



**Interview with Matteo Fantacchiotti,
Global Vice President at the Reserve Brands of Diageo**

I'm particularly delighted to have **Matteo Fantacchiotti** on the other side of the line. Mateo is Global Vice President at Diageo of the luxury division, they also call it 'Reserve Brands' and he is located in Singapore.

JP: Thanks for joining us in this podcast Mateo.

MF: Hi JP, delighted to be here and thanks for having me.

[01:07]

JP: Mateo can you tell us ...what is Diageo? What is Reserve brands? And why are you in Singapore?

MF: Well, I'm enjoying the lights of this beautiful city here. That being said, Diageo is the leading company in spirits, globally. We are a British company have some of the biggest spirit brands in the world not only brand like Johnnie Walker, Smirnoff, Baileys, and Captain Morgan but also like Guinness in beer.

Now, these are big business as you can imagine and few years ago we created this new luxury unit which is called 'Reserve Brands'. We wanted to do something different which was taking our luxury portfolio grouping all the brands that we thought, both from our price point and also because of the model that we want to apply to grow those brands. The stories, heritage and craft are the root of those brands and liquid. So, this is our Reserve business unit and I'm leading the commercial function of this unit.

And the reason why I'm based in Singapore is because two years ago part of the team as moved to Singapore for two reasons – one Asia was one of the fastest growing market in luxury and it still is, and the consumer dynamics in this part of the world are really different. So, we wanted to be here to understand this part of the world better. But I still have a global job and I travel most of the time.

[02:56]

JP: Interesting... We will get to the Asian consumer but before we do that I want to get back to something that you imply with how you describe your department. It seems like somebody in the Diageo organization felt the need to create a separate unit and it seems like it is geographically removed from the rest of Diageo. Can you talk a little bit about the drivers? Why you need to separate from the rest of the brands that you listed earlier?

MF: We see the way to build those brands and to commercialize those brands. And the way that we talk to consumers has been really different from what we will do for brands like Smirnoff or Captain Morgan. They (Smirnoff, etc.) are still premium brands and we operate with our marketing capabilities that historically have been quite renowned and awarded in the industry in a much more traditional way.

When it comes to Reserve brands, first I just want to clarify the price range is pretty wide. We move from \$40 dollar that is for brands like Kettle One or Johnnie Walker Gold Label (their price range is between \$40-\$60) to brands like King George V, Johnnie Walker or our special releases in whiskeys, that might range from \$5000-\$150,000

JP: How much liquor does \$150,000 buy you?

MF: Well, when it comes to that price it is really high end and it might be either very limited edition of one of the commemorative releases like Diamond Jubilee, that was a special Johnnie Walker release we did for the Diamond Jubilee to celebrate the Queen. I think in my memory we sold something like a hundred bottles but it might be also really bespoke whiskey.

So, there are a number of programs like the whiskey taylor or the single cask that can later expand on later, if you like. They are really much selected number of bottles for high network individuals that would require a brand that can either pick and choose from our incredible selection of cask that we're having in Scotland or they can even work hand in hand with our master-blenders to create their own blend, as they like. This is where the price goes up to that level. This is where Asian or Chinese consumers would go crazy for those kind of opportunities.

[06:06]

JP: So, we will definitely get into that because a lot of readers are very keen to understand how that works. But one more time can you give us an

example how your organization is set up and/or acts differently from the part of Diageo that sells Smirnoff, for example?

MF: It is different in the way we organize, so in every single market we have a dedicated business unit with dedicated people and those are the people who we select with specific skills and capabilities in mind and are different from the rest of Diageo people. The commercial approach and the distribution is very different. So, in the luxury division we have a very specific customer segmentation and a very specific city strategy whereas in our premium business we focus to be everywhere and to invest and activate our brand everywhere. In our luxury division we have something that we call the new city growth which is a very specific number of cities and hotspots globally that we decided to activate our brand and focus and we want to connect with our luxury consumers and luxury travelers.

It is a city strategy approach, within those cities very specific customer segmentation to make sure that we focus on the right places and those places might also change brand by brand, there is a fine tune element. And then, it is the marketing model which is about creating the needs as opposed to meeting and satisfying the consumer needs.

What we try to do in luxury is quite different, we try to create needs. Get consumer into our brands because of the experience, because of the story and of something very different that we are trying to create. And when I say different of course, then I can to the last part which is executional standards are very different and, the people who we work with, as well. Not only the internal people but also external people, meaning our influencers, big celebrities but also local people that we want to have a conversation and our brands be experienced from so that those people can be the best advocates for our brand.

