remaining 250 stores, Mitra will be closing 40 stores between 2011-2013.[62]
3. The third largest retail chain of liquor stores in The Netherlands is Uw Top Slijterij it counts 140 stores nationally.[63]
4. De Wereld van Dranken is the fourth largest chain in The Netherlands counting 100 stores nationally.[64]
5. The fifth largest retail chain of liquor stores is Dirk III, this chain accounts for 60 stores nationally.[65]

The majority of liquor retail store are independent from the retail chains. The retail liquor store chains work with a very structured business model controlled by the corporation. The advantages of the retail chains are:

- Joint purchase gives retail chains high level of leverage and bargaining power with the suppliers.
- Central warehousing and national distribution centers allow for the sharing of high inventory cost.
- High level financial and human resources to monitor market shifts and changes constantly.
- Corporate oversight on efficient operational procedures.
- Joint marketing and promotional campaigns nationwide which increases national exposure.
- Well worked out Category Management programs.

On the other hand the negatives are:

- Selective product range.
- Inflexible for independent or creative marketing and promotional campaigns that might suit a specific regions demographic.
- Direct competition amongst fellow chain retail outlets.
- Operational procedures are very structured and take a lot of time to change or adapt.

In the case of a new brand entering the market it is difficult to supply via to the retail liquor store chains, since purchasing demands are high to stock the national stores. Steady supply is critical for success and since Tres Hombres Rum is working on a once a year Rum Run starting with 5,000 bottles it is difficult to guarantee supply to one of the retail liquor store chains. The best approach for getting the products on the shelves of retail liquor stores is through the independently owned

[60] Hoofdbedrijfschap Detailhandel, 2010
[61] www.ahold.com
[62] www.bndestem.nl, 2011
[63] www.uwtopslijterij.nl
[64] www.dewereldvandranken.nl
[65] www.dirkiii.nl

stores. These stores can decide on their own product range, inventory stock levels, have a say on in-store promotions and install their own in-store category management and plano-grams. Suppliers with a good report with the store owners can secure prime shelf space real-estate that benefits their brands visibility.

6.2 Survey 1: Opinion Leaders, Independent Dutch Retail Liquor Stores

As mentioned at the beginning of this report, opinion leaders were approached to help with one on one interview. These interviews were conducted to gain insight from people within the industry in The Netherlands, people who interact on a day to day basis with end consumers in the liquor market. One opinion leader can be an incredible source of information. However for this report 5 opinion leaders were approached and agreed to their time in order to support this research. The interviews were conducted using 25 open questions in Dutch, in four different provinces in The Netherlands (see Appendix III). The provinces selected for these interviews were; Friesland, Groningen, Noord-Holland and Utrecht. Only independent retail liquor stores were selected. The interview was structured around the following topics:

1. Consumer behavior
2. Product turnover rates
3. Pricing
4. Product range
5. Rum category
6. Promotions
7. Product design
8. Fair transport

Table 6.3

Opinion Leaders				
Store	**Location**	**Established since.**	**Interviewee**	**Position**
Pat's Wine and Whisky	Groningen	2006	Patrick van Sluis	Owner
Hein Post	Groningen	1993	Martijn Pronk	Store Manager
Slijterij Jan Besseling	Utrecht	1973	Maarten Besseling	Owner
Slijterij Topido	Amsterdam	1978	Tom Kats	Store Manager
Wijkoperij Donker	Leeuwarden	1975	Perry van Dijk	Owner

Consumer behavior: The five stores visited all recorded having a high level of return customers, this has a great impact on how they stock and inventory. This influences how they advise their customers on diverse and new products to fulfill their customers' expectations and desires. The busiest days of the week for all five stores were Thursday, Friday and Saturdays. Four of the five opinion leaders admitted that their store inventories were heavily influenced by seasonal changes. Higher sales of spirits are recorded in the winter months for four of the stores.

Product turnover rates: The outcome from the interviews revealed that all five stores received weekly delivery of goods keeping low rates of inventory. According to the interviews conducted the "fast-movers" (products with the shortest turn-over rates) in their inventory belonged to the categories: Vodka, Whisky, Cognac and Luxe Jenever.

Pricing: According to the opinion leaders, the average margin added to the cost price of spirits in their stores ranged between 20% and 50%. The average retail price for aged rum was around €27.00. There were some exceptions where a couple of stores stocked rums in the €175.00 and €200.00 price range.

Product range: All the five opinion leaders interviewed all had balanced product range between wines and spirits. High concentrations for spirits were in the whisky and vodka categories. The rum assortment ranged from 16 different rums up to 200 different rums on offer. Slijterij Jan Besseling had the smallest rum product range with 16 different rums on offer, where Pat's wine and whisky had a variety of 200+ different rums in stock. All five opinion leaders admitted to not have "niche spirits" or "sustainable spirits" within their product range. Only in the wine product range did they carry brands that were organic, biological, Fair Trade or eco-friendly.

Rum category: The inventory levels in the five stores varied in regards to rum. One outcome was evident from all five participants, that rum consumers were very price sensitive, especially when it comes to purchasing rum for mixing. The rum assortments consisted of rums from Latin America, the Caribbean, Austria and Australia. The retail price for 8 year old Dominican rums varied between €17.95 and €26.00. All five stores admitted to be seeing an increase in sales volume of the rum category and all five have experienced a slow steady growth of rum demand.

Promotions: According to the interviews, promotional campaigns are conducted in four of the five stores. These are initiated by either the distributors or suppliers or internally by the store owners or managers themselves. All five stores admitted to see a strong gear from consumers towards promotions. Promotional campaigns used by the five stores were initiated to drive volume sales or to offload inventory. Tastings have become a new strategy implemented by independent retailers in order to educate consumers on the different products and categories of spirits. From the five opinion leaders that were interviewed, three admitted to organize regular small tasting sessions for whisky, rum and wine.

Product design: The general consensus was that consumers are willing to pay a little more for products with a story. The additional costs for this according to the opinion leaders ranged between €1.00 and €2.00 above the standard retail price. Another point that was made was that even in the smaller stores the sales team, store managers or owners do not always have the time to explain the story. Products that are rich in stories must convey that through the product messaging itself. Store personnel are there to help and advise the customer on flavor profile of products. The main success factor for new products entering the market, according to the opinion leaders was the price to quality ratio of these products.

Fair transport: The last topic addressed in the interviews was focused around; sustainable transportation, the concept behind Tres Hombres Rum and Fair transport. The general consensus from all five opinion leaders was that if sustainable transport already existed and had low financial cost it would definitely have a place in the spirits industry. In regards to Tres Hombres Rum all five opinion leaders said that if the quality of the end product was heightened and the cost price was lowered it could be a product to be considered. All five subjects also agreed that the story behind Tres Hombres and Fair transport is good but is slightly too romanticized and needs to be summed up and readily projected through the brand and product presentation.

6.3 Survey 2: Rum Consumer Online Survey

In order to enter a market with a new product and brand, one must first know what the market is like, this report has so far looked at the sector, the category, the global trends in this category, the markets of interest, the market potential and has gained insight from opinion leaders on this idea and concept. In order to understand how consumers think and feel about this concept and idea a online market survey was conducted, where people in general were approached by way of a mailing list from liquor store retailer Pat's Wine and Spirits a pool of 1,700 members and by way of addressing people who know about rum and spirits through LinkedIn group page of Rum Lovers Unite with 117. Combined these groups formed pool of 1,817 members, the response received from this combined pool was 173 completed surveys that equals to a total of 8.8% of the selected pool. Although 9.6% may seem low, the expected response rate for online-questionnaires is usually between 5-40%.[66] The survey was sent out via Zoomerang and consisted of 12 questions (see Appendix IV & V).

