Moray Tourism Audit **Topic Paper**

The Scotch Whisky Industry and Whisky in Speyside

Compiled by the Stevens View Partnership – 20 November 2007

BACKGROUND

This is one of a series of four topic papers designed to give a deeper insight into the current situation and market trends affecting the future of tourism in Moray. In addition to this review of whisky the other subjects are:

(i) Well-Being;

(ii) Corporate Social Responsibility;

(iii) Climate Change.

This paper examines the general relationship between Scotch whisky and tourism, together with an overview of the economic impact of Scotch whisky. This is followed by a summary of the heritage of whisky in Speyside and an analysis of the 'business of distilling' in Moray. This is followed by a case study of the Maker's Mark distillery in the USA.

HISTORY

The first recorded mention of the art of distilling in Scotland occurs in 1494 with an entry in the Exchequer Rolls of Scotland of "eight bolls of malt to Friar John Cor wherewith to make aqua vitae" for King James IV. Spirit distillation developed commercially over the following centuries and the main documented interest came from Parliament and the Exchequer with the imposition of various duties on spirits and attempts on occasion to restrict the amount of cereals used for production. The Excise Act of 1823 introduced the licensing of distilleries under the close control of H. M. Customs and Excise. Distilleries were established in the Highlands, the Lowlands and the Islands of Scotland and from these roots the Industry as it is today developed.

STRUCTURE

There are 87 working malt distilleries in Scotland and 7 grain distilleries. Malt distilling is a batch process using malted barley. Grain distilling is a continuous process and uses barley and other cereals. The malt distilleries produce between 140m and 150m litres of alcohol in the year depending on production requirements and the grain distilleries produce between 205m and 250m litres of alcohol. The grain distilleries also produce neutral alcohol for gin and vodka.

The distilleries are owned by a range of companies, from large international plc's to family companies owning a single malt distillery.

Certain of the distilling companies operate their own maltings in which substantial quantities of water, drawn from watercourses, boreholes and mains supplies, are used as steep water for the barley prior to germination. A substantial proportion of malted barley is also purchased from independent maltsters in Scotland, England and, on occasion, from abroad.

The Industry also has close links with the farming industry. As well as spending over £90M per year on Scottish cereals, distillers supply that industry with various forms of animal feed derived from the cereals and distillation residues and relies on it for the beneficial disposal of sludge and other effluents onto agricultural land.

There are two trade associations which represent the Industry namely, The Scotch Whisky Association based in Edinburgh (SWA) and The Malt Distillers Association of Scotland based in Elgin (MDAS). The SWA, has a wide remit for the Industry, including the protection of Scotch Whisky worldwide. The MDAS is principally involved with the production side of malt distilling, where the development of the Water Framework Directive regime is of particular relevance.

LOCATION

The largest concentration of distilleries is in the Speyside area of North East Scotland with another group on the Island of Islay off the South West Coast. The malt distilleries are mainly situated in rural areas and have operated in sympathy with all aspects of the environment in a sustainable way for hundreds of years.

THE PRODUCT

Scotch Whisky is produced from natural ingredients, water and yeast, and can only be distilled and matured in Scotland. The process and the definition are laid down in the Scotch Whisky Act 1988 and the Scotch Whisky Order. The spirit produced by both the malt and grain distilleries requires to be matured in oak casks for a minimum of three years. For Malt Whisky the maturation period is normally between seven and fourteen years but can be, in selected cases, substantially longer.

SCOTCH WHISKY, TOURISM AND THE ECONOMY

Scotch whisky is iconic and, along with tourism, is Scotland's primary indigenous industry. Scotch whisky is made only in Scotland. According to the SWA the whisky industry in Scotland directly supports 10,000 jobs with a further 31,000 jobs relying on the industry in the supply chain. (It should be noted that, according to the Scottish Environment Protection Agency (SEPA), the industry directly employs 11,000 and supports over 40,000 jobs in Scotland and a further 25,000 in the rest of the UK – www.sepa.org.uk). This amounts to 1 in 50 Scottish jobs, 4,000 of which are in rural areas.

The SWA is the trade Association for the Scotch Whisky industry. Its members account for more than 95% of production and sales of Scotch Whisky. The principal functions of the SWA can be summarised as follows:

- To protect the integrity of Scotch Whisky worldwide;
- To promote responsible attitudes to alcohol consumption;
- To secure fair and equal access to international markets;

- To tackle tax discrimination and secure appropriate regulation of the industry;
- To promote Scotch Whisky as a quality product made from natural raw materials;
- To represent the industry's interests at governmental level both at home and abroad.

The SWA can trace its origins back to 1917 when an unincorporated body known as The Whisky Association was founded with its main office in London, and branch offices in Scotland and Ireland. In 1940 the Scottish branch became the principal office. As The Whisky Association did not fully meet the needs of the Scotch Whisky industry, a new unincorporated Association known as The Scotch Whisky Association was formed on 17 April 1942.

In 1960, The Scotch Whisky Association was incorporated under the Companies Act 1948 (the word 'limited' being omitted by licence of the Board of Trade), enhancing the Association's ability to conduct legal actions around the world. The Association is governed by a Council of 12 to 16 members, elected at the Annual General Meeting. In its turn, the Council appoints a number of committees to assist it and to advise it on different aspects of its work. The SWA has two offices, the principal office in Edinburgh and an office in London and today has over 50 members. The Chief Executive is Gavin Hewitt. (See: www.scotch-whisky.org.uk).

Annual export earnings are worth in excess of £2 billion to the UK economy, accounting for 25% of all food and drink exports. In addition, Scotch whisky contributes £1 billion to the UK Government in excise duty and VAT, as well as generating Value Annal Exports of £2,285 billion. Net wages paid in the UK account for £1,300 million and the industry spends £1,019 million purchasing goods in the UK.

Scotch whisky is, according to Ian Good, MBE, Chair of the Edrington Group and Chair of the SWA, "*a trailblazer in some 200 export markets … its international reputation is underpinned by the requirement that it can only be made in Scotland*". As a result, not only does Scotch whisky embody the spirit of enterprising Scotland, it is a sustainable indigenous industry. It is iconic and is directly linked to place promotion through its essential provenance.

Scotch whisky helps Scotland stand out in the international marketplace. It gives Speyside an international reputation and profile that few other industries could provide. In Scotland whisky contributes to the tourism appeal of the country and specific destinations. However, there is considerable scope for the industry working more closely together for the common good, as is the case with the Champagne brands in France and other drink producing areas.

Some 40 distilleries have visitor centres and / or guided tours and host over 1 million visits per annum. The performance of the visitor centres in Moray is discussed later. Niche markets visit specifically to develop their knowledge of Scotch and '*the place it comes from*'. Each of the distilleries hosts buyers, suppliers and trade / corporate customers throughout the year and, in so doing, uses local facilities and services.

VisitScotland, Scottish Enterprise and HIE, together with the SWA, have launched Scotland Whisky (the Scotch Whisky Tourism Initiative) in 2003 (www.scotlandwhisky.com) and a network of **Whisky Embassies** (hotels of at least 3* standard) offering a whisky experience, have been created, along with whisky training schools offering a series of experiences to introduce interested parties to whisky, its heritage and its traditions. It also helps develop whisky festival activity in Islay and Speyside. The initiative is currently led by Chris Conway.