[08:38]

JP: I notice a couple of things that we come across in our Ueberbrands, one is we talk in our book about this concept of “*in mass marketing the consumer is boss*”, and many of the brands we talk about *it is more “the brands that is boss”* and it seems to me that is kind of what you described when you said it is more about the creation of needs than hunting needs that exist.

MF: That might be right. And I tell you something, JP. Sometimes to be extreme we even say to our people in the market “Don’t do too much

consumer search” because *sometimes when we think we have a good idea, we think we have an amazing experience and we just go for it and if we ask for consumer in advance they will not know what they are looking for or they will not give us the right answer and we don't want to hear that.*

JP: Exactly. And another element that you bring up is what we traditionally call PR and events, maybe much more important than retail work and featuring, or come at least in addition to the tradition mass marketing advertising work for example.

MF: Yes, absolutely. So what I will say is, we are very clear for each one of the brands who are the people that we want to be our advocates and who are the people that we want to be our amplifier. We need to find a way to connect to those people so that they will have the best possible brand experience and they will learn our story and also go to them in away and would right tone so that they would be able to tell our story. And storytelling, word of mouth and advocacy are one of the most powerful and also profitable, I will say, growth drivers nowadays. Because consumers and especially Millennials are one of the biggest chunk of luxury consumers, You know, we always think about high net worth individuals that are of course key target for us. But Millennials are really the biggest chunk. They prefer not to be really marketed-to. They are less loyal and more informed, and they prefer recommendation and word of mouth and they prefer to discover. So, we use PR and a typical influencer mobile to make this machine that we call ‘social diffusion model’ to work in the right ways of our brands.

[11:08]

JP: How do you recruit? Do people stay longer or is it just as the rest of the organization?

MF: When we started we started recruiting mainly externally just because we needed to drive capabilities. *There was the need for us to create a new DNA for a company and to protect the DNA because we are still part of a big FMCG company. So, there will always be the temptation to scale up fast, to go more mass with a much more mainstream mindset,* if you like. So, it was about creating this DNA and we started recruiting more from outside, and I can give this example as an Italian. The beauty of being Italian is that for years you are being surrounded by beauty, in every possible form whatever it is - art, design,

food, wine and most of the time luxury is running in your blood, you just get it – whether you are rich or not. And there are many people, you don't need to be Italian to understand it. So, we were first recruiting from the entertainment and hospitality industry and always looking out for 'Does this guy get Luxury? Does this guy have a global profile?' Someone that gets global trends, is a traveler, is interested in what's going on in the world and has this sense of executing differently in luxury. This is the lense that we apply and I think today the balance is also internal growth because once you establish that community of people that really understand what it is then it is much easier and faster to grow your capabilities internally because it just becomes as a community with self-nurturing talents.

[13:10]

JP: And that totally makes sense... Interesting to see that you choose entertainment as a source [for recruiting] versus luxury. It also sounded like you're pursuing something, that we call the concept of “ring-fencing”, to basically separate people and try to create continuity and skill development within your little group. Is that also something that you're doing?

MF: Yes, absolutely. And I think we are in much better place today but I will say that four-five years ago part of my role was really ring fence and protect and insist with each and every senior stakeholder in the organization why we needed something different.

[14:03]

JP: It's interesting also that you make reference to a natural feeling as to what luxury is and your 'Italianess'. We had a podcast talking about Brunello Cucinelli and a big part of the conversation there was the concept of 'Sprezzatura', which is a Renaissance concept about the beauty of things and the beauty of living, refinement and luxury. So, it reminded me of that conversation.

After talking about the organization everyone burns to understand your incredible price range with stunning price points at the top - and that by itself is already something people will want to understand. But what is even more surprising is that you have such a price range within one single brand and that particular brand is Johnnie Walker where you have the Red Label which

is kind of your entry segment or diffusion line as a luxury brand would call it, price around \$20-\$30 depending on the store and then it goes up and its Gold, Green, Blue and Special Edition and George V and Odyssey and John Walker, and can reach several thousand dollars. Can you explain a little bit about how you build such a portfolio? How do you make it credible and authentic so that people who spend thousands of dollars don't feel cheated by the fact that something that's called the same is also available for \$20?

MF: Yes, let me split the question in two parts - one is the overall portfolio. That is quite easy. We think luxury today is much more multi-dimensional than it was in the past, it is growing, evolving and democratizing and it has different forms. We segment our portfolio in such a way that it has luxury which is entry level price \$50-\$100 and 'Core Luxury', which is the sort of 'proper luxury' we (all) have in mind with brands like Johnnie Walker Blue or Louis Vuitton bags or 'Prestige' which is the real high net-worth bespoke treatment. And when we do that we have a quite different approach. The philosophy is the same, the social diffusion model is the same, but the way that we execute that model is quite different.