Table 6.4

Gender and Age make up of Consumer Survey Responders							
Gender	Age Groups						
	18-25	26-35	36-45	46-55	55-65	65+	Total
Male	14	23	13	18	6	7	81
Female	18	22	15	15	14	7	91
Total	32	45	28	32	20	14	172

As illustrated in the table from the overall response of the consumer survey, only 172 completed the survey including their gender and age group, one survey was returned incomplete of that data. The majority of respondents to the survey belonged to the age group 26-35 years of age. The Survey was designed to get insight to how the pool of participants felt towards spirits, rum, prices, purchase frequency, sustainability principle, and level of financial contribution towards sustainable transportation of a product. In Chart 4.1 one can see that the two categories that were preferred by the participants were Whisk(e)y and Rum. From the respondents 27 male and 20 female chose rum and as preferred choice of spirit. However in Chart 4.2 it is clear that the concentration of participants who prefer rum lies in the age groups of 18 to 45.

Chart 6.1

[66] Journal for Management and Market Research: A comparison of the validity of interviewer-based and online-conjoint
Analyses, Klein, Nihalani&Krishnan, 2008

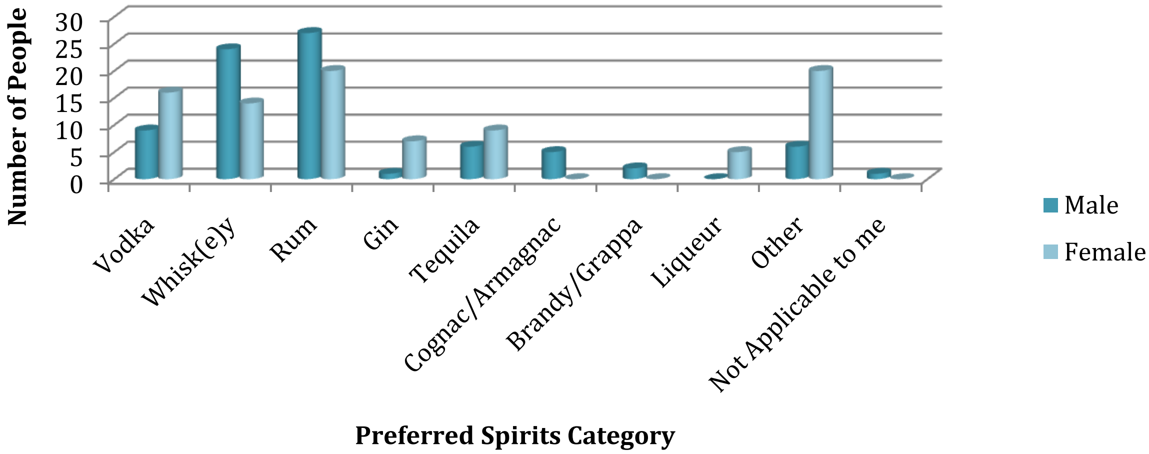
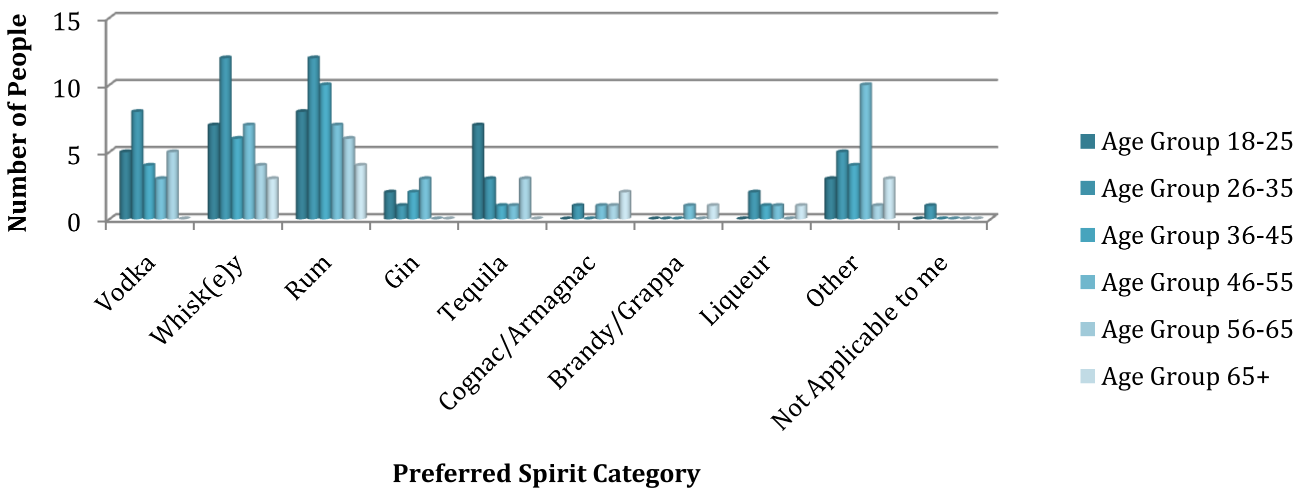
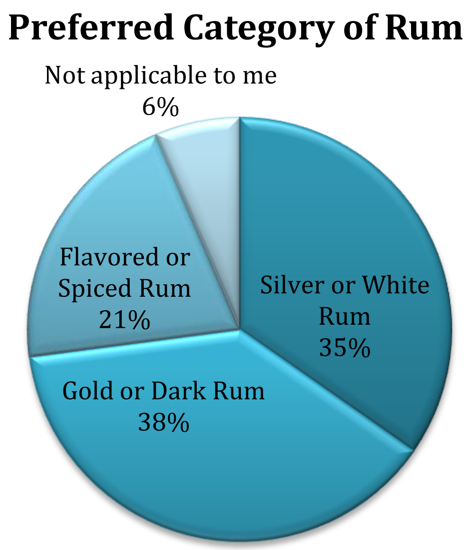


Chart 6.2



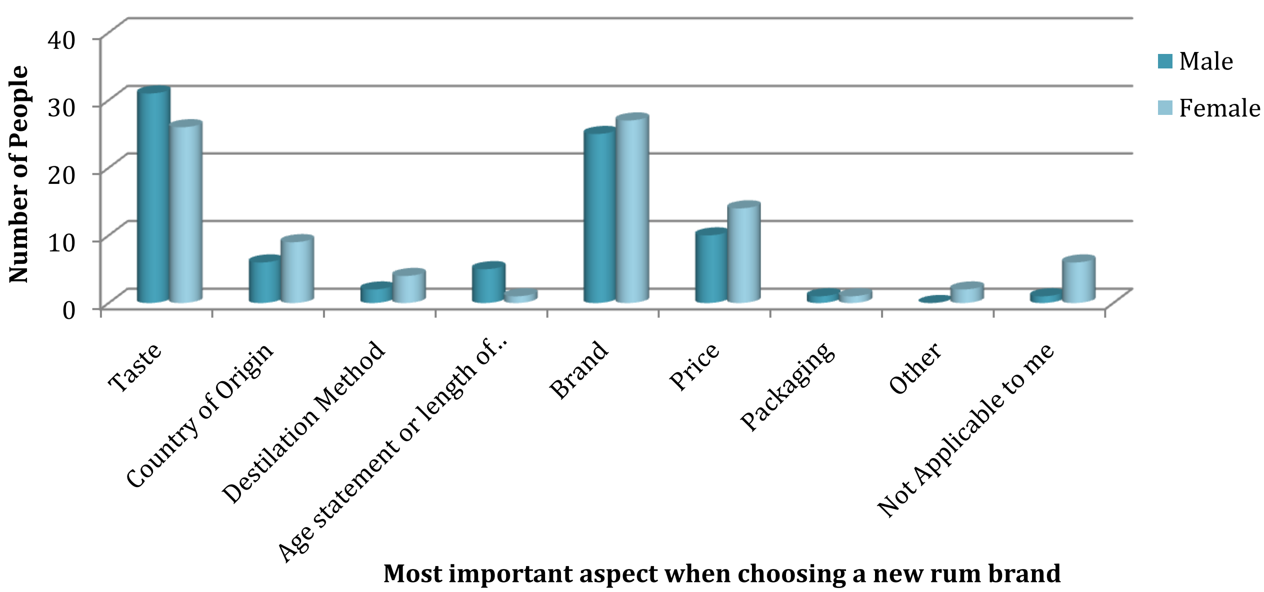
The two charts above give an indication of the spirits category respondents preferred and at what rate based on gender and also in what age groups rum scored the highest. Other factors of interest and asked to all participants was what rum category they preferred when having to choose between: White or Silver Rum, Dark or Golden Rum or Flavored or Spiced Rum. As can be seen in Chart 4.3 is that 38% of respondents chose Golden or Dark Rum and 35% chose Silver or White Rum.