In 2003 The Scotch Whisky Association published a report by DTZ Pieda Consulting entitled, '*The Economic Impact of the Production of Scotch Whisky, Gin and Vodka in Scotland*'. This identified that:

- The Scotch whisky industry generates £800 million in salaries in Scotland;
- Almost £700 million is spent on local goods and services;
- £90 million alone is spent purchasing cereals in Scotland (the industry also purchases barley from around the world when price advantageous).

The Scotch Whisky Association *Statistical Report* 2005 indicates that some 450 people are employed by its member companies located in the Highlands. This number has declined substantially in recent years with the rationalization of maintenance and similar teams. The top ten export markets are as follows:

	Volume	**Value**
1.	France	USA
2.	USA	France
3.	Spain	Spain
4.	Thailand	S. Korea
5.	S. Korea	Taiwan
6.	Venezuela	Greece
7.	South Africa	Venezuela
8.	Germany	Singapore
9.	Australia	South Africa
10.	Brazil	Germany

There are relatively few statistics about the number of visitors who are attracted to Scotland or, indeed, Speyside, specifically because of whisky, visiting distilleries and the heritage / culture of whisky. There are numbers showing visitation to distillery visitor centres. In addition anecdotal information suggests that individual brands / distilleries bring between 2,000 and 3,000 visitors into Scotland to develop their sales, customer relations and promotional purposes. It is estimated that the distilleries spend between £250 and £350 per person, per trip (two or three day stays) on these visits.

Extrapolating these figures this means that in Speyside the cumulative impact of, say, 15 companies operating at this level in Speyside would be:

- 30,000 visitors;
- 60,000 – 90,000 bednights;
- £1m of direct expenditure.

It would be useful to compare the origin of these corporate visitors and tourists to distilleries in general with the geography of the best selling malts (e.g. Macallan in Italy).

SPEYSIDE'S WHISKY HERITAGE

Speyside is the acknowledged heartland of whisky *aqua vitae* (or uisge beatha in Gaelic) production and the Royal Burgh of Elgin, widely recognised as the whisky capital of the world. In 1930 Aeneas Macdonald wrote:

> "*It would be no true – or, at least, no very discerning – lover of whisky who could enter this almost sacred zone without awe*".

Prior to 1824 there were only two licensed distilleries on Speyside – Strathisla at Keith (founded in 1786) and Dalvey near Grantown (founded in 1798 but closed in 1828). Today there are 52 distilleries on Speyside representing 50% of the total in Scotland and two thirds of all the malt whisky distilleries in Scotland.

It is thought that 16 former distillers took advantage of creating legal production points through the Excise Act 1823 of which nine are still operating today:

- Aberlour
- Cardhu
- Glenlivet
- Longmorn
- Macallan
- Miltonduff
- Mortlach
- Glenburgie
- Balmenach

The next phase of distillery development on Speyside came in 1840s and 1850s with Glen Grant, Glenfarclas, Dufftown and Dailuaine. Further development followed the opening of the Great North Scotland Railway (Dufftown to Keith) in 1850s and the Speyside Railway from Keith to Boat of Garten in 1867.

Between 1886 and 1899 a further 23 distilleries were founded. All of them are in operation today. This period of expansion ended in 1900 and many distilleries were 'mothballed' only to be re-opened in 1960s when demand increased. A further ten distilleries were built on Speyside between 1958 and 1975.

Importantly, the globalisation of whisky and the growth in demand, especially for Scotch malt whisky, only really gathered momentum in the late 1980s. The Glenlivet and Glenfiddich were the first well established single malt brands. United Distillers took a range of classic malts to the international marketplace in 1988 with a substantial promotional budget. Chivas and Glenlivet followed suit in 1994.

> "*The district which lends the appellation Speyside is*", defined by Charles MacLean in *Malt Whisky* (2006), "*a blunt wedge shape, with its apex deep in the*

northern foothills of the Cairngorm Mountains. Its base is the Moray Firth, its western boundary the River Findhorn and its eastern march the River Deveron".

This is an area about 32 km (17 m) deep and 50 km (27 m) broad, bisected by the River Spey and fed by its tributaries the Rivers Avon, Livet, Fiddich, Dullan and Lossie. The Spey is the fastest flowing of all Scottish rivers. Interestingly, none of the distilleries draw their production water from it.

Speyside's pre-eminence results from a number of factors:

- The Laich O'Moray low country (known as the 'Garden of Scotland') has rich, fertile, soils some 1.8 m deep on the Spey's alluvial plain. This, combined with warm, moderate, equable, climate and northern latitude giving long hours of daylight in the summer, is good growing conditions for barley;

- The upland moors that border the Laich provide ample supply of peat and relatively high levels of rainfall providing good, reliable sources of pure water;

- Historically the relative inaccessibility of the southern upland area became a sanctuary for illicit distilling especially in the 18^{th} and 19^{th} Centuries. In Glenlivet parish alone in 1800 there were over 200 private stills. This gave rise to smuggling and a considerable folklore of 'cat and mouse' activity with the Excise leading to romantic and heroic stories / legends;

- The opening up of the Highland economy with the coming of the railways in the mid 1800s;

- The inherent entrepreneurial spirit and willingness to invest and innovate within the local business and farming community.

There are three whisky festivals in Scotland:

- Spirit of Speyside (May, over five days);

- Dufftown Autumn Festival (October, 2-3 days)

- Highland Whisky Festival (June, over two days; held for the first time in 2007 and planned to be biennial);

- Islay Malt and Music Festival (planned for 2008).

The Spirit of Speyside is widely recognised as the pre-eminent whisky festival in Scotland. In 2006 the Spirit of Speyside Whisky Festival (including the Spirit of Whisky Awards) added some £547,000 of additional spending in the area and generated 1,130 net additional bednights – an overall increase on 2005 figures.

Speyside is also the location for Scotland's '*Malt Whisky Trail*' … "*the only malt whisky trail in the world*". This comprises eight distilleries and the Speyside Cooperage collaborating to provide visitors with a structure approach to discovering the distilleries of Speyside. The eight distilleries are:

- Benromach, Forres;

- Cardhu, Knockando;
- Dallas Dhu, Forres;
- Glenfiddich, Dufftown;
- Strathisla, Keith;
- Glen Grant, Rothes;
- The Glenlivet, Glenlivet;
- Glen Moray, Elgin.

In addition, the area has many hotels and shops that offer specialist whisky experiences, including, for example:

- The Whisky Shop, Dufftown;
- The Craigellachie Hotel, one of the leading Whisky Embassies;
- '*Walking, Wildlife and Whisky – Escape to Glenlivet*' initiative.

WHISKY VISITOR ATTRACTIONS IN MORAY

There are 11 whisky related visitor attractions in the Moray area (see table below). These include distilleries with visitor centres or museums and the Speyside Cooperage. Most of these are rated as being 4 or 5-star attractions by VisitScotland.

In 2005 these attractions hosted a total of 246,000 guests and, in 2006, 239,700 (a decrease of approximately 2.1%). The larger visitor attractions all suffered a decline in numbers whilst the smaller distillery-based attractions recorded increased levels of visitation. These attractions record the highest spend per head by visitors (£18.23) of all visits to attractions in Scotland and appeal to high spending international visitors. On this basis the 211,000 visitors to the distillery attractions in 2006 would have spent over £3.85 million.

