

Diageo Serves Up New Campaign Aimed at Shoppers

As People Drink More at Home, Liquor Giant Focuses on In-Store Displays for Chilled Beer and Teaching Novices to Mix Cocktails

By Aaron O. Patrick

With people going out less often amid the recession and drinking more at home, Diageo is adding a twist to its marketing.

The company, whose brands include Johnnie Walker scotch and Guinness beer, is developing in-store displays to encourage shoppers to buy more of its products in supermarkets and liquor stores. Central to its approach is a plan to roll out big refrigeration units so stores can sell their beer chilled.

The idea is to create a partially enclosed, refrigerated beer zone within a supermarket aisle, using a design Diageo calls "the pod." The refrigeration units, which will cost retailers roughly €0,000 (\$13,000) each, are intended to hold all kinds of beer, not just Diageo's brands, in an attempt to boost beer sales overall.

No retailer has yet bought the pod, which was designed by British in-store marketing specialist Design Central. But Diageo says it is working with Spar, a European food chain, to install a smaller version this spring.

The effort is part of a strategy by Chief

Executive Paul Walsh to make Diageo, the world's biggest alcoholic-beverage company by revenue, better at working with supermarket chains, an increasingly important outlets for alcohol sales in Europe and the U.S. In Britain, Molson Coors Brewing expects beer sales by supermarkets and other stores to overtake pub and club sales this year for the first time, according to a company spokesman.

In September, Mr. Walsh named longtime Diageo salesman Ron Anderson to the new post of chief customer officer, and put him on Diageo's top management committee. One of Mr. Anderson's top priorities: teaching drinkers to make their own cocktails. "Mixing is a problem," he says. "It's a case of having people understand what they need at home."

Diageo is installing computer screens in liquor stores to help people plan parties. Customers type in the cocktails they want to serve and the number of guests they are expecting, and the computer prints out a list of ingredients and quantities, including ice. The machines, which the company says are in 500 liquor stores in 38 U.S. states, can also send cocktail recipes via email.

Diageo, along with rivals Brown-Forman and Fortune Brands' Beam Global Spirits & Wine, Diageo also plans to release several new premixed cocktails in the U.S. this year.

Analysts say Diageo's retail push seems to be working. Sales of its Smirnoff vodka grew 2.2% in the U.S. in January, twice the rate of the spirits market as a whole, according to a Feb. 26 report from Credit Suisse, while sales of most big spirits brands fell. Credit Suisse analysts said the figures suggest that Diageo's campaign will help it get through the recession with a minimal loss of sales.

In Europe, Diageo's Irish unit has emerged as a leader in the supermarket strategy. In the past few years it has given away 600 display stands that hold spirits, mixers and condiments. They could be used, for example, to tempt margarita lovers by displaying Diageo's Cuervo tequila, lime juice and salt next to each other. The stands cost Diageo between €100 and €200, a spokesman says.

Spirits account for most of London-based Diageo's profit, but beer is especially important to it in Ireland, where it brews Guinness as well as such brands as Budweiser and Carlsberg. Diageo Ireland learned that 78% of those who buy beer in Ireland drink it within three hours, says Henry Dummer, the company's head of customer marketing in Ireland. Many Irish supermarkets don't sell chilled beer, missing out on sales, he says.

Now, Spar has agreed to install Diageo-designed beer refrigerators in all 50 of its Irish Eurospar stores over the next two years, says Declan Ralph, Spar Ireland's retail-development director.

Diageo wanted British supermarket giant Tesco to install the first pod, says Mr. Dummer. But a spokesman for the retailer said it has "no plans" to do so in Britain or Ireland. A Diageo spokesman said Tesco is working with it on other beer-display projects, and that Diageo is in talks with other retailers about the pod.



Mockup of a Diageo "pod," designed to create a partially enclosed, refrigerated beer zone within a supermarket aisle.