Chart 6.3



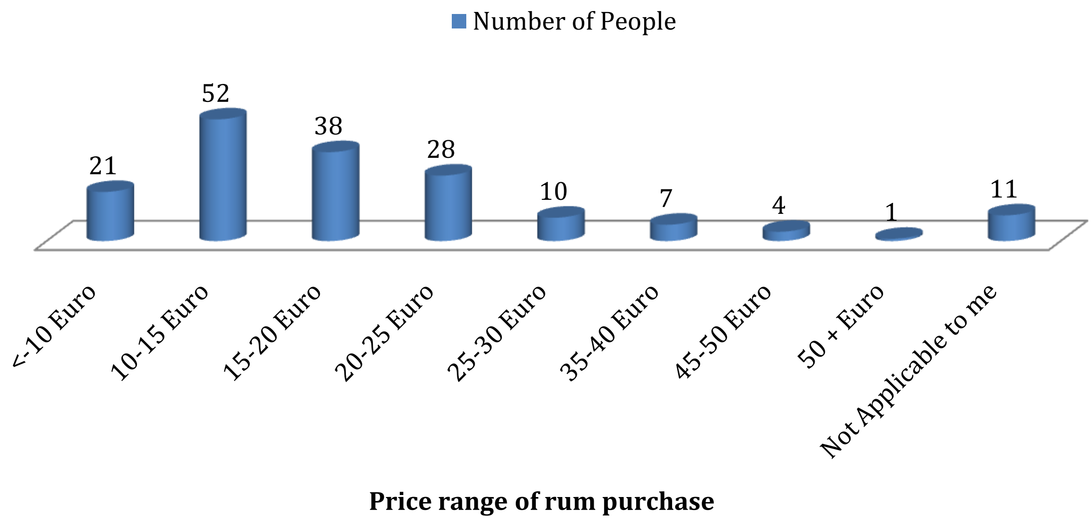
In order to build a brand, companies need to fulfill the core needs of the consumers, identifying the purchase triggers. Understanding what consumers value most or what stimulates consumers to take the step and purchase a product or not. In order to find out what the pool of respondents listed as the most important aspect to purchase a new brand of rum the following answers were recorded.

Chart 6.4



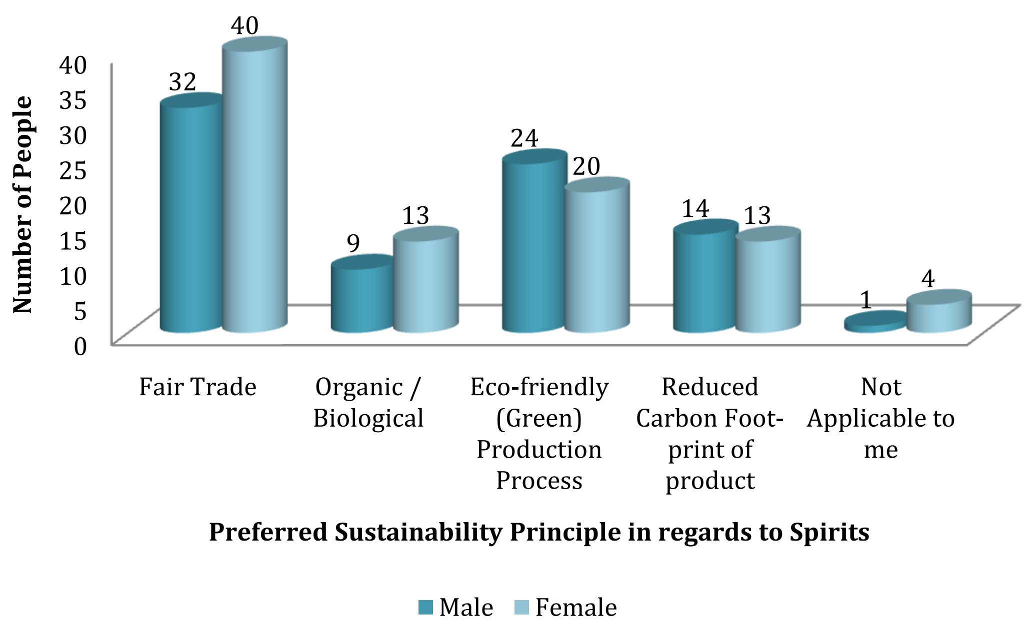
As can be seen in Chart 4.4, the two criteria's chosen as being the strongest motivators to participants were taste and brand, in third place came price. Since brand building relies on certain aspects of a product it is important to know where to focus your product and how to target the market

Chart 6.5



From the survey results 68.3% of respondents selected that they normally purchase rum brands in the price range of €10.00 to €25.00.
Besides the rum consumption and purchase behavior, this survey was also geared towards finding out how participants feel towards sustainability in regards to spirits.

Chart 6.6



From the 170 participants who answered this question in the survey, 72 said that Fair Trade was their preferred choice of sustainability principle in regards to spirits, followed by Eco-friendly (Green) Production Process with 44 participants choosing this option. The Reduced Carbon Foot-print of product which directly relates to Tres Hombres Rum was preferred by 27 participants or 15.9% of the 170 respondents.

In order to find out what the participants thought about sustainable transport which is the unique aspect behind Tres Hombres Rum, the survey asked the following question: *Is sustainability in regards to transportation of products important to you?* The following chart below, Chart 4.7 depicts the answers given by 171 participants, where 53 out of 90 females or 58.8% said yes it is important to them. As for the males 47out of 81 or 58% said yes it is important to them. For these participants the survey has one last question in regards to the financial amount they would be willing to pay additionally for a product with this feature. For the 71 participants who answered No, that was the last question.

Chart 6.7

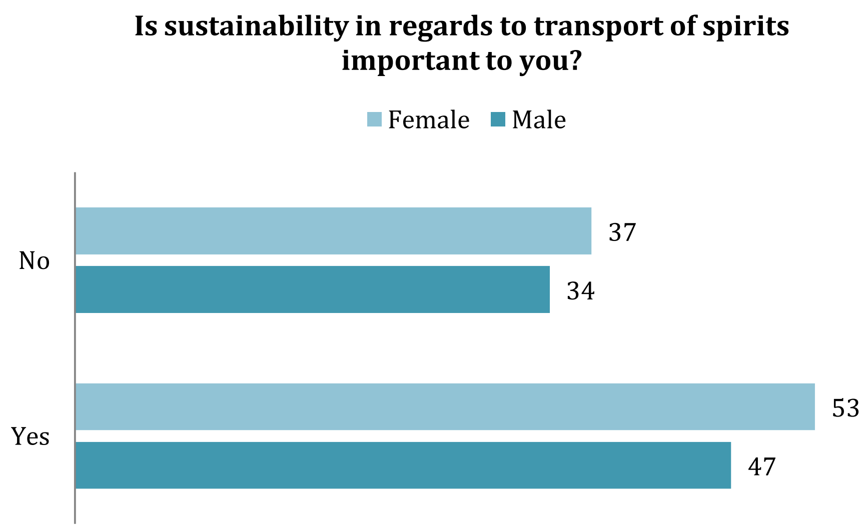
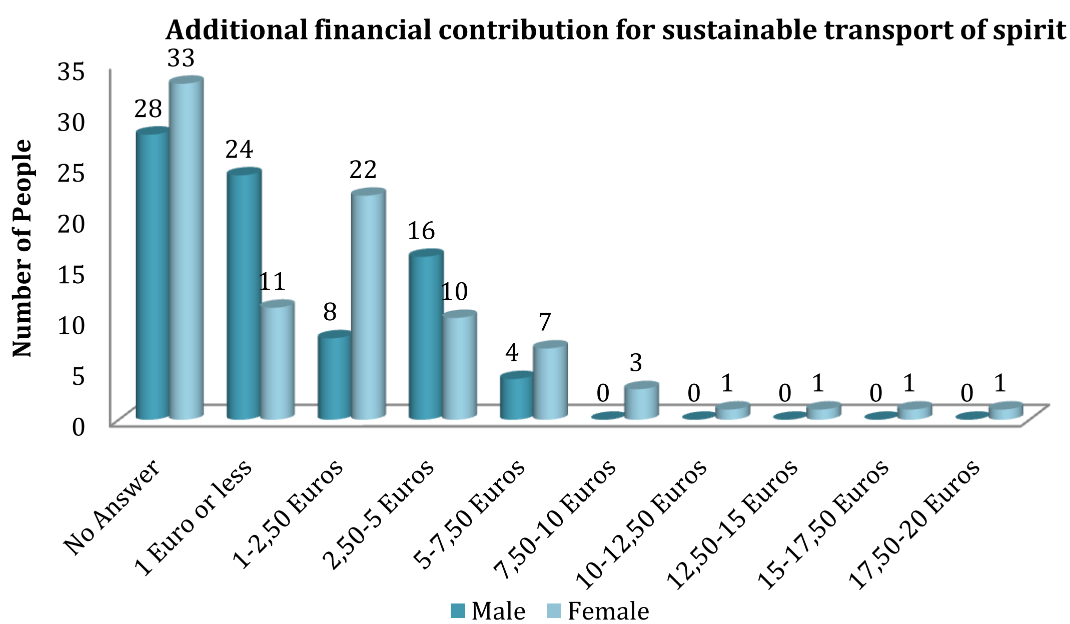


