HOW SPIRITS PLAY A SIGNIFICANT ROLE IN THE PHILIPPINE ECONOMY

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Company president **Olivia Limpe-Aw**'s presentation highlighted how the Philippines oldest distillery, Destileria Limtuaco & Co, has been successful in developing world-class tropical-inspired growth. She also spoke about how use of fruits and agricultural produce is commonplace in the Philippines.

With 6.9% growth in GDP, the Philippines are an emerging market. Total spirits production by volume is approx 66,000,000 cases a year and the industry generates around P50.6 billion in sales revenues. It contributes an average P 5.4 billion p.a. in excise taxes, employs hundreds of thousands of people and supports 5,000,000 indirect jobs, including the sugar industry whilst also providing employment for at least 700,000 micro entrepreneurs.

Filipino consumers typically include a large number of poverty stricken people who contribute a larger share of their income to food and non-alcoholic beverages (42%), with only 1.2% of their income going to alcoholic beverages. Lesser educated households disproportionately account for the bulk of liquor consumption, with non-HS graduates representing 58% of liquor consumption.

The rural population predominantly forms the consumer base. Around a 50 % share of households contributes a 54% share to liquor consumption with per capita income less than half of that in urban areas. Liquor is purchased mostly in sari-sari stores where 85% of total liquor sales are made, followed by supermarkets and grocery stores. The market is segmented into majority and minority markets.

Sales generated by the economy class with a 91.3% market share in 2010 came from domestically-produced, mostly compounded spirits using a neutral spirit base from molasses (both domestically distilled and imported) with some imported flavouring extracts, natural, nature-identical or artificial flavours and essences.

There are also low-priced domestic brands for price-sensitive mass-market consumers. These brands have simple packaging, usually single label and standard bottle design. Bottles are retrieved from the market and recycled. They are heavily advertised and promoted, sold mostly through sari-sari stores and market stalls.

Craft spirits making a splash

The remaining share for the luxury market segment includes global imported brands and specialty distilled spirits from around the world. These are mostly brands with expensive, sophisticated packaging (with special gift boxes) and limited production; they are sold to consumers - local, foreign expats and tourists - who have very high purchasing power, are brand conscious and have a discerning taste.

They are sold through big supermarkets, wine shops, duty-free shops and on-premise accounts like 5-Star hotels in Manila and major cities, high-end bars, clubs and specialty restaurants.

Looking at the market trend, Destileria Limtuaco chose to create brands that are non-existent in the market and intends to cater for a minority segment between the mass and triple A market. This new category of 'craft spirits' has created excitement in the Philippine spirits industry.

"It has allowed us to reinvent our company and keep it up-to-date with current world wide trends.

It enables us to export and build our own brands and has provided the impetus for the Philippine food movement, contributing to our culinary renaissance", said Olivia Limpe-Aw.

The family-run business, established in 1852, has been a pioneer in many respects. The company's third generation introduced whisky to the Filipinos, the 4th generation introduced rum and the 5th generation has contributed 5% to the country's total GDP. The import market still outstrips exports and 99% of the spirits made in the Philippines are from sugarcane molasses. Brands such as Paradise mango rum liqueur, Amadeo Coffee Liqueur, Manille Liqueur de Calamansi, Manille liqueur de Dalandan (Philippine Orange) and artisanal dark rum are mainly designed and produced to promote local produce in developing global brands.