The pattern of visitation to the distilleries shows three distinct levels of performance in 2006:

(a)	Large	20,000 – 70,000	=	3 distilleries
(b)	Small	10,000 – 19,999	=	4 distilleries + 1 attraction
(c)	Micro	0 – 9,999	=	3 distilleries
				—
				10 distilleries + 1 attraction
				—

Whisky Visitor Attractions in Moray

Attractions		Attendance		
		2005	2006	+ / - (%)
(A)	**Large**			
1.	Glenfiddich Distillery	71,653	66,784	- 6.8
2.	Glenlivet Distillery	45,930	44,281	- 3.2
3.	Glen Grant Distillery	22,381	20,890	- 6.7
(B)	**Small**			
4.	Speyside Cooperage	15,996	16,203	+ 1.3
5.	Dallas Dhu	13,511	13,211	- 2.2
6.	Macallan Distillery	13,000	14,000 (E)	+ 7.7
7.	Strathisla Distillery	12,462	12,040	- 3.4
8.	Glenfarclas Distillery	10,244	10,933	+ 6.4
(C)	**Micro**			
9.	Benromach Distillery	5,251	5,500	+ 4.7
10.	Aberlour Distillery	4,927	5,406	+ 8.7
11.	Glendronach Distillery	-	1,567	
	Total	**215,355**	**210,815**	**- 2.1%**

Source: Stevens View Partnership, 2007

WHISKY AND CLIMATE CHANGE

A separate Topic Paper on Climate Change has been produced for the Moray Tourism Audit. There are clearly important considerations and implications of aspects of climate change for the whisky industry in Moray, especially in terms of:

- Warmer winters;
- Drier summers;
- Heavier downfalls of rain.

The ability of the soil to retain water when it falls in more intense storms when run off is more likely may have implications for natural springs and wells which have been the main source of water for distilling since the industry began.

However, the following quotations suggest that increasing temperatures, especially warmer winters, may be of particular concern for the industry.

"*Although some distillers swear by the special quality of the water it is the climate that is probably the decisive factor*", states Tom Bruce-Gardyne in *The Scotch Whisky Book* (2005). He states that as the earliest distillers knew "*when winter catches Speyside in its long icy grip* *there is no better weather in the world for making whisky*". This concern has been summarised by Dominic Roskrow in 2007 in Whisky Magazine where he writes:

> "*It's in places like this, on days like this, that you can fear most for our planet. We're standing in the heart of historic Speyside, high about the River Spey, and the sun is warm on our faces. The rich green grass and clear blue skies make us screw up our eyes from the glare. The view is magnificent.*
>
> *And then a chill breeze cuts through us and we are reminded in the starkest terms that this is not high summer or even late spring. This is early April and this is not how it should be. For if there are few outward signs that anything is wrong, then that's the whole point; there should be signs. The glitter of ground frost in the glen below perhaps, or the icing cake beauty of snow on the hills and bens.*
>
> *Instead there is nothing. There has been no snow this winter of any note at all. And without snow to melt in spring and run into the Spey, the Livet and its tributaries, there is a problem.*
>
> *People round here have known of this problem for a long time. Years before the scientists elsewhere started speaking of it. Tell them that their memories are playing tricks and it was never that bad in these parts, surely, and they'll snort with derision and regale you with tales of digging tunnels out of their driveway and living with banks of snow and drifts for weeks, sometimes months. Then they'll compare that with today's smatterings, the couple of centimeters that are here today, gone tomorrow.*
>
> *Nor is rain a solution because it sinks into the dry earth and is lost.*"

WATER USAGE, SUPPLY / ABSTRACTION

Natural spring water is an essential commodity in the production process of malt whisky spirit. The malt distilleries were developed in their various locations because of the availability of the water, which is gathered from springs and burns and used for mashing in the early stages of production. This represents around 10% of the water used in malt distilling and is not significant in volume terms in any of the water catchment areas in which distilleries are situated. 90% of the water used in malt distilling is for cooling purposes - this is derived from burns and rivers. The cooling water is borrowed and returned unchanged apart from some uplift in temperature, normally to its original watercourse. On a number of watercourses, the same water may be used by several distilleries in its passage downstream. In the course of the use of the cooling water, distillery dams are often used for recycling, and heat exchange systems have frequently been developed in the interests of energy efficiency. Boreholes are also used as a source of water.

Based on the volume of spirit produced the Industry's annual usage of water would be between 2m and 3m cubic metres. This does not have any material effect on the total volume of water in the catchments affected.

Between 30m and 40m cubic metres of water is used for cooling. This is only borrowed and returned and therefore has no effect on the catchment. On tributaries of the River

Spey, where there are a series of distilleries, the same water can be used for cooling several times and returned to the same watercourse, unaltered apart from some uplift in temperature.

The Industry is a traditional one and the traditional processes are adhered to in order to maintain the quality and individual characteristics of the spirit. The Industry uses the water it requires for its production, no more, no less, and there is little scope for reducing usage. Most distilleries have implemented heat exchange systems and energy efficiency schemes. Cooling water is often recycled before being discharged. There is therefore not much scope for reduction in, or more efficient use of, water. Major capital investment would be required for the installation of cooling towers, which could not be justified either on economic or environmental grounds.

Because of the importance of the water and the control of the water resources, distilling companies acquired, often at significant cost, the land from which their production water comes or, alternatively, acquired the legal right to draw on the water. These rights are protected by Scottish Land Law and are vested in the distillery owners, and in most cases have been for over 100 years.

Figures for capital investment in water-related infrastructure and water-related running costs are not available.

In addition to acquiring the water rights the distilling companies have made significant investments in infrastructure and wayleaves to develop their water resources and pipe water to and from the distillery. These investments and the costs of maintaining the water engineering systems represent the economic cost relating to the water. The malt distillery companies do not make any payment for their production and cooling water as it is their own water. Certain grain distilleries and a few of the malt distilleries use mains water for their production. In the blending and bottling part of the process reducing water is used to reduce the alcohol content to the minimum level of 40%. Most distillery offices and visitor centres are connected to mains water and normal water rates are paid for these supplies. It is exceedingly difficult to place an economic value on the water resources belonging to the malt distillers. A distillery without water is of no value. One could therefore capitalise a value based on 20 x the gross annual profit.

DISTILLERIES OF MORAY / SPEYSIDE

(A) Diageo

Auchroisk Distillery - Mulben, Banffshire AB55 3XS
Benrinnes Distillery - Aberlour, Banffshire, AB38 9NN
Cardhu Distillery - Knockando, Aberlour, Banffshire AB38 7RY
Coleburn Distillery – Licence Cancelled in 1992
Cragganmore Distillery - Ballindalloch, Banffshire AB37 9AB
Dailuaine Distillery - Aberlour, Banffshire, AB38 7RE
Dufftown Distillery - Dufftown, Keith, Banffshire, AB55 4BR
Glen Elgin Distillery - Longmor, Elgin, Morayshire, IV30 3SL
Glendullan Distillery - Dufftown, Keith, Banffshire AB55 4DJ
Glenlossie Distillery - Elgin, Morayshire, IV30 3SS
Inchgower Distillery - Buckie, Banffshire, AB56 5AB

Linkwood – Elgin, Morayshire, IV30 1YE
Mannochmore Distillery - Elgin, Morayshire, IV30 3SS
Mortlach Distillery - Dufftown
Strathmill Distillery - Speyside

United Distillers and Vinters is part of the Diageo Food and Drink conglomerate, which was formed in 1997, following the merger of GrandMet and Guinness, and is headquartered in London. It employs 22,000 in 80 countries. In 2006, turnover was £9.7 Billion, and Diageo claims to own 60% of the volume of the world's 10 largest spirit brands. Johnnie Walker and J&B are the first and third largest whisky brands in the world. Sales are split roughly equally three ways: North America; Europe; Rest of World.