Chart 6.8



As can be read in the table of Chart 4.8 only 109 participants added a financial amount that they were willing to pay additionally for the sustainable transportation of products. From the 109 participants only 6.4% were willing to pay above €7.50 additionally for this added aspect to the product.

6.4 Conclusion

The conclusion that can be drawn from the liquor store retail market is that, for Fair Transport B.V., the independent Dutch retail liquor stores would be the best distribution channels to target in order to bring Tres Hombres Rum to market. Although sales revenue has fluctuated between 2007 and 2010 in this sector, many external factors contribute to this fact. The economic conditions and sale of spirits have declined in Europe overall since 2010 according to Diageo Q3 report Europe sales have declined with 3%[67]. These all have a negative impact on the off-trade sector. One major trend in the European spirits market is a down-trade by consumers. This is experienced in the Western-European markets and in PIGS markets particularly. Down-trading is when consumer substitute premium brands in the same category for brands positioned at a lower price point. These are all factors that contribute to lower sales revenues for independent retail liquor stores.
The reasons why these outlets are a better choice for new brands trying to enter the market, is the freedom of retailers to stock, position and manage the categories within their stores. Being a new brand amongst existing brands with strong marketing support, the right shelf space and positioning becomes vital for the survival and success of a new brand in the spirits industry.
As the opinion leaders have mentioned, they all recorded a high level of loyal customers and this effects how they select new products to stock their stores, since recommending a brand that will satisfy their customer base is vital for return purchases. The core factor for any new product trying to build a brand name recognition and growth are consistency in quality and value for money. Offering the appropriate cost price for retailers is important since their margin varies between 20%-50% on their products and need to be able to keep the retail price for the product in the right range to be able to sell this product to end consumers who are currently price sensitive. Currently similar products in terms of the physical product itself range in the €17.95 and €26.00 if additional costs are added for its sustainability principles, this need to be on par with what consumers are willing to spend.
The story behind Fair Transport and Tres Hombres Rum showed promise amongst the opinion leaders, but the communication of the story needs to be projected through the physical product and needs to stand out amongst its competitors.
From the pool of respondents who participated in the consumer survey, rum scored as the most preferred category amongst both men and woman in the age group of 18-45 years of age. Golden and Dark rum category got chosen by 38% of the participants of survey as mentioned in Chapter 3, the Golden and Dark rum category in The Netherlands only forms 9.3% of the total Dutch rum market and shows room for growth.
The three most important criteria for participants of the consumer survey were:

1. taste
2. brand
3. price

From the pool of participants 68% contested to spend on average between €10.00 and €25.00 on rum. This Signals the fact that the expected price range by consumers for rum lies along these figures.

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[67] www.diageo.com/Interim Management Statement for the nine months ended 31 March 2011

The aspects on sustainability principals in regards to spirits showed an overwhelming majority choice for Fair Trade. This is largely due to the long time existence of Fair Trade and the more recent introduction of carbon foot-print awareness to the global stage. Reduced carbon-foot print of a product scored in third place with 27 participants choosing this principle. On the other hand when asked if sustainability in terms of transport of spirits was important to them, 100 participants answered yes. When it came to the financial contribution participants were willing to pay additionally to a product for a sustainable transportation method, only 109 chose a sum they would be willing to pay additionally. From the 109 participants who would be willing to pay 102 participants chose a contribution of no more than €7.50.

Chapter7. Conclusion

In order to draw a conclusion to this thesis it would be best to answers the sub-questions that have been stated in the research design. These have been the guiding points that have guided the outcome of this report.

Identify the right market for Tres Hombres Rum to enter amongst The Netherlands, Germany and Belgium?

In the Chapter 3, the three potential markets were looked at and evaluated as the potential market for Tres Hombres Rum. The conclusion drawn at the end of that chapter was that at this current point in time in the Tres Hombres Rum brand development stage, The Netherlands would be the best market for the initial introduction of Tres Hombres Rum. The rum market conditions show room for growth in the Golden and Dark rum category, the category Tres Hombres Rum belongs to. The Golden and Dark rum market in The Netherlands is only 9.3% of the total rum market and the Dutch rum market is expected to see a CAGR in value of 4.2% between 2009 and 2014.

Who are the main competitors in the Dutch Golden and Dark rum markets?

The main competitors in the Dutch Golden and Dark rum by volume are:

- Bacardi Limited
- Diageo Plc.
- Pernod Ricard S.A.
- The Edrington Group
- Rémy Cointreau Group
- Suriname Alcoholic Beverages N.V.

The list above depicts the companies who all have strong Golden and Dark rum that all have a high level market penetration in the Golden and Dark Rum Category. The following table gives a listing of all the companies and brands that are available in approximately 75% of the Dutch liquor retail market.[68] Given the product element of Fair Transport, Tres Hombres Rum's direct competitors are "niche spirits" with different principles in regards to sustainability. These are Fair Trade, Organic or Biological spirits. In the case of Tres Hombres it has attached a completely different principle, a unique principle in regards to sustainability that is Fair Transport.

[68] Concurrentie op Nederlandse rummarkt neemt toe, Mei 2006, Slijterij Vakblad

Table 7.1

Holding Company	Golden and Dark rum brand	Average Retail Price
Bacardi Limited	Bacardi Black	€ 15.49/70cl.
	Bacardi Oro	€ 21.99/70cl
	Bacardi Reserva	€ 22.99/70cl.
	Bacardi 8 Años	€24.95/70cl.
Diageo	Captain Morgan Black	€ 19.99 /70cl.
	Ron Cacique Añejo Superior	€ 21.95/70cl.
	Ron Pampero Especial	€ 24.99/70cl.
	Ron Zacapa Solera 23	€ 49.95/70cl.
	Ron Zacapa Solera Reserva15	€ 39.95/70cl.
Pernod Ricard	Havana Club Especial	€ 19.95/70cl.
	Havana Club 7 Años	€27.45/70cl.
The Edrington Group	Brugal Añejo	€ 22.99/70cl.
	Brugal Carta Dorada	€19.95/70cl.
	Brugal Extra Viejo	€24.99/70cl.
Rémy Cointreau Group	Mount Gay Rum	€15.95/70cl.
Suriname Alcoholic Beverages NV	Borgoe 82	€ 16.50/70cl.
	Borgoe Extra	€ 21.99/70cl.
	Borgoe 8 Jaar	€ 31.95/70cl.

How are the distribution networks or channels set up, for spirits in the Dutch spirits markets?