Now, when it comes to the single brand this is of course quite different and to answer your question also quite difficult. So, how do we do it? This is a million dollar question! I think with Johnnie Walker we managed to do it so far in quite nice way, we managed to create an icon brand like Johnnie Walker Blue label that is really helping us along the way. ***When a consumer buy a Johnnie Walker they're not just buying one of the best couture whiskey's in the world, they're buying the whole experience that Johnnie walker brings ... with all the meaning that the brand has. Johnnie Walker as a brand inspires and celebrates personal progress and that is something that matters to everybody. Personal progress is what drives people to go far .*** There's story in the heritage of the brand that is where all these concepts of personal progress come from. Created by a man who was part of a family of farmers and had a grocery shop in Kilmarnock. All the story of the brands comes through. ***That is where the brand is not just whiskey, it is an icon of progress and the consumer are just feeling the experience.***

When it comes to price point, we are trying to get Johnnie Walker Blue Label to be seen as the iconic part of the brand and provide halo to the rest of the portfolio. But what I like to think is that even a consumer that is drinking

Johnnie Walker Red label at a price point which is skewed towards \$20-\$25 they will feel that they are having a sort of luxurious experience because they are still experiencing a brand with hundred years of heritage, with an incredible story that even at that price point has the mastery of our master-blenders at the service of that entry level variant work.

[18:43]

JP: Well, let me just clarify two things. Can you tell me what the price range of the blue icon is?

MF: Blue is around \$200.

JP: And then what existed first - the red label or the blue label?

MF: The Red Label. The blue label is actually quite new and has been around nearly 13 years. The blue label has been a game changer in the whiskey arena.

JP: Let me attempt my interpretation of how this mystery of being able to up-tier from Red and Black to Blue and then Green and 'George' and so on might work... If I'm using what we find across these brands (in our research), I would say you're been able (and generations of Johnnie Walker Marketers have been able) to distill not only a great whiskey but also a great meaning into this beverage beyond just being a whiskey, and that (meaning) is, as you call it – *"a celebration of personal progress". - That is much bigger than the product itself.*

And then you tagged it to an iconic representation that, in this case, is this Blue Label manifestation of the brand. And then you celebrate it with a lot of icons and rituals. The icons being, for example, the walking figure on the bottle. As you add some history and some myth - i.e. parts that are not completely explained about Johnnie Walker as a person and what you call his 'odyssey' or legendary voyage which you interpret in new ways... How does that sound to you?

MF: Yes, JP. This is where I tried to get, the whole story and heritage of the brands is such a powerful one that we just decided to elevate the story and the symbols. And Johnnie Walker Blue Label is a pinnacle because it is the tribute to the legacy of one man's vision, his skills, and his views of the world, his entrepreneurial, visionary way of changing the world of luxurious Scotch whiskey, perfecting the art of blending. And the way in which we execute that is of course, what we think helps to break through to consumer's impact the way they perceive the brand. Because we created over the last couple of years, experiential events for Johnnie Walker Blue Label that are absolutely pioneering in (being) multisensory and linked to the story.

[21:43]

JP: And there are two that stand out for me that I would love to talk about - One is the Johnnie Walker 'Odyssey' and you told me that there's a new movie with Jude Law that we'd love to hear about, and the other one is a place which I think you call the 'Johnnie Walker House' in Shanghai. Can you tell us about the Odyssey and its significance and how it works and what it is supposed to do, and then about the House.

MF: Odyssey was a variance which is a very interesting liquid because of the blend of three different malt whiskey that we launched to celebrate a experiential campaign that we did a couple of years ago which was called "The Voyager" and what we did was to replicate the voyage of Johnnie Walker with a sailing ship that cruised from Asia up to Latin America. Basically we were bringing to life the whiskey (sea transport) experience and celebrating the story of Alexander Walker and his vision to supply the world. The Odyssey bottle shape is made in a way that was exactly how one of the oldest Johnnie Walker variances was made with a swinging bottle that is shaped in a way that when you sail in the sea bottle (is always stable).

JP: I'm a sailor, I appreciate that.

MF: This is again a way where you link a limited with a big experiential event, celebrating again the story of the brand and the story of its founder. The Johnnie Walker house in Shanghai is something quite similar.

