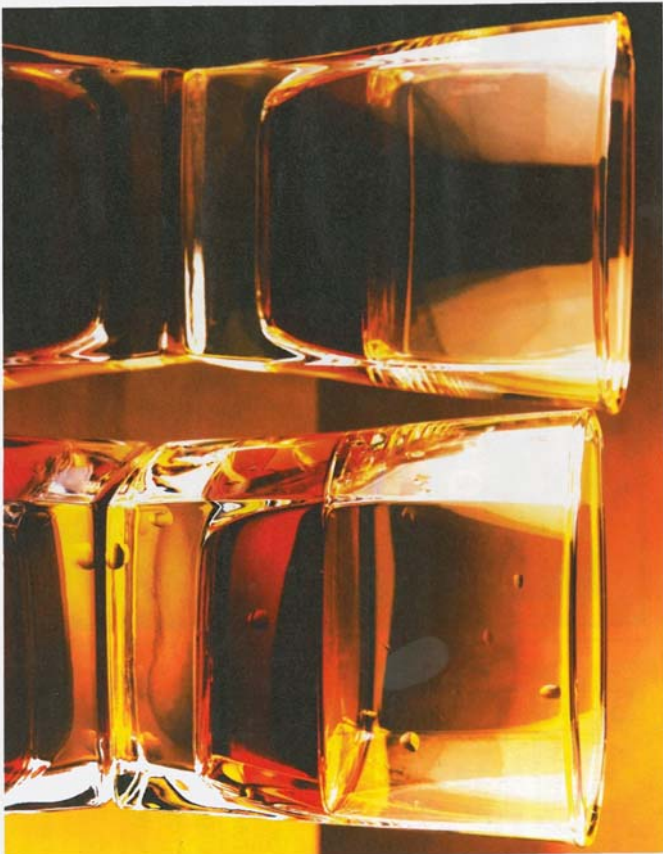


CENTERSTORE



HIGH SPIRITS

Small-batch vodka, single-malt scotch and other premium spirits elevate the perception of private-label spirits

By CAROL ANGRISANI

A wholesale club store may not be the first place that comes to mind when buying an ultra-premium French vodka. But that's what many spirit drinkers are doing since January, when Sam's Club launched Rue 33, a vodka imported from the Cognac region of France.

The brand is exceeding the Wal-Mart divisions' sales expectations, spokeswoman Susan Koehler told SN.

The vodka is sold exclusively at Sam's Club under the Member's Mark private label. The first spirit to launch under the Member's Mark brand, Rue 33 is a refined wheat vodka that is six times distilled and three times filtered.

It's made with select premium wheat and spring water to yield small proprietary batches for Sam's Club. Member's Mark sells Rue 33 in 1.75-liter bottles for \$28.

Membership is not required to purchase alcohol on location. The brand has quickly gained a reputation for being

a high-quality alcohol beverage at a reasonable price.

Along with scoring 91 points from the Beverage Tasting Institute, it recently received a gold medal at the San Francisco World Spirit Competition, where it was judged among 1,074 spirits from 58 countries.

Sam's chose to develop an ultra-premium spirit in part due to member and consumer demand for one-stop-shopping solutions.

"It complements our fresh category, further establishing Sam's Club as a destination for entertaining solutions," Koehler said.

Sam's has given Rue 33 strong visibility by merchandising it on its "cart rail" (a merchandising area near the store's entrance), as well as endcaps and pallet displays.

The launch of Rue 33 comes as other food retailers are also marketing private-label spirits. Costco Wholesale Corp., for instance, markets a private-label vodka under its Kirkland brand. It plans to introduce Kirkland



Rue 33 from Sam's Club is an imported French vodka.

"It complements our fresh category, furthering establishing Sam's Club as a destination for entertaining solutions."

SUSAN KOEHLER
spokeswoman, Sam's Club

French sourcing and visually reinforce the "clean, crisp, smooth" finish of the vodka, said Grubbs.

In-store signage touts the fact that Vets is available exclusively at Kroger, though nowhere on the packaging does it state that it's a private brand.

That's because Kroger wants the brand to stand on its own. Its main appeal is that it's a quality product at a competitive price point, said Grubbs.

Winery Exchange was also behind the 2004 launch of Origine at the three-Albertsons chain (now part of SuperValu). Origine is a line of ultra-premium, small-batch spirits, including French vodka, single-malt scotch and London dry gin. The line has since rolled out to SuperValu's Jewel-Osco banner.

"Origine is an umbrella brand for high-end spirits," said Grubbs.

Origine spirits are priced 15% to 20% less than category leaders in their respective categories.

Ultra-premium spirits isn't an easy category for private label using spring water.

Kroger developed the brand last year to provide its customers with an exclusive, high-quality, French vodka at a substantial value vs. the national-brand leader in the category, according to Stephanie Grubbs, vice president of marketing for Winery Exchange, Norvato, Calif., the private-label development company that helped launch Vets.

"Vets provides consumers with a tremendous value," Grubbs said.

The Vets package was designed to compete well in the upscale, ultra-premium vodka category, clearly communicate the exclusive



Origine is SuperValu's umbrella brand for high-end spirits.

Offering private-label spirits is a way to differentiate stores from the competition, attract new shoppers into rings, said Piko.

"Spirits shoppers tend to buy other expensive products in the supermarket," Piko noted. SN

VALUE VINTAGES

ALONG WITH MAKING A STATEMENT in the spirits category, private label is getting more attention in the wine department.

One of the latest trends is growing retailer interest in "extreme-value," or bargain-priced premium wine.

The segment gained popularity in 2002 when Trader Joe's launched its private-label Charles Shaw wine. Since it sells for \$1.99 at many locations, it earned the moniker "Two-Buck Chuck."

Now, other food retailers are involved. This past spring, for instance, Kroger launched Acogna, a corporate brand of Argentinian wine that sells from \$2.99 to \$5.99 per 750-milliliter bottle, depending on the state. Acogna is available in two blends: malbec/cabernet sauvignon and chardonnay/chenin blanc.

Also this spring, SuperValu launched Zamano, also from Argentina. It's sold in two varieties: malbec/torronte and chenin blanc/torronte. Depending on the state, retail ranges from \$3.99-\$4.99.

The weak economy has led retailers to launch wines like these because consumers are more likely to trade down and try lower-priced selections, said Stephanie Grubbs, vice president of marketing for Winery Exchange, Norvato, Calif., the private-label development company that helped launch both Acogna and Zamano.

"In this environment, consumers are much more open to experimentation," she said.

Tom Piko, president of Santa Ynez, Calif.-based Benchmark, a beverage consulting firm, agreed.

"When there's this kind of prolonged economic stress, brand equity gets faded and people start buying on price," he said.

At the same time, Argentina and other regions are offering plenty of high-quality wines at bargain prices.

"You can buy good wines from around the world for a reasonable value," he said. If the quality is there, many wine drinkers will stick with their extreme-value selections even when the economy recovers, Piko predicts.

"Even when the recession eases, many people won't go back to their original brands," Piko noted.



Kroger's Acogna wine is available in malbec/cabernet sauvignon and chardonnay/chenin blanc.