

Building Brands People Want to Talk About

An Interview with Thomas J. Flocco,
President and Chief Executive Officer, Beam Global Spirits & Wine, Inc.

EDITORS' NOTE Before assuming his current post in January 2004, Thomas Flocco joined Beam Global Spirits & Wine in 2003 as Chief Operating Officer. Before that, Flocco served as Senior Vice President of Strategy and Corporate Development at parent company Fortune Brands, Inc. Before joining Fortune Brands in 1999, Flocco was a partner at McKinsey & Company, where he co-led the packaged goods/retail and global supply chain practices. He has also held brand management and sales management positions at Procter & Gamble. Flocco is a graduate of Boston University and earned an MBA from Harvard Business School.

COMPANY BRIEF Headquartered in Deerfield, Illinois, Beam Global Spirits & Wine, Inc. (www.beamglobal.com), is the fourth-largest premium spirits company in the world, with nine of the world's top 100 premium spirits in its portfolio. The company's offerings include Jim Beam bourbon, Canadian Club Canadian whisky, Courvoisier cognac, Laphroaig scotch, Sauza tequila, Larios gin, Whisky NYC, Teacher's Scotch, and DeKuyper cordials. Beam Global Spirits & Wine, Inc., is part of Fortune Brands, Inc. (NYSE:FO), a leading consumer brands company with annual sales exceeding \$8 billion.

Can you give a brief overview of Beam Global Spirits & Wine's history and your outlook for the company going forward?

We've changed the landscape of our business over the past several years, through organic efforts, as well as through acquisitions we've been lucky enough to make. Our most dramatic turn of the past five years came in 2005, when we bought about 25 brands from Allied Domecq. We doubled the size of our business on every measure; we bought leading brands that broadened our portfolio into new categories and expanded our global footprint, shifting our sales ratio from 75 percent U.S.-based to a 50/50 split between the U.S. and the rest of the world. We strengthened our position as the global leader in bourbon. Today, we are responsible for producing about two-thirds of Kentucky's bourbon, and Kentucky does about 95 percent of the world's bourbon business. So we have an important presence in a fast-growing category. We also entered the cognac category with Courvoisier, one of the world's leading cognacs; we have a leadership position with Canadian Club, the world's number two Canadian whisky; and we

added Sauza tequila, the number two tequila in the world, to our portfolio. Prior to the acquisition, we had three of the world's top 100 brands, and we tripled that number. We went from being the seventh-largest spirits company in the world to the fourth largest. At the same time, we're growing our company around a vision of building brands people want to talk about.

How do you describe your target market?

We cater to the premium consumers. Our Jim Beam white label product is a terrific premium entry point into the category. We then give consumers an opportunity to step up into our Jim Beam Black brand, which is aged eight years and a little bit higher proof. They can move from there into Maker's Mark, the world's first superpremium bourbon, which has maintained its handcrafted roots. From there, they can move on to Knob Creek and all the way up to Booker's, the high end of our bourbon lineup. So we have a broad offering that consumers can participate in. They can graduate from one brand to another seamlessly, depending on occasion, mood, and preference for taste profile. I can say the same thing about our tequila portfolio and cognac portfolio, as well as our Canadian liqueurs. We like to offer consumers a chance to trade up without having to trade out.

What makes Beam's brands unique in a crowded marketplace?

We look for what we call brand fans or loyalists – the folks who drive the majority of our consumption and who are the best mouthpieces for our brands. In line with our vision, we give those brand fans something to talk about and keep the conversation continuously fresh and interesting. They share their experiences with their friends and convert them into brand fans. That's a very powerful and lasting way to build brands, but it has to be consistently nurtured.

We're disciplined in the way we pursue acquisitions. If we find opportunities that make sense strategically, economically, and culturally, we go after them. And we fill voids organically, as well. As the number four spirits player in the world, we don't feel like we need more scale to compete. Consumers buy brands; they don't buy companies. So if our brands are important to consumers in their categories, and we're driving relevant reasons for them to choose our products, we'll win in a big way.



Where are Beam's strongest opportunities for overseas growth?

Australia has been a gem for us for years and continues to be so. There are also opportunities in Southeast Asia and Mainland China, where we're planting the seeds now. We are giving constant attention to India, Russia, Mexico, and China because they are the future.

How have you embedded social responsibility into Beam's corporate culture?

Last year, we led a U.S. initiative to raise the advertising standards to curb underage drinking and pressure alcohol makers to do more to keep their products – and their marketing – in the hands of adults only. We got 37 Attorneys General to endorse that. We felt that was the right thing for the industry to do. We also give back to the community, with commitments to the American Cancer Society, the United Negro College Fund, UNICEF, the YMCA, and the United Way, to name a few. Every Christmas, we adopt a school of underprivileged kids on the south side of Chicago and buy them presents. I like doing that kind of stuff, because it's about more than just money – it's about people. Everybody here realizes they're blessed, and we encourage our people to give back.

What excited you about the opportunity to serve as Beam's CEO?

The real satisfaction is seeing the portfolio mature as it ages. It's also a fun industry. Any time you can go to bars and nightclubs and call it work, you have it pretty good.

You have an awful lot of fine spirits to choose from when you want to have a drink. How do you decide?

It depends on the occasion, but you can have only one drink at a time, so I like to combine brands. One of my favorite drinks is Jim Beam and Starbucks coffee liqueur served on the rocks. ●

Thomas J. Flocco with some of his most iconic brands