Brand Strategy
Like other large drinks companies, Diageo has developed a strategy which is focussed on a small number of global brands, led by: Johnnie Walker, Smirnoff, Baileys and Guinness. Lesser global brands owned by Diageo are: J&B, Captain Morgan, Tanqueray, Cuervo, and also two wine brands: Beaulieu Vineyard and Sterling Vineyards.

(i) Johnnie Walker

No 1 whisky brand in the world. Five different Blends/Ages at different price points. The branding does not focus much on *terroir* or the specific source of the whisky - the Cardow Distillery (Cardhu) is specifically mentioned as being acquired by the founders in 1893, but there is no mention of where the distillery is located. The brand website is extremely slick, modern and impressive. The main focus is technical wizardry, sponsorship of golf and F1 racing. On the main Diageo site, it is worth noting that the description of how JW is produced fails to state that the whisky is made in Scotland, although it does confirm that it is aged in Scotland, as required by law.

(ii) J&B

No 3 whisky brand in the world. 5 different Blends/Ages at different price points. This brand has a different approach, and explicitly boasts of the Speyside and Islay whiskies included in the blend. However, the brand values are clearly targetted at a younger market than JW, and J&B is pitched as the ideal "party" and "mixer" whisky.

(iii) Cardhu

Single malt whisky, no 1 in Spain. There was a "forced" relaunch in 2003. About 70% of the distillery's production is used in the JW blends – when Diageo could not satisfy demand for Cardhu single malt, they introduced a "vatted malt" in the same packaging. Widespread 'anger' forced them to change the packaging in order to differentiate the two qualities.

(iv) UDV Other Whiskey Brands

Bushmills (Irish) – again available in 5 varieties; more emphasis on age and terroir; the distillery is unusual in that it carries out the whole process of making the whiskey on one site, and is also open to visitors. There are also a number of Bourbon brands, including Seagram.

Links
http://www.diageo.com/NR/rdonlyres/E8BFE3FB-B7D8-461B-8E27-4D8449A1C350/0/DiageoCorporateFactSheet2006.pdf - corporate fact sheet
http://www.diageo.com/en-row/OurBrands/Ourglobalbrands/JohnnieWalker/
http://www.johnniewalker.com – Johnnie Walker brand website
http://www.diageo.com/en-row/OurBrands/Ourglobalbrands/JandB/
http://www.jbscotch.com/ - J&B brand website
http://news.bbc.co.uk/1/hi/scotland/3546321.stm - Cardhu "pure malt" whisky scandal
http://www.discovering-distilleries.com/cardhu - Cardhu distillery tours

(B) Pernod Ricard (Chivas)

Aberlour Distillery – Aberlour
Allt na Bhainne Distillery – Glenrhines
Glenallachie Distillery, Aberlour
Longmorn Distillery - Elgin, Morayshire, IV30 3SJ
Imperial Distillery - Carron by Aberlour, Banffshire, AB43 9QP
Caperdonich Distillery - Rothes, Morayshire AB38 7BS
Miltonduff – Elgin, Morayshire, IV30 3TQ
Tormore – Grantown On Spey, Moray PH26 3LR
Glenburgie Distillery - By Alves, Forres, Morayshire IV36 2QY
The Glenlivet Distillery - Ballindalloch, Banffshire AB37 9DB
Braeval Distillery - Chapeltown, Banffshire AB5 9JS
Glen Keith Distillery - Keith, Banffshire AB55 3BU
Strathisla Distillery - Keith, Banffshire AB55 3BS

Pernod Ricard is the second largest wine and spirits company in the world and is principally a holding group for diversified spirit brands, mostly premium, assembled through acquisitions. In the 1970s it acquired Campbell Distillers and owned Aberlour, Glenallachie and Edradour Distillieries. In 2001 it bought part of Seagram, and in 2005 it bought Allied Domecq, and completed integrating the business during 2005-2006. Turnover for that year was 6 billion euro, with an operating profit of 1.2 billion euros, or an operating margin of 21%.

There is an explicit programme of "premiumisation" across the whole portfolio, which is structured into a 15 key (international) brands. 4 of these key brands are whiskies:

(i) Chivas Regal

Sold in over 100 countries with very strong recent growth in Asia. 3.9 Million cases sold in 2005-2006. The world's second whisky. Branding emphasises abstract luxury and lifestyle. Speyside is identified as the "backbone" of the Chivas Regal blend, and there is a cool video promo on the Chivas website (www.chivas.com) but this is very much secondary branding.

(ii) Ballantines

Positioned as a premium product alongside Chivas Regal. This is a complete range from standard to super premium. Slightly more emphasis on 'Scotch' but branding due to be relaunched in 2007, with emphasis on ultra-premium. Now No 2 Scotch whisky brand in the world after Johnny Walker taking over from J & B.

(iii) The Glenlivet

World's second single malt whisky (behind Glenfiddich, owned by William Grant), number one in USA. Marketed as "the one that started it all" based on its having the earliest distilling licence in Speyside (1824) and emphasises heritage and history. Strong growth in France and travel retail. About 500,000 cases annually. Winner of many awards for its whisky quality and visitor centre.

(iv) Other Key Brands

The Chivas Brothers portfolio contains a number of other leading whisky brands as well as Beefeater Gin "refreshingly London"; Ricard; Havana Club Rums; Kahlua & Malibu; Stolichnaya Vodka; Martell-Mumm Perrier Jouet Cognac & Champagne; Jacob's Creek & Montana New Zealand Wines (The two wine brands emphasise *terroir* and Jacob's Creek has recently run branded adverts with the tagline "welcome to our place" emphasising location and heritage). Jameson belongs to Irish Distillers, part of Pernod Ricard Group and is managed separately. Reached 2 million cases sold in 2005/6 following a new branding campaign "Jameson beyond the obvious". Younger profile, film sponsorship. Strong growth in emerging markets and China.

(v) Aberlour

Leading single malt whisky in France and a recently launched visitor centre.

(vi) Local Brands

Every geographic market has local brands in addition to the above (e.g. India has 3 whiskies: Royal Stag, Blender's Pride, and 100 Pipers). There is a handy map showing the 15 key and top 30 local brands in the annual report (link below). The Glenlivet and Chivas Regal were owned by Chivas Brothers, which was purchased by Pernod Ricard in 2001. It was widely believed that the Chivas Regal stable of brands had been declining and lacklustre, and the recent turnaround has been led by CEO and Chairman of Chivas Brothers Christian Porta. Until 2003 Porta was manager of Pernod Ricard's two wine brands following a spell as MD of Campbell Distillers, before running Chivas from 2004.