The distribution networks in the Dutch spirits market is complex. It has a supply chain of an average of 3 steps, before the end products reach the end consumers. According to the VIP (Vereniging van Nederlandse Importeurs en Producenten van Gedistileerde Dranken), the majority of suppliers have either a foreign office here in The Netherlands or an official distributor that is responsible for the importation of the different brands within the different portfolios. These are then sold by the supplier to national distributors or wholesalers (Groothandel) for the independent liquor retailers like: De Monnik, HAROMEX or Henk Smit Amsterdam. In the case of retail liquor store chains, suppliers sell directly to the distribution centers for the retail liquor store chains such as Gall&Gall, Mitra and DirkIII. For the independent retail liquor stores orders are made directly to an independent distributor. As for retail liquor store chains orders are made directly to the national distribution centers. Independent retail liquor stores usually have more than one supplier; retail liquor store chains have exclusively one supplier. Another method, independent retail liquor stores reduce cost price on their inventory in The Netherlands is through joint purchasing. This method is when a number of independent liquor retailers, cooperate together when purchasing spirits in order to increase their bargaining power with the suppliers/distributors.

What is the market trend in The Netherlands for Rum?

The current market trend for rum in The Netherlands is one of growth in the category. It has seen a CAGR since 2004 and is expected to continue in this trajectory. Given the constantly growing portfolio of available Golden, Dark and Aged rum in The Netherlands is an indication of consumers exploring this rum category and its growth potential. Aged rum is on average in a lower price range then single malt Scotch whisky. What consumers are growing to understand and what the industry leaders hope to develop with the rum category, is the awareness of the vast complexities that aged rum has to offer at affordable prices. Given the economic conditions in Europe, Dutch consumers are also gearing more towards promotional campaigns and down-trading towards more affordable, value/quality brands.

What is the market trend in The Netherlands for sustainable products?

Sustainable products are seeing a rapidly growing trend in The Netherlands. Consumer spending on sustainable products has grown from €46.3 billion in 2009 to €46.9 billion in 2010. In the Dutch supermarkets an ever growing product range is coming to market in the Biological/Organic and Fair Trade categories. The social awareness towards carbon-foot print is also a growing trend in The Netherlands. Consumers are gearing more towards regional products (streek produkten) in order to curb the carbon-foot print of their diets. Green energy is a growing energy market in The Netherlands by way of large wind farms being installed throughout the country. So there is a strong and growing demand for sustainable products in The Netherlands. Certainly this must also be able to translate in the spirits sector's fastest growing category, rum.

Chapter8. Recommendation

Given the outcome of this research the main area of focus for any start up brand in the spirits industry, is an emphasis on brand building. Entering a new market with a new product that faces competition it is essential to have a strong brand in order to thrive or even survive. The main research question for this report is directly correlated to the recommendation that would is given to Fair Transport B.V.

Main research question:

What is the best method for Fair Transport B.V. to enter the spirits retail markets with Tres Hombres Rum?

The answer to this question is worked out using The Five P's of the Marketing Mix, as was mentioned in the conceptual model in order to break-down the answers in every aspect. The Marketing Mix is also applied in the order of importance, starting with product being the most important area of focus; the product is the core of every brand.

1. Product
2. Price
3. Place (Distribution)
4. Promotion
5. People

Product: When it comes to the spirits industry, one aspect is constantly focused on by spirits companies and that is brand building.[69] This refers to the physical attributes of the product, the category, the brand name recognition, the segment of the market, the target group it wishes to cater to etc. But in order to achieve all that and carve out a piece of the market share for the brand, the product needs to have the right price to quality ratio.[70] Given the product Tres Hombres Rum is produced by Mardi S.A. it would be wise to maintain the same distiller as supplier of this rum in order to keep the quality consistent. The results from the consumer survey revealed that taste is the most important aspect when purchasing a new brand of rum. Labels and bottle seals (corks, screw-tops etc.) could better be sourced in Europe for a guarantee of high-quality. These can be sent or taken to the Dominican Republic on the rum run and given to Mardi when bottling the product. In order to for Tres Hombres Rum to stand out on the shelves next to Captain Morgans, Zacapa, Havana Club, Brugal etc. the products physical attributes need to be enhanced. When sitting on a shelf next to Zacapa that has a hand woven straw band around every bottle, where Brugal extra Viejo comes with yellow rope woven bag covering every bottle, it is critical to stand out. According to the opinion leaders the products quality to price ratio is currently off balance in its presentation.

Recommendation: maintain rum quality consistent by maintaining one supplier, increase quality of labeling and sealing of bottles and increase presentation of the end-product in order to stand out amongst competing brands.

[69] Exclusive Interview: Mr. Roberto Garcia Botrán, President of ILG (Ron Zacapa), Got Rum? Magazine, August 2011
[70] Ketel One Vodka Article; "Find a hole and fill it";brand building, 2010

Price: When entering a new market the price make-up is extremely important for the overall success of a product. No more so is this a critical factor in the spirits industry. The spirits industry segments the market into different classifications based on price and quality. These classifications are: Ultra Premium, Super Premium, Premium, Standard etc. As mentioned above the price to quality ratio determines the classification of the product. If we consider the price of other "niche spirits" reported in Table 1.3 the average retail price per bottle was €36.10, but is slightly skewed by two highly priced products in super premium price ranges. However when looking at the four premium products, the average price amounts to €26.77. According to the opinion leaders, premium 8 year old Dominican rum brands price range in their stores between €17.95 to €26.00. From the participants in the consumer survey, 68.3% said they normally purchase rum in the €10.00 to €25.00 price range. The opinion leaders believed that consumers would be willing to pay between €1.00 and €2.00 additionally for the Fair Transport aspect of the rum. From the consumer survey the majority said that they were willing to pay below €7.50 additionally for the Fair Transport aspect of a spirit product. Given the margins added by retailers of 20% to 50% the initial profit-margin of Fair Transport need to be lowered in order for Tres Hombres Rum to gain access to the market.

Recommendation: lower wholesale price to retailers in order to position Tres Hombres Brand in alignment with main competitors in the same classification and lower recommended retail price in order to appeal to end consumers.

Promotion: Brand building is all about the message the brand wishes to evoke to its end consumers. What brand stands for and the target group it wishes to address needs to be established and maintained. Sending the same message through different mediums over and over again will keep the product in consumers' minds. The use of press releases in print media works effectively in intervals throughout the year. Although one strategy that could be very effective is publishing stories and promotions in trade magazines in the alcoholic beverage industry as well as journals directed towards sustainability. Conventional media through film also helps keep the consumers engaged. But social media marketing has become an incredibly powerful tool for new brands to build brand awareness and brand loyalty on a day to day basis.
New beverage brands alcoholic and non-alcoholic are all actively using the internet and social media channels to build their new brands. There are effective free tools that can be activated in relatively short periods of time with minimal effort and at extremely low costs, some of the most commonly used tools are:

- Facebook
- Twitter
- LinkedIn
- Youtube/Google
- Hyves

With the rapid speed that smartphones are entering the market these social media platforms have grown exponentially in reach. Actively promoting Tres Hombres Rum via these channels will keep the updated new in circulation and can attract new consumers who share in the brand message. This creates a snowball effect reaching international appeal that can be the catalyst for future growth into new markets.[71] According to the Harvard Business Review, by communicating with just 140 characters or less, using Twitter can help new businesses build connections with new

[71] Social Media Report: Part 1:The Landscape from Facebook to Twitter, Part 2: Influence on Business and Driver of Online Advertising, Part 3: PepsiCo, Unilever Aim to Connect with Consumers, 2011

consumers.[72]In a recent article, Reuters stated that Twitter has currently more than 200 million active accounts.
Product communication must also be improved; most brands with a unique story incorporate a little folder with every bottle to tell the consumer a little more about the products origin and what the brand stands for. Tres Hombres Rum has a very unique story to tell consumers, the product idea is based around this fact of telling a story about carbon emission and how sea transport can be changed in order to curb that. It is the perfect way of reaching at the heart of the issue uniquely attached to a bottle of rum. This romantic idea fits perfect with the old saying; Message in a Bottle.

