



Move over for The King, Johnnie Blue

By Andy Mark

TOT Magazine caught up with Diageo's Jonathan Driver at the Bascule Bar recently. We were there to attend the local launch of the Super Premium Johnnie Walker Blue Label King George V.

I love everything about the Cape Grace, tucked away at the far end of Cape Town's Waterfront. I love the Colonial ambiance one feels when you walk through the front door. I love the smiling and switched-on staff that works there. I love the yachts moored out back, and I especially love the classy atmosphere of the Bascule Bar. The Bascule is rumoured to have the largest selection of whiskies in South Africa, and so it was apt that this was where we were to be introduced to the newest addition to the Johnnie Walker range – the very exclusive Johnnie Walker Blue Label King George V. How exclusive? Well, for starters, every crystal decanter carries an individually

numbered certificate of authenticity, and the exquisite blend is made only from the most extraordinarily rare whiskies.

Every drop, in fact, comes exclusively from distilleries that operated during the reign of King George V. When one ponders on the fact that the stills of many of those distilleries are no longer operational, and that the blend includes several highly prized Islay malts from the Port Ellen distillery founded in the 1820s, which also no longer exists, it is perhaps only then that you truly begin to appreciate the fact that the whisky you are holding in your hand is something out of the ordinary.

We managed to chat with Jonathan about the whisky business before he went on to host the launch function.

Are we going to run out of premium whisky? Several of the old distilleries no longer exist, the seemingly unstoppable thirst for premium whisky by consumers around the world shows no sign of slowing, and whisky production cannot be turned on just like that; if your sales grow exponentially, you can't say, "I think we'll need another few thousand extra cases of twelve-year-old next year". - You've got to wait twelve years, and who can forecast that far ahead?

Let me answer your first question first: No, we're not going to run out of premium whisky. But you do raise an interesting point. The answer is no, we're far from running out of premium whisky. There is this great debate though, and one which is not conventionally talked about, that the entire single malt category is actually an incredibly new game. On the face of it, it seems malt whisky and super premium whisky have been around forever. The truth is Glenfiddich only launched single malt whisky in the 60s; it had previously been available only as an ingredient for blending. Grant's didn't make Glenfiddich first; they made Grant's as a blend. Back then there was almost an over production of single malt and that became the reason for launching single malts in the 60s (albeit) in tiny volumes. The malt market back then was practically nothing.

Could you clear up the differences in the various whisky categories for us?

There are new definitions coming from the industry, and there's never really been a clear definition. Various terms and properties have been garnered about, but basically there will be four classifications – single malt Scotch whisky, single grain Scotch whisky, blended Scotch whisky and blended malt whisky. These are going to become the industry standard definitions. The term pure malt will no longer exist as it has and is currently being used.

We asked brandhouse for their definitions and they came back to us with the following:

What is a single malt whisky?

It is the product of one malt whisky distillery. There are around 90 single malt whisky distilleries in Scotland today, each producing their own, unique single malt. Most distilleries produce malt whisky for the purpose of blending. Single malt whisky may only be made from barley which has been malted (the starch turned to sugar), and the sweet liquid is encouraged to ferment using yeast. This fermented liquid is only distilled in a pot still and so it is made in batches. Examples include: Dalwhinnie, Caol Ila and Clynelish.

What is a blended malt whisky?

A blended malt whisky is the new name for what we used to call a vatted or pure malt. A blended malt is a combination of single malts with no grain whisky added to the blend. Examples include: Johnnie Walker Green Label and Bell's Special Reserve.

Blended malts and single malts: are they poor cousins? It's all a bit confusing, isn't it?

Yes, it is confusing, blended malts are actually most attractive. It's really odd that with all the blending that goes on in wine, champagne and even tea, no one blinks, it doesn't seem to matter, yet (when it comes to) blending in scotch, one immediately hears; "Oh, the blends are not very good." But it is really only since the early 60s that everything changed, when Grant's launched its Glenfiddich.

Say one of my distilleries produces 60 000 cases a year, so it's a big distillery – and this is part of the issue surrounding malt in the industry – looking back, it's all so new, and we are now coming to a new issue, one which we perhaps didn't foresee back then. We are really at the end of the beginning of the category of both malt whisky and premium whisky and we're learning how to deal with the different issues facing each category; what happens if you grow malt like this or like that? If I increase output at two of my distilleries each year, when will we hit capacity? How many stills? Number of fermentations? What's the optimum output of the distillery? And what if we already hit that amount six years ago?

The market hit this incredible sweet spot in the late 80s, 90s and now, (and it's showing no sign of slowing) none whatsoever. What's going to happen is

that we are going to need to start thinking smarter about how we are going to address the market, and deciding what it is going to look like in the future.

And pricing?

I'll be honest, maybe the price positioning in certain markets is quite soft, and the discount system of the supermarket model may also need looking at. I mean, why is Dom Pérignon being discounted on allocation? Certainly things like that, and others factors will see some prices hit their ceiling. The real question is will other producers invest heavily in capacity now when they are only going to see a return in sixteen years time? I don't think so. So, as long as production capacity is limited, the pricing will remain strong. The whisky you are able to purchase today is still good value. These little gems will be quite expensive to purchase in the future. If you are building a malt brand, at the end of the day you will hit capacity which will, in a strange perverse way, be a nice problem to have. But, four years after you have hit the price plateau, how do things look then? Everybody has a chart and is looking at this, so it may be five years or 10 years before they hit the (price) plateau.

Right now there are other related premium issues, like some suppliers giving malts away. I mean, discounting a really high quality malt whisky is about as insane as it comes. There are cases in the UK market and in Europe where the industry has been discounting, and giving away on discount or on promotion, malt whisky in large quantities. Bigger brands have been discounting their products even though once that volume is lost, it is gone forever. Fortunately that is now coming to an end.

Why, at Christmas, would you offer a 'buy one get one free' promotion for a premium malt whisky, when in five years' time you're not going to have any stock left? I think everyone is feeling this in their own way, but that's going to slow some of the headlong malt sales worldwide. Equally, certain distilleries are upping their capacity. You do this by increasing the number of fermentations without compromising on quality. There are ways of increasing capacity – for instance a distillery can go to a five-day working week from a three-day working week.

The Chinese market hasn't delivered yet, has it?

China has delivered in a number of places, but the great thing is that there isn't a 'single' China. Some people go into those markets without planning properly, and if you do the mathematics around the lack of a national distribution universe in China, it's not that easy.

People seem to think that because there are a lot of Chinese people, there must be an enormous market? In reality, 99% of them will never be (whisky) consumers, even well into the next decade. Although Shanghai is a surprisingly hot market and their metropolitan market is bigger than some European ones. But value, unprojected volume – it's nowhere near some of the inflated figures being given out.

So the South African whisky market is bigger than China at the moment?

It is bigger than China, though China is growing exponentially, but will (China) come on stream tomorrow? I think it's a longer game than everyone expects, but if it should come on, it will be very big. Then again, it's a risk to anticipate whether the market will decline or go through roof. If you maintain your capacity or continue to build capacity, you're still gambling. Right now we're balancing supply and demand.

And Johnnie Walker Blue Label King George V... why South Africa?

This is the first domestic market we've launched in. We've launched duty free in Asia, and have some duty free across the world. The reason we're launching here is a) the premium whisky business is on fire, and b) statistics; where, if you could launch anywhere in the world, would a small allocation make a big difference? This is probably the market that's going to do it.

What's it like?

Johnnie Walker King George V? Well, you are about to taste it for yourself but it is a worthy addition to the top of the Johnnie Walker range.