Moray Distilleries owned by Pernod Ricard

The Glenlivet is by far the most important of the 14 distilleries listed. Based on whisky reference books, a couple of the others are highly regarded (Strathisla, Longmorn). These malts are mainly intended for blending like so many Speyside whiskies. All but Miltonduff were referenced and presumably therefore available retail.

Links

http://www.pernod-ricard.com/medias/resources/static/Rapport%20annuel/RA%202006/RA05-06-Pernod%20Ricard%20in%202005-2006.pdf – summary of Pernod Ricard in 2005-2006, including brand principles, 15 key brands, etc.
http://www.pernod-ricard.com/medias/resources/static/Rapport%20annuel/RA%202006/RA05-06-15%20Strategic%20Brands.pdf – More detail on 15 key brands
http://www.pernod-ricard.com/en/pages/321/pernod/Finance/Annual-Reports.html - Other parts of the annual report
http://www.scotchwhisky.net/news/porta.php - Christian Porta interview July 2004

http://www.zoominfo.com/search/PersonDetail.aspx?PersonID=452349618# - Christian Porta / Chivas Contact Details
www.theglenlivet.com
www.aberlour.com
www.chivas.com
www.ballantines.com
www.maltwhiskydistilleries.com

(C) Campbell Distillers Ltd

This was always part of the Pernod Ricard Group which took over Chivas Brothers but kept that name as it was better known.

Glenallachie Distillery - Aberlour

(D) Allied Distillers Ltd (part of Chivas Brothers)

Glentauchers Distillery – Mulben, Keith, Banffshire, AB55 6YL
Glendronach Distillery, Forgue, Aberdeenshire, AB54 6DA
Glenrothes Distillery - Rothes, Morayshire, AB38 7AA
The Macallan Distillery - Craigellachie, Banffshire AB38 9RX
Tamdhu Distillery - Knockando, Aberlour, AB38 7RP

Since 1999, Highland Distillers is a private joint venture between the Edrington Group (70%) and Wm Grant & Sons (30%). Edrington Group is controlled by a charitable trust (the Robertson Trust) established by three granddaughters of an early whisky broker in the 1940s. The trust distributes about £5 Million annually to Scottish charities. Employees have the remaining minority share in Edrington Group.

Edrington group has a number of subsidiaries and also other joint ventures, notably:

- R&B (100%, brokers & bottlers)
- Clyde Bonding (100%, bottlers and shippers)
- Lang Brothers (100%, distilling and brands)
- Highland Distillers (70/30 with Wm Grant, distilling)
- Cutty Sark (50/50 with Berry Bros & Rudd, distribution and marketing)
- North British (50%, raw grain distillery)

Highland Distillers strongest brand is The Famous Grouse, a blended whisky, 7th seller worldwide, bottling 30 million bottles annually. Its principal malt whisky is The Macallan, which is characterised by being matured in sherry casks. (There is also a bottling matured in ordinary casks called the Sean Michael Macallan). The Macallan has been developed since 2002 as an “extra-premium” whisky brand, led by the “Fine & Rare” bottlings. In 2004, Whisky Magazine named Macallan 18 yr old as “The Best Malt in the World”.

The brand does not mention the location or history of the distillery, preferring to emphasise abstract “premium” characteristics, more recently backed up with the award-winning pedigree of the special bottlings. Promotion appears to be limited to print advertising.

Links
https://www.lfw.co.uk/whisky_review/SWR16/article16-2.html - Edrington Group
http://www.themacallan.com/macallanStory/history/ - The Macallan history
http://www.themacallan.com/macallanWorld/advertising/default.asp - current print advertising

(E) William Grant & Sons

Balvenie Distillery - Dufftown, Banffshire AB55 4DH
Glenfiddich Distillery - Dufftown, Banffshire AB55 4DH
Kininvie Distillery – Dufftown

Wm Grant & Sons is the third-largest Scotch Whisky producer, after Diageo/UDV and Pernod Ricard, with a 10% share of the global market. It is still independent and Scottish-owned. Main Brands are Grant's (a blended scotch, 4th largest in the world, 4 million cases annually) and Glenfiddich (top global single malt, 700,000 cases, 17% market share). Balvenie is also a prominent brand with various bottlings at the premium/specialist end of the market.

The Glenfiddich distillery visitor attraction has won numerous awards for excellence in 2007. The brand appears to emphasise quality and awards, and there is no reference to Speyside or Morayshire. In fact the distillery is described as being "set in the heart of the highlands". Balvenie is linked to the support of artesan art and craft in Scotland.

(F) LVMH (Glenmorangie)

Glen Moray – Elgin - Morayshire, IV30 1YE

Glenmorangie has been owned by LVMH since 2004, but previously was independent, family-owned and acquisitive, having used brand purchases and strategic distribution partnerships to build a turnover of more than £65 Million, shipping over a million cases, and employing 230 staff. By purchasing the Scotch Malt Whisky Society in 2004 Glenmorangie gained access to 27,000 whisky aficionados, and it makes an explicit point of focussing solely on malt whisky.

Glen Moray
This is one of 4 principal brands owned by Glenmorangie. Glen Moray Classic is the no 4 Malt Whisky in the UK. The distillery is a focus for the brand, including visits. Glenmorangie also offer visits to 2 other distilleries.

(G) Historic Scotland

Dallas Dhu – Forres, Morayshire, IV36 2RR

Mothballed and now a visitor attraction.

(H) Gordon & McPhail

Benromach Distillery - Invererne Road, Forres, Morayshire, IV36 3EB

Gordon & McPhail is historically and primarily a small independent whisky retailer. The distillery closed in 1983. Purchased by Gordon & McPhail in 1993 and re-opened in 1998. New Whisky available since 2004, supported by older bottlings from pre-1983. Annual capacity 1.8 million litres.

(I) Benriach Distillery Company Ltd

Benriach Distillery - Longmorn, Near Elgin, Morayshire IV30 8SJ

The distillery has a capacity of 2.8 Million litres and was mothballed by Pernod Ricard in 2002. Purchased by 3 entrepreneurs in 2004, production was essentially uninterrupted, and the new venture won Best International Business at the 2005 Enterprising Scotland Awards, followed by Best Performing Small Business at the 2006 Awards. Unusually for Speyside, this distillery offers a "peated" whisky as part of its range.

(J) Inver House Distillers

Balmenach Distillery - Cromdale, Moray PH26 3PF
Knockdhu Distillery - Knock, by Huntly, Aberdeenshire AB5 5LI
Speyburn Distillery - Rothes, Aberlour, Morayshire AB38 7AG

Inver House has five distilleries in total, producing a small portfolio of single malts and blended whiskies, supported by other spirits, liqueurs and alcopops. Knockdhu closed in 1983, and was the first Inver House distillery in 1988. Speyburn produces one malt whisky. Both of these are quite small. Balmenach, the largest of the three Speyside distilleries, was mothballed by UDV in 1993, purchased by Inver House in 1997, and is not yet bottling. When it comes on stream, it seems likely that the Inver House brand portfolio will have a much stronger Speyside profile.

(K) J & G Grant

Glenfarclas Distillery - Ballindalloch, Banffshire AB37 9BD

The biggest stills in Speyside, and a visitor centre since 1973, with a capacity of 3 million litres annually. The company is family-owned, and this is its only distillery. The branding and image is very traditional.