Recommendation: Continuous brand messaging through print and film media throughout the year, social media platforms for day to day brand building, direct product messaging through folders included with bottle to convey brand message to consumers.

People: It is the people behind products that build brands. Today when you hear the word Virgin, you automatically think of Richard Branson, Apple is synonymous with Steve Jobs and Microsoft one thinks immediately of Bill Gates. The face behind the brand is a unique way of making a product personal. Tres Hombres Rum and Fair Transport B.V., is sitting on a unique asset of having three young Dutch sailors who decided that sea transport can be done differently. The way they decided to initiate the conversation with consumer on carbon emission is by introducing their own brand of rum named after their restored sailboat. It is a marketers dream. The three founders; Arjen, Jorne and Andreas need to become the face people associate with Tres Hombres Rum. There is a practice known as “walking the market”, this in the spirits industry is the task of going out into the market and personally promoting the brand. This is means going out and engaging people in a conversation about your product. Most brands when starting out do not have the financial resources to hire sales agents, so if the resources are not there then it’s up to the *tres hombres* to promote Tres Hombres Rum, but it’s important that retailers and consumers attach a face to the brand and brand message.

Recommendation: Live the brand; create brand association with the three men who started the brand, walk the market and become the face of Tres Hombres Rum.

Place (Distribution): Accessing the Dutch market with 5,000 bottles of rum requires a specific strategy. The best way to gain access when entering the market with a new product is through exclusivity. Offering independent retailers in densely populated towns is an ideal strategy for Tres Hombres Rum to enter the market. Provinces with the highest number of liquor stores are competing strongly with one and other and need to gain competitive edge where ever they can find it. By offering exclusivity to particular retailers in provinces that are saturated with liquor stores Fair Transport can increase the appeal of Tres Hombres Rum to retailers. The off-trade (retail) is the best place for a product like Tres Hombres Rum to enter the market, this product requires consumers to take time and understand the reason why this rum was brought to market and what Fair Transport stands for. Direct supply to retailers is the best method for Tres Hombres Rum to be distributed. Decreasing the links in the supply chain helps keep the cost-price down in order to keep the retail price down. With an inventory of 5,000 bottles it is not logical to use a an intermediary to distribute and store the products, this will only lower the wholesale price that can be offered to distributors and will increases the cost-price for retailers who in turn have to add their profit margins. On a sheer volume baseline, 5,000 bottles is not enough to involve a middleman between retailers and Fair Transport B.V.

[72] Customer Focus: Harvard ManageMentor, 2010

Recommendation: Target independent retailers in densely populated and highly saturated liquor store markets and offer exclusivity, supply retailers directly in order to keep wholesale price low.

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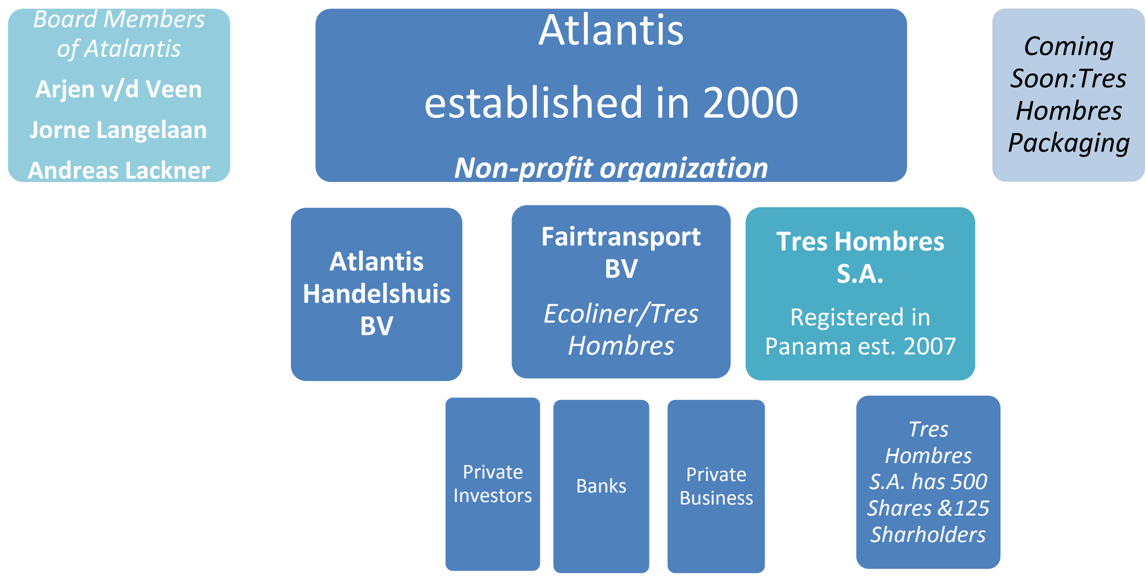
- Mr. Tom Kats, Amsterdam, July 2011
- Mr. Maarten Besseling, Utrecht, July 2011
- Mr. Perry van Dijk, Leeuwarden, June & July 2011

Appendix I:

The company structure



Atlantis organizational structure 2011

<u>Appendix II</u>

Survey 1: Opinion Leaders (English)

Name of Store:

Name Interviewee:

Position:

Date of establishment:

Store location:

1. What are the current trends you have observed in the consumer behavior of customers who visit your store?
2. Do you have a high rate of return customers?
3. Which spirit category has seen the most growth in sales volume in your store, in your opinion?

4. What kind of promotional campaigns do you do with in your store?

5. Are these promotions initiated by you or by your suppliers?

6. What are your busiest days of the week?

7. Is your inventory influenced by seasonal changes?

8. Which spirit category has your fast-movers?

9. How often do you receive new orders of inventory?

10. How big is your assortment of Rum?

11. What are the countries of origin of these Rum brands?

12. What is your average price range for your Rum products?

13. Are your Rum consumers price sensitive in your opinion?

14. Do you have a product range of niche spirits with emphasis on sustainability?

15. If so what are they?

16. What is your average retail price point for an 8 Year old Dominican Rum?

17. What is your mark-up on your aged Rum products?

18. Do you believe your consumers are willing to pay more for a product with a story?

19. If so, how much more do you think they are willing to pay for such products?

20. What are your views on sustainability in terms of transportation of spirits from their country of origin?

21. Have your heard of the Dutch company Fair Transport B.V. and their rum brand Tres Hombres Rum?

They are an import company with a focus on sustainability. They transport Rum from the Dominican Republic by way of a restored merchant sail ship. The transportation from the Dominican Republic to The Netherlands is completely neutral of CO2 carbon emissions. The Rum is an 8 year old, Solera Gran Anejo Rum from the Dominican Republic. It retails at a retail value of €39,95. The Rum is the vehicle with which the message of sustainable ocean transportation is communicated to the public. The company was established by three young Dutch sailors who are ranking captains in maritime transport.

22. What are your thoughts on this concept?

23. Do you have any suggestions on how this product can be best marketed and distributed throughout The Netherlands?

24. Do you see room within your Rum assortment for a product like Tres Hombres Rum?

25. How do you see the future of the Rum category within The Netherlands?

Thank you for your time and effort.