(L) Angus Dundee Distillers plc

Tomintoul Distillery - Ballindalloch, Banffshire AB37 9AQ

Managed by Whyte & Mackay since 1973, owned 1990-2000 by American Brands Inc, and since then by Angus Dundee. Only one malt whisky, despite capacity of 3 Million litres annually – a lot of the output goes to Whyte & Mackay blends. The company owns one other distillery (Glencadam) in the Highland region. The whisky is bottled in a number of traditional brands, and is also available as a "white label" for customers to label themselves.

(M) Whyte & Mackay Ltd (owned by the Indian Entrepreneur, Vijay Mallia, since early 2007)

Tamnavulin Distillery - Ballindalloch, Banffshire

Mothballed in 1996 but now resuming production.

(N) DCL

Pittyvaich Distillery – Dufftown

Mothballed in 1993. Demolished in 2003.

(O) Bacardi

Aultmore Distillery - Keith, Banffshire, AB55 3QY
Craigellachie Distillery - Craigellachie

Aultmore is owned by John Dewar & Sons, which is in turn owned by Bacardi. There is one token bottling but mostly blended into Dewar's.

(P) Campari

Glen Grant – Rothes, Moray, AB38 7BS.

KEY ISSUES FOR TOURISM AND WHISKY

1. How can the whisky industry use their advertising power to develop place promotion using images that celebrate the landscape and heritage of Speyside?
2. How can the whisky industry use its collective powers to create a unique initiative for Speyside?
3. How can Speyside and Moray in general harness the presence of these world leading brands to develop its tourism infrastructure?
4. Will climate change significantly impact upon the viability of some distilleries in the medium to long term?

FUTURE DEVELOPMENTS

The Scotch Whisky Distilling Industry is a mature one. The level of production is controlled by the current and projected levels of international sales which represent 90% of total sales. While production at the individual distilleries will vary from year to year depending on company and group requirements, there is unlikely to be a demand for a significant increase in production which might impact on the water resources available. The standard five-day production cycle can be increased to seven days and the silent season, which normally occurs over the summer period, can be lengthened or shortened. While there is always the possibility that new distilleries may be developed in the future, such developments are unlikely to be large in production terms and therefore in water usage terms. The temporary or even permanent closure of some distilleries is another possibility. It is therefore unlikely that there would be any more than a 20% increase or a 20% decrease in overall production on current levels in the medium term. There are therefore unlikely to be any major water-related investments or developments in the foreseeable future.

PLANNED INVESTMENTS IN SPEYSIDE / MORAY

(a) £40 million distillery plans lodged

Diageo has lodged a planning application with Moray Council for the first major distillery in Scotland for more than 30 years. Amounting to one of the biggest investments in Scotch for decades, the application will see the building of an ambitious and highly innovative malt distillery at Roseisle, where Diageo already operates a major maltings facility. Situated between Elgin and Forres, the proposed new distillery amounts to a £40 million investment by Diageo in the area and is part of the company's £100 million expansion plan in Scotland announced in February – one of the biggest ever in the industry.

The building of a new distillery, using the most modern environmental and distilling techniques, comes at a time of sustained growth in Diageo's Scotch whisky business worldwide.

It is expected that the distillery will create around 25 new jobs with Diageo in terms of operational and support staff. Diageo has worked extensively with Moray Council and other stakeholders on the project and has met with a positive response, representing as it does a considerable investment in the area.

(b) Down-to-earth plan for whisky making

Euan Shand, the entrepreneur behind Scotland's first carbon-neutral distillery, is aiming to revolutionise the way we think about the origin of whisky with an ambitious plan to introduce the French concept of terroir into the production process. Shand, who is spending nearly £3.5m on a distillery in Huntly near Aberdeen, says only barley from local farmers will be used for his new blend. At present, barley is sourced from as far afield as Denmark and Australia.

Shand said: "*My intention is to recruit farmers throughout Scotland to actively take part in the supply of malting barley from all corners of the country and get involved in the malting and kilning process. In other words we form a sort of cooperative to grow, deliver, process, kiln and mill the barley specifically for ourselves and other smaller distillers who wish to provide unique Scotch whisky brands*."

Terroir is a French wine term that refers to the unique contribution of an area's soil, weather conditions, grapes and winemaking skill that all add to the personality of the wine.

Shand is managing director of Duncan Taylor & Co, which began bottling whisky in 2003 and now sells malt and blended brands in 32 countries including Russia and the US. The distillery, which has yet to be named, will operate as a separate venture to Duncan Taylor & Co and is being privately financed with funding already in place. As well as the distillery, there will be a visitor centre, offices, warehousing and bottling complex. Shand will produce single malt and grain whisky, vodka and gin. The plant will produce around 750,000 litres of alcohol annually, giving it capacity equal to Diageo's Oban distillery. It will be powered by burning woodchips, which Shand said would make it Scotland's first carbon-neutral whisky production plant.

(c) Tourism Plans for Former Coleburn Distillery

Local businessmen have acquired the former Coleburn Distillery near Rothes and have submitted plans to Moray Council for the conversion of the site for use as an hotel with associated facilities.

KEY WEBSITES

www.scotch-whisky.org.uk

www.scotlandwhisky.com

www.whisky-heritage.co.uk

REFERENCES

There are a wide range of Scotch Whisky-related publications available from the SWA:

Questions and Answers (PDF, 2.52Mb) (also available in French, German, Italian, Spanish and Mandarin) – all you ever wanted to know about Scotch Whisky from how it is made to its long and colourful history.

Economic Importance of Scotch Whisky (PDF, 374Kb) – a study examining the importance of the Scotch Whisky industry to the Scottish economy.

Scotch Whisky... the Original Sustainable Industry (PDF, 493Kb) – details on distillers' commitment to protecting Scotland's natural environment.

Scotland's Enterprising Spirit (PDF, 373Kb) – a partnership between the SWA and Scottish Executive to work together to promote a successful Scotch Whisky industry.

Statistical Report 2005 – (PDF, 1.88Mb) an annual digest of industry statistics.

Moray Tourism Audit: Case Study

Maker's Mark Distillery Inc.

Loretto, Kentucky, USA

A. WHAT?

Description: Maker's Mark Distillery Inc: a bourbon whisky distillery, delivers guided tours to visitors and is a designated Kentucky and National Historic Landmark (since 1980). It is in the Guinness Book of World Records (since 1999) as the oldest operating bourbon whisky distillery on its original site in the world.

Location: Star Hill farm, Loretto, Kentucky, USA; c. 10 miles south of Bardstown (on Bluegrass Parkway) and within an hour and a half's drive from Louisville.

Site: The distillery is located in historic Victorian buildings in a parkland setting. It operates a variety of tours of the distillery for visitors; events and a gift gallery in the Visitors' Centre.

Scale: MMD has 100,000 Ambassadors, consumers of Maker's Mark bourbon *'people who have raised their hands and said they want to be closely associated with us'*. They can join via the web-site and come from all over North America and further afield.

Size: There are seven historic buildings (original and re-erected), including the original owner's house, the still house, toll house, barrel warehouse, quart house and the visitors' centre. There is also an administrative block housed in a modern building.

Ownership: Until 1981 it was privately owned by the Samuels family, when it was sold to Hirham Walker, which was acquired in 1989 by Allied Domecq Spirits USA, a global spirits and beverage company, which owns many other companies such as Dunkin Donuts, Beefeaters and Canadian Club etc. Regarding Maker's Mark, the huge conglomerate *'normally do a good job of feeding us and leaving us alone*'.

Management: The President of Maker's Mark is the original owner Bill Samuels, Jnr. There are separate financial, marketing and administrative offices for the bourbon whisky business off site, but everything in terms of production and all the tour operation is on site. This is managed by the Vice-President assisted by two Supervisors:

(a) A Commercial Manager who deals with certain aspects of the facility - the buying, inventorying and overseeing of financial aspects at all levels. This Manager has one Assistant.

(b) A Coordinator who is responsible for the 'people side' - the tours and special events, activities and business parties.

The whole operation of Maker's Mark distillery has a dozen staff in supervisory positions.

Funding: The tour operations, including all staffing, events and decorating the site for specific festivals, have to be paid out of the receipts from the gift gallery. However, with the net receipts of the total purchase value at $900,000 for last year they do, in fact, far exceed the requirements. All profits are rolled back into the business.

Catchment: Visitors travel from within the state mainly - c. 1½ - 2 hour's drive from the neighbouring large towns and cities, such as Louisville, Frankfort, Lexington and Bowling Green.

Ambassadors come to events from over 30 states in the USA and some provinces in Canada.

Visitors: They have around 50,000 to 55,000 visitors per annum who are, by and large, Maker's Mark fans who come to support the brand.

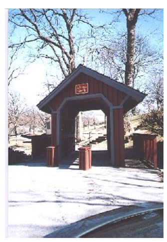
Product Base: An operating distillery producing hand-made bourbon whisky of the highest quality.

Distillery tours take place six times a day.

Events are:

(i) generated by Maker's Mark itself in support of the brand; e.g. Ambassadors' Weekend, Party for Kentucky Oaks day, Harley Davison motorbike get together.

(ii) community instigated - local groups who use the Victorian House, often free of charge.





Opening Hours: Tours are conducted six times a day, on the hour from 10.30a.m. - 3.30p.m. Monday through Saturday year-round. Sunday tours, afternoons only March - December. Closed January and February. Holiday closures: Easter Sunday, Thanksgiving, Christmas Eve and Day, New Year's Day.

Admissions: Free. This is the usual pattern with distilleries in the USA. *'Personally we believe charging admissions is just wrong - people deserve to be able to come here free'*.

Staffing: There are 80 employees - some in the Louisville office; 65 on site working 3 shifts in the distillery to keep production going around the clock.

Staff involved in tour operations include three full-time tour guides, gift gallery staff and temporaries, hired as needed in the high season: e.g. two or three college professors choose to come back to work for them as tour operators every summer.

B. WHY?

Aims, objectives: The tour operations exist solely to support the brand Maker's Mark and to provide a venue for those who want to be associated with it to draw closer to them. It operates to give visitors an additional sense of the quality, not just of the brand, but of everything that touches upon the product.

Mission: Those who work in tour operations and gift gallery are told that they will have one mission, and one mission only, *'to spoil the guests'*.

Vision: To ensure quality in everything: the product, site, staff, and in the visitor experience.

However though there is an educational purpose it must also be fun and entertaining. *'We cannot bore people into liking our product'. 'If you're not having fun, why do you want to come here?'*

Main Influences/ers:

The original owner and present President, Bill Samuels Jnr. is the biggest influence on how things are done. His focus is on quality *'We are here at the behest of our consumers*' and this extends to everything they do at Maker's Mark.

Maker's Mark is a state of the art facility and other distillers bench-mark their products and tour operations against them.

C. WHEN?

Origins: The Samuels family have been distillers of whisky since they first arrived in Kentucky in the 1780s. In around 1840 the family built its first commercial distillery and created its first brand of bourbon. The recipe was passed down through six generations until Bill Samuels Sn. in the early 1950s decided to burn the old family recipe and prepare a new one based upon locally grown corn, red winter wheat (instead of rye) and malted barley. He bought and rebuilt a small distillery in Loretto, Kentucky and the first barrel was produced in May 1958. The name for the brand, Maker's Mark, was chosen by Mrs. Samuels who also promoted the idea that the bottles should be sealed in wax.

The tour operations began in 1980 - the first bourbon whisky distillery to venture to do so in Kentucky.

Evolution: Samuels has not budged on the product's quality. The bottling is kept to about 300,000 cases per year - a fraction of most distilleries because *'It's staying within our abilities to not screw the product up…*'.

The tour operations began haphazardly but it was decided to hire a tour coordinator in the 1990s and they have improved immensely.

They made the decision not to chase tour bus operators although they will accommodate them if they call, because the people who ride tour buses are not, generally, Maker's Mark drinkers or core-consumers. They made this decision when they had 36,000 visitors (early 1990s) - the number of visitors has increased dramatically since then to c. 55,000 visitors. They are not actively engaged in increasing numbers but the fan base is getting larger.

D. WHO?

Markets: There are three main segments of visitors:

(i) general drive-in visitors - they receive the 45 minute tour

(ii) trade folks - people they bring in to educate them about the product - wholesalers, distributors, key retailers, business partners. They receive the 1½ hour tour and one hour of tasting.

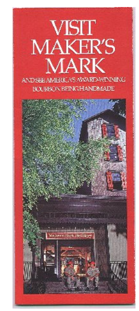
(iii) Ambassadors - large group of friends and fans - who wish to come closer to the product. Different kinds of events and tours are organised for them every year.

Marketing The tour operation is promoted via a pamphlet which is printed in batches of 10,000 pamphlets at a time. They re-print them once and then discard the old and bring in the new design.

The website has recently been updated and offers an attractive, inviting, informative presentation of the company, the product and guest on-site services: www.makersmark.com.

The Company is particularly proud of its stylish, yet quirky advertisement boards using the familiar seal and distinctive colours of the brand.

Maker's Mark is well-signed from the main north-south inter-state highway (brown attraction signs) and is promoted with the cluster of attractions centred on Bardstown, a small town of character located within a few miles of Loretto.



E. HOW?

Results orientation:

The product is the fastest growing bourbon brand in the world. The market has grown 10% every year for the last 10 years. The biggest problem is satisfying consumers in view of the exploding market.

There has also been an increase in visitor numbers from c. 32,000 in the 1980s to c. 55,000 in 2003.

They measure themselves financially according to the net receipts per guest - which at 17 dollars 20 cents per head are incredibly high (other distillers would get 11 dollars a head). An important element of this, and without it the tour operations might well be running at a loss, is the scheme whereby visitors buy a bottle of bourbon, label and dip it in hot wax. 36% of visitors to the Visitor Centre choose to participate.

Also they measure the number of Ambassadors who choose to visit casually or to attend events such as 'You All Come Weekends'.

Customer focus: See mission. The tour leaflet offers an 'Invitation' to visit Maker's Mark because *'We love company'* and the web-site opens with the mantra, '*We love visitors'*.

Visitors are to be treated as friends and tour operators have to adhere to the company rule, 'If somebody asks you a question, he/she gets an answer'. They are not to be told 'I'm sorry but that's a secret'. Even the famous recipe for making bourbon is not kept a secret.

Staff have to learn the tour so well that they make it their own, so that they do not deliver a canned tour or set script. They need to be able to answer visitors' questions as they arise.