Appendix III

Survey 1: Opinion Leaders (Dutch)

Naam:
Functie:
Datum van oprichting:
Store locatie:

1. Wat zijn de huidige trends die u hebt waargenomen in het koopgedrag van de klanten die uw winkel bezoeken?

2. Hebt u een hoog niveau vaste klanten?

3. Welke categorie gedistilleerde dranken vertoont de meeste groei ten opzichte van de omzet in uw winkel?

4. Wat voor soort promotiecampagnes voert u in uw winkel?

5. Zijn deze promoties geïnitieerd door u of door uw leveranciers?

6. Wat zijn uw drukste dagen van de week?

7. Is uw voorraad beïnvloed door seizoensgebonden veranderingen?

8. Uit welke gedestilleerde categorie komen uw fast-movers vandaan?

9. Hoe vaak ontvangt u nieuwe orders aan voorraad?

10. Hoe groot is uw assortiment aan Rum?

11. Wat zijn de landen van herkomst van de verschillende merken Rum?

12. Wat is uw gemiddelde prijsgroep voor uw Rum producten?

13. Zijn uw Rum consumenten prijsgevoelig?

14. Heeft u een assortiment van “niche spirits” met de nadruk op duurzaamheid?

15. Zo ja, welke zijn dit?

16. Wat is uw gemiddelde verkoopprijs punt voor een 8 jaar oude Dominicaanse Rum?

17. Wat voor marge behaalt u op de kostprijs van uw Rum producten?

18. Denkt u dat uw consumenten bereid zijn meer te betalen voor een product met een verhaal?

19. Zo ja, hoeveel meer denkt u dat ze bereid zijn te betalen voor zo’n product?

20. Wat is uw mening over duurzaamheid ten opzichte van transport van geimporteerde gedistilleerde dranken?

21. Hebt u gehoord van het Nederlandse bedrijf Fair Transport BV en hun rum merk Tres Hombres Rum?

Fair Transport BV. is een import bedrijf met een focus op duurzaamheid. Ze verschepen Rum uit de Dominicaanse Republiek door middel van een gerestaureerd schoenerbrik zeilschip. Het vervoer van de Dominicaanse Republiek naar Nederland is volledig neutraal van CO2-uitstoot. De Rum is een 8 jaar oude, Solera Gran Anejo Rum uit de Dominicaanse Republiek. De verkoopprijs voor de eindconsument is geplaatst rond de € 39,95. De Rum is het communicatiemiddel waarmee de boodschap van duurzam vrachtvervoer wordt meegedeeld aan het publiek. Het bedrijf werd opgericht door drie jonge Nederlandse zeilers die kapiteins in het zeevervoer zijn.

22. Wat zijn uw gedachten over dit concept?

23. Heeft u suggesties over hoe dit product het beste kan worden verkocht en gedistribueerd door heel Nederland?

24. Ziet u ruimte in uw Rum assortiment voor een product als Tres Hombres Rum?

25. Hoe ziet u de toekomst van de Rum markt binnen Nederland?

Indien u nog additionele opmerkingen heeft, kunt u die hier invoeren:

Appendix IV

Survey 2 Rum Consumer Online Questionnair[73]

1.Sex

- M
- F

2. Age group

- 18-25
- 26-35
- 36-45
- 46-55
- 56-65
- 65 +

[73] http://www.zoomerang.com/Survey/WEB22CT6FMG7N5

3. Educational background

- High-School
- Bachelors
- Masters
- PhD

4. Which alcoholic category do you normally consumer?

- Vodka
- Whisk(e)y
- Rum
- Gin
- Tequila
- Cognac / Armagnac
- Brandy / Grappa
- Pastis
- Liqueur
- Other
- Not applicable to me

5. How often do you purchase a 70cl. bottle of a distilled spirit per month?

- 1
- 2
- 3
- 4
- 5
- 5+
- Not Applicable to me

6. Do you frequently purchase rum?

- Yes
- No

7. Which rum category do you prefer?

- ○ Silver / White Rum
- ○ Gold / Dark Rum
- ○ Flavored / Spiced Rum
- ○ Not Applicable to me

8. In what price range do you normally purchase rum?

- ○ <- 10 Euro
- ○ 10 to 15 Euro
- ○ 15 to 20 Euro
- ○ 20 to 25 Euro
- ○ 25 to 30 Euro
- ○ 35 to 40 Euro
- ○ 40 to 45 Euro
- ○ 45 to 50 Euro
- ○ 50 Euro +
- ○ Not Applicable to me

9. What is the strongest motivation when choosing a new rum?

- ○ Taste
- ○ Country of Origin
- ○ Distillation method
- ○ Age Statement or length of aging period
- ○ Brand
- ○ Price
- ○ Packaging
- ○ History of the product
- ○ Other
- ○ Not Applicable to me

10 .When purchasing new distilled spirits which of the following sustainability principles appeals the most to you?

- ○ Fair Trade
- ○ Organic / Biological

- Eco-friendly (Green) Production Process
- Reduced Carbon Foot-Print of Product
- Not Applicable to me

11. Is sustainability in regards to transportation of distilled spirits important to you?

- Yes
- No

12. If you answered YES to Question 11, how much more would you be willing to pay additionally to the end product for clean transportation?

- 1 Euro or Less
- 1 to 2,50 Euro
- 2,50 to 5 Euro
- 5 to 7,50 Euro
- 7,50 to 10 Euro
- 10 to 12, 50 Euro
- 12,50 to 15 Euro
- 15 to 17,50 Euro
- 17,50 to 20 Euro
- 20 to 22,50 Euro
- 22,50 to 25 Euro
- 25 Euro or More

Appendix V

Survey 2 Rum Consumer Online Questionnaire (Dutch)[74]

1. Sex

- M
- V

2. Leeftijd Groep

- 18-25
- 26-35

[74] Zoomerang Rum&Duurzaamheid Consumer Survey: http://www.zoomerang.com/Survey/WEB22CT86WH9E8

- 36-45
- 46-55
- 56-65
- 65 +

3. Onderwijs niveau

- Middelbare School
- Bachelors
- Masters
- PhD

4. Welke categorie gedistilleerde drank drinkt u het liefst?

- Vodka
- Whisk(e)y
- Rum
- Gin
- Tequila
- Cognac / Armagnac
- Brandy / Grappa
- Pastis
- Liqueur
- Overige gedestilleerd
- Niet van Toepassin

5. Hoe vaak koopt u een 70cl. fles gedistilleerde drank per maand?

- 1
- 2
- 3
- 4
- 5
- 5+
- Niet van Toepassing

6. Koopt u rum?

- Ja
- Nee

7. Als u rum koopt, welke koopt u liever?

- Silver / White Rum
- Gold / Dark Rum
- Flavored / Spiced Rum
- Niet van Toepassing

8. Als u rum koopt, in welke prijsgroep koopt u?

- <- 10 Euro
- 10 tot 15 Euro
- 15 tot 20 Euro
- 20 tot 25 Euro
- 25 tot 30 Euro
- 35 tot 40 Euro
- 40 tot 45 Euro
- 45 tot 50 Euro
- 50 Euro +
- Niet van Toepassing

9. Wat is voor u de belangrijkste reden om een rum te kiezen?

- Smaak
- Land van herkomst
- Destilleer process
- Leeftijd / Jaren op houten vat
- Merk
- Prijs
- Verpaking
- Geschiedenis van het product
- Overige reden

- Niet van Toepassing

10. Bij het kopen van gedistilleerde dranken, welke van de volgende duurzame productiemethoden zou voor u interessant zijn als consument?

- Fair Trade
- Organisch / Biologisch
- Milieu Vriedelijk Productie Process (Groen-Productie)
- Verminderde Ecologische Voetafdruk van Product
- Niet van Toepassing

11. Is duurzaamheid ten opzichte van transport van gedistilleerde dranken voor u belangrijk?

- Ja
- Nee

12. Indien u vraag 11 met **JA** hebt beantwoord, wat voor financiele waarde zou u aan een fles drank scheppen, om het product op een duurzaam manier te transporteren?