Access is ensured for handicapped visitors and a hidden, unobtrusive custom-built wheelchair lift has been installed in the main distillery. Tour operators call ahead to ensure that it is ready for use and that the handicapped person is not made to feel a burden.

When visitors or other people contact the centre they are not greeted by a voice messaging system - but by a personalised pleasant answer from a member of staff.

Leadership: As Vice President, Dave Pickerell favours the informal style of leadership and management. He deals with people one to one and does not schedule meetings unless absolutely necessary. His philosophy is that when he is on site he will see the face of every employee at least once a day - they are expected to raise any problems with him during these informal meetings.

He has been involved in doing almost every aspect of the work on site except gifts' operator. He is a Master Distiller - and thus responsible for the total quality of the product, taste, packaging and everything.

People development and involvement:

All prospective employees have to have a personality assessment. *'Our belief is that every job has a right personality fit*'. Having the right personality is more important than having the right skills set. *'You cannot shoe-horn a person into a job'* if he/she is not suited.

Training can be offered to help an employee gain the skills set. New tour operators have two weeks intensive training - to learn and absorb the tour so that they can make it their own. They are tested by the Tour Events Coordinator.

They have no shortage of recruits in spite of Maker's Mark's rather rural location. One advertisement in the local newspaper can bring in 50 applicants - it is the preferred place of work in the area.

They vet all new workers very thoroughly for their criminal history and credit record.

He believes the employees are most incredibly motivated. Employee surveys are done by an independent company every two years and action is promised on whatever issues they raise. These surveys are analysed 'sixways to Sunday', compared with previous surveys, between departments, with regard to seniority and junior staff etc. The problems which come to light are distilled down to 1-3 main things they need to focus on, e.g. since the last survey they have been focusing on active communication. Thus they have introduced a staff newsletter, a health, safety and environment newsletter and semi-annual state of the business meetings so that their actions as a company are transparent to the employees. Also now supervisors are rated according to their communication skills.

Learning, innovation, improvement, agility:

Minor changes are made to the tour operations every year and these help to refresh the product:

(i) The site is kept in pristine condition. Huge sums are spent on paint and landscaping is considered very important although there is no intrinsic value to the sale of bourbon in this. The buildings are brand-coloured but they still stay firmly within the Victorian pallet.

(ii) New ventures are added to the site regularly:

(a) the Arboretum - with a wide variety of labelled native Kentucky species of trees, which are of interest to 7th grade pupils who have to find 40 different species of leaves for their school projects.

(b) Firetruck House and Firetruck. The coach house is a re-erected 100 year old barn - architecturally authenticated to be on site.

(c) The Great Lawn has been laid down in place of the old gravel parking lot.

(d) The covered bridge - very attractive for visitors.

(iii) Changes in the gift gallery - which has been 'de-cracker-barreled' i.e. de-stocked. He rejects the philosophy that it is best to find a lot of ‘cool stuff’ and fill the gift gallery with them since the inventory costs are high, the turn-over is low and it is difficult to give good discounts.

He decided to simplify the lines - spread out his arms and if he touched more than one display got rid of one. The average person has 20 dollars in his/her purse to spend - decided to make it easy. The merchandise had been competing against itself. Now they have a limited choice but of good quality.

Since the brand is of top quality the gifts must also be in that category. They vet new products carefully - only one in twelve lines of merchandise is considered worthy to be included. They test products too - wash shirts 12 times and observe seams and colour. They also have to stay on top of style.

Partnerships: Bill Samuels has '*egged on*' other distilleries to establish their own tours or tourism attractions e.g. Heaven Hill distillery near Bardstown with which Maker's Mark worked through an 'Open-book Consultation' - sharing with them their entire Business Plan, the organisation of the gift gallery and even helping them to hire people. They are not in direct competition since visitors will come to visit because of the brand.

When the other bourbon distilleries locally were about to establish their own facilities they came to visit Maker's Mark to study how they operate.

All the distillers have joined together to form the Kentucky Bourbon Trail, sponsored and marketed through the Kentucky Distillers' Association. This has produced a tour brochure which is distributed to hotels etc. It has only been 'mildly successful' because most tour operators want people to visit them rather than promote visits to other distilleries.

Social and community responsibility:

Maker's Mark as a distillery has several local and community projects e.g. they:

(i) support junior achievement locally

(ii) loan out supervisors to help teach in schools

(iii) participate on the local Tourism Convention Board.

Charitable:

(i) small projects e.g. supporting charity fund-raisers; they give special bottles of bourbon to auction

(ii) local community projects – a few hundred dollars each time, e.g. supporting the local library; the local day-care centre (they write off its debt every August if necessary); gave $15,000 to an aquatic centre in Lebanon (USA) to build a pool. These support the community of which Maker's Mark is a part and also enhance the quality of life of the staff living locally.

(iii) 'Big Contributions stuff'. At State level: Tubby Smith Foundation for Underprivileged Children; a Foundation for Childhood diseases; the University of Kentucky basket-ball museum; the Kentucky Horse Museum.

These need very large donations (c. $250,000) a time. The Ambassadors help with raising such money for charity by selling special commemorative bottles, which are saved for posterity.

F. SUCCESS

Numbers: (i) increase in numbers of visitors - from 32,000 in late 1980s to 55,000 in 2003.

(ii) Ambassadors have reached 100,000 members

Income: The success of the commemorative bottles used to raise money for charity and to promote product.

The goal is to reach a million dollars in the purchase value of gifts from the gift gallery each year (currently $900,000+).

People: The success of the Ambassador Events with 3,000-4,000 people per event. These are 'bring a friend' events. They are mainly paid for by the host and the success of the gift gallery allows them to be lavish in their entertaining.

As a company they are most proud of their employees who are 'an incredible group of motivated employees'.

Other: They are also very proud of their web-site, which is state of the art and has cutting-edge elements. They have had to license some of the technology in it. The web-site is important for consumers too as they can 'reach out and touch us easily' through it.

An average websiter spends 5 mins on the site and re-visits it 12 times a year - thus they spend an hour on it - more time than they would spend on a visit to the site itself.

The gift gallery is also on the web-site.

G SO WHAT?

Monitoring success:

Customer satisfaction is monitored constantly:

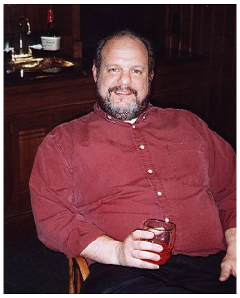
(i) The Tour Event Coordinator will join a tour periodically to evaluate, correct and ensure that it is up to standard. If there are problems, staff are re-trained.

(ii) The Vice President is out on site all the time and eavesdrops on tours if he is in the vicinity.

(iii) Secret shoppers are employed to test the visitor experience e.g. do Ambassadors get special treatment (a pin and scroll read out to them). They report back and recommendations are made for improvements. If necessary, re-training is organised for a member of staff. *'We want the best tour we can possibly have'*.

(iv) Ambassadors often comment and report back informally on their own experiences.

Measurement of success:



Other distillers consider the distillery and the tour operations to be an icon and benchmark themselves against Maker's Mark.

Bibliography: Maker's Mark Press Pack 2004

Contact: David Pickerell, Vice-President of Production

Website: www.makersmark.com