- 1 Euro of minder
- 1 tot 2,50 Euro
- 2,50 tot 5 Euro
- 5 tot 7,50 Euro
- 7,50 tot 10 Euro
- 10 tot 12, 50 Euro
- 12,50 tot 15 Euro
- 15 tot 17,50 Euro
- 17,50 tot 20 Euro
- 20 tot 22,50 Euro
- 22,50 tot 25 Euro
- 25 Euro of Meer
- Niet van toepassing

Appendix VI

Planning

Week #	Week 14	Week 15	Week 16	Week 17	Week 18	Week19
Task	*Get Thesis Approval *Continue carrying out desk research *Start Introduction chapter	*Continue Introduction chapter *Start analyzing desk research *Start Literature Review	*Continue Literature Review	*Finalize Literature Review *Start Methodology Chapter	*Conduct literature Business Research Methods	*Re-write Thesis Proposal

(THR refers to Tres Hombres Rum)

Week #	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25
Task	*Hand in re-written thesis proposal *Discuss new Thesis Structure and design	*Continue & Conduct Secondary qualitative research: Market Size/ Sub-question 1. *Start/Continue Market Size Chapter *Continue & Conduct Secondary qualitative Research: Market share/Sub-question 2. *Start/Continue Market Share Chapter	*Conduct Secondary qualitative research: Distribution channels/ Sub-question 3. *Start Distribution Channel Chapter *Conduct Secondary qualitative research: Market growth rate/Sub-question 4&5 *Start Market growth rate Chapter	*Continue Secondary qualitative research: Market growth rate/Sub-question 4&5 *Start Market growth rate Chapter *Conduct Secondary qualitative research: External factors/Sub-question 4&5 *Start External factors Chapter	*Continue Secondary qualitative research: External factors/Sub-question 4&5 *Start External factors Chapter *Review Secondary qualitative research. *Hand in draft and discuss research midpoint.	*Improve work on draft and make if needed corrections *Design survey questionnaires: **Survey 1** & **Survey 2**, with translated versions. *Test **Survey 1**& **Survey 2.**

Week #	Week 26	Week 27	Week 28	Week 29	Week 30	Week 31
Task	*Start and finalize in person survey interview of **Survey 1** and handout **Survey 2** in The Netherlands.	* Continue in person survey interview of **Survey 1** and handout **Survey 2** in The Netherlands	* Retrieve Survey results for both surveys in The Netherlands *Start and finalize Data-Set for SPSS of **Survey 2**	*Run test in SPSS for **Survey 2**	*Report results from primary qualitative research and ad to Chapters *Compare results with secondary qualitative research and draw conclusions	*Finalize answers for sub-questions *Answer **Main Research Question** *Finalize and hand in first draft of thesis

Week #	Week 32	Week 33	Week 34
Task	*Get Feedback on first draft of thesis *Start re-write and corrections of thesis	*Finalize re-write the final version of thesis *Hand in final version of thesis *Start preparations for thesis defense and thesis presentation	*Prepare thesis presentation *Present thesis

Organization

In order to maintain a productive and efficient work process towards the completion of this thesis and to maintain the projected planning on schedule, author (Garrett Koolman, 81585) will be working mostly at Stenden and Van Hall, and occasionally go in at Willemsoord, to give Fair Transport B.V. updates on market research progress. During the weekends, author will work from home in Leeuwarden. Meetings will be scheduled with mentor for face-to-face briefings, updates and guidance at Van Hall Larenstein. Weekly e-mail updates will be drafted and sent to mentor in order to keep the thesis progress documented. Mentor will visit company: Fair Transport B.V. during the course of the thesis to monitor author's progress and dedication.

Budget

Since the literature and case studies that will be used for this thesis can be found online, at the Fair Transport B.V. head-office, Stenden & Van Hall Larenstein libraries and from authors own literature collection, desk research will be free of charge. For additional books public libraries will be visited. For specific books related to the thesis topic available through purchase only, author has budgeted approximately €100.00-€150.00. Transportation cost are yet hard to determine, depending on the decision to reach directly connected cross-border consumers to fill in the questionnaire in-person if online surveying yields little result. Traveling domestically to and from between Leeuwarden and Den Helder will not incur cost due to the fact that author has student travel card (OV-studentenkaart). Phone expenses will have to be considered and discussed with Fair Transport B.V. whether they can be conducted at the office for phone interview surveys with liquor retailers and distributors who are too far to reach. The last expense for finalizing this thesis will be the cost of printing and binding in the thesis. For this expense author has budgeted €50.00 - €75.00 sparing no expenses to delivering a professional research report.

Appendix VII

IWSR Top 50 international spirits brands ranking by volume 2011

Top 50 international spirits brands						
Rank 2010	2011	Brand	Category	Volume 2010	Volume change 2010 on '09	% change 2010 to '09
1	1	Smirnoff Vodka	Vodka	24,413.5	555.7	2.3%
2	2	Bacardi Rum	Rum	18,748.6	-18.3	-0.1%
3	3	Johnnie Walker	Whisk(e)y	15,543.1	1,217.6	8.5%
*	4	Green Mark Vodka	Vodka	11,190.9	-69.4	-0.6%
4	5	Absolut	Vodka	11,003.7	559.7	5.4%
5	6	Jack Daniels	Whisk(e)y	10,147.9	357.8	3.7%
6	7	Nemiroff	Vodka	9,118.6	175.1	2.0%
7	8	Captain Morgan Rum	Rum	8,898.0	362.6	4.2%
*	9	Khlibniy Dar	Vodka	8,129.4	203.9	2.6%
8	10	Baileys	Flavoured spirits	6,604.1	181.4	2.8%
9	11	Jaegermeister	Flavoured spirits	6,548.6	170.4	2.7%
10	12	Ballantines	Whisk(e)y	6,049.0	203.9	3.5%
11	13	Cuervo Tequila	Tequila	5,597.5	-5.4	-0.1%
12	14	Ricard	Flavoured spirits	5,389.8	-15.6	-0.3%
13	15	Jim Beam	Whisk(e)y	5,303.8	180.4	3.5%
15	16	Grants Scotch	Whisk(e)y	4,820.4	130.3	2.8%
17	17	Chivas Regal	Whisk(e)y	4,581.1	375.5	8.9%
14	18	J & B Scotch	Whisk(e)y	4,580.4	-217.0	-4.5%
16	19	Gordons Gin	Gin	4,440.0	12.5	0.3%
18	20	Hennessy	Brandy	4,407.0	206.3	4.9%
*	21	Brugal Rum	Rum	4,234.9	134.2	3.3%
22	22	Havana Club Rum	Rum	3,710.5	410.6	12.4%
19	23	Grey Goose	Vodka	3,646.6	30.2	0.8%
21	24	Stolichnaya	Vodka	3,396.6	-58.9	-1.7%
20	25	Dewars	Whisk(e)y	3,386.4	-85.5	-2.5%
24	26	Skyy Vodka	Vodka	3,366.9	193.0	6.1%
23	27	Malibu	Flavoured spirits	3,355.0	68.9	2.1%
29	28	Jameson	Whisk(e)y	3,112.0	403.9	14.9%
31	29	Branca Fernet	Flavoured spirits	3,050.5	442.1	16.9%
28	30	Famous Grouse	Whisk(e)y	3,001.4	133.5	4.7%
26	31	Finlandia	Vodka	2,998.1	-43.5	-1.4%
27	32	De Kuyper Liqueur Range	Flavoured spirits	2,889.8	-60.1	-2.0%
33	33	Blender's Pride	Whisk(e)y	2,865.7	470.3	19.6%
30	34	Sobieski Vodka	Vodka	2,865.2	35.8	1.3%
32	35	Campari Bitters	Flavoured spirits	2,637.5	72.2	2.8%
34	36	Bells	Whisk(e)y	2,464.1	197.2	8.7%
35	37	Beefeater	Gin	2,319.0	94.2	4.2%
37	38	Sauza	Tequila	2,309.7	206.5	9.8%
43	39	Russian Standard	Vodka	2,189.4	209.5	10.6%
36	40	Southern Comfort	Flavoured spirits	2,135.8	-161.1	-7.0%
40	41	Bombay	Gin	2,135.1	141.7	7.1%
41	42	Label 5	Whisk(e)y	2,091.6	89.9	4.5%
45	43	Teachers	Whisk(e)y	1,944.7	172.7	9.7%
42	44	Canadian Club Whisky	Whisk(e)y	1,913.3	-7.7	-0.4%
44	45	Tanqueray Gin	Gin	1,904.5	18.7	1.0%
38	46	Wyborowa	Vodka	1,808.5	-315.9	-14.9%
39	47	100 Pipers	Whisk(e)y	1,783.7	-278.6	-13.5%
49	48	Eristoff Vodka	Vodka	1,756.6	264.6	17.7%
46	49	Kahlua	Flavoured spirits	1,754.5	-6.0	-0.3%
47	50	Wm Lawsons	Whisk(e)y	1,657.9	80.5	5.1%

Source: The IWSR
All volume figures are in 000s nine-litre cases