Everywhere in the world but most of all in some of the developing markets, we feel that partnering with our best customers either on premise (ie bars) or off-premise (at home) to believe in the brand experiences and believe in the story telling either of the bartender or of the staff is not enough. It is not enough to bring the consumer along on our journey. ***So we started to feel that we needed to create physical spaces that we own so that we can have a more personal conversation with our target consumers. We can recruit them and we can control the experience to an even greater degree. This is how the Johnnie Walker House started because we felt that with Chinese consumers in China*** there was an opportunity to tell the story of whiskey, and then specifically of Johnnie Walker in a more powerful way. This is our way to have consumer's understand what our whiskey is, giving them the right experience, giving them the stories to tell and also to open up to a certain kind of consumers access to some of the more limited edition that are exclusively sold in that House.

[24:40]

JP: This is an interesting part here because you're talking about giving people tools and stories to share, is that correct? Does this come back to what you talked earlier about advocates and amplifiers? Who is going to the Johnnie Walker House?

MF: This is exactly that. The Johnnie Walker House is only open to the consumers that are invited, they become members of the House; especially the one in Shanghai that is the first one we opened. So we have what we call 'patrons', which are members of the house and then they can invite friends, have dinners or access our whiskey bar or buy limited edition that they can just find there. And learn stories that they can tell a lot of people and this is where you balance the exclusivity of the experience with much higher audience who want to reach anywhere with word-of-mouth and storytelling.

JP: This is a fantastic illustration of a concept that we call in the book 'the Velvet Rope' and the principle of creating Longing vs Belonging. What it means is that you have that one group has access and is able to get beyond the velvet rope (which comes from the club environment with the bouncer who basically decides who's in and out) and has this exclusive experience.

And of course, if it was just about these few people, you would not have the sales and you would not create the awareness that you need to create a substantial business. So, the important point is here they're so proud about it that they will tell everyone outside about it and then also its enabled by modern technology, because I'm sure there's a lot of social media going on about what's going on inside this House that other's cannot have access to, but it creates an incredible desirability to be there. - Is that right?

MF: The balance between longing and belonging is of course something that we use a lot and all the brand experience that we create in what we call the 'trend leading accounts' of course is not only targeting the people that are part of the experience at any given night, but the whole purpose in PR magnification is to reach as many consumer as we can with that message. Which is part of what internally we call the distance we create between the people that know and see the brand and the people that can afford it. But I think it reflect your concept.

When it comes to the high-net-worth individual and Prestige, you need to do that in a much more subtle way. And therefore, it is much more about word of mouth, creating the myth and much less magnifying through PR in a more aggressive and visible digital strategy or media strategy.

[27:52]

JP: That absolutely works. Today's ways of creating this Longing and of creating this 'who's in and who's out' can be much more subtle. They don't need to be any more about 'I have the gold' or 'I have the precious materials and you cannot afford them'. In fact, this is considered too obvious. Often it's about knowledge, it's about access, it's about recognizing subtle signals that you've been taught to know about but the others have not that you've found ways to find out and others have not and those create the difference versus the classic 'I'm in and you can try, but you won't be admitted because you don't have the money'.

But I saw - I think it was in the film about the Johnnie Walker House - that there is a quote above the door that says "Only few can get in, but many want to". Is that right?

MF: Yes, absolutely. And this is the difference. ***So, when it comes to the Johnnie Walker House it is about creating the myth of what has happened in that House.*** About the dream to get the money to be able to get invited to be a 'patron', to experience what is in there. But I really do not know what it is, unless I'm a friend or fan and I've heard the story in the media.

JP: Wonderful, you used the words we are using (in the book) which is 'mythical' - you can't quite grasp it, you don't quite know and that makes it all the more desirable to be part of it.

Do you do ROI payout calculations and can you share if it is worth it? Because it sounds like it's a very heavy investment?

MF: Of course, we make a ton of investment and we make a number of PR ROI calculations. I don't think I'd personally have the confidence that we found the recipe yet. ***You will always have these sort of PR values and numbers that are 'debatable'. You really need to see the quality of the coverage to understand what the message that the consumers got in the end.***

[30:05]

JP: So your measure at the end is your Reserve brand business is growing. Are there other overall measures that give you enough confidence and support to give you management to say "Yes, I want to put down another few hundred thousand or million dollars to shoot a film with Jude Law" or to send 200 bartenders on a cruise ship? '

MF: But this is exactly the point JP. The point is, our reserve business has been doubling in the size over the last few years. It was 5 % of our total Diageo business 4 years ago, now it is 15% of our business and is delivering ***for the last two years almost 50% of the company growth. So, it is really a growth engine for our company. We were not leader in the super-deluxe segment 4 years ago, now we're definite leader*** a couple of points distance to the second player. So, it is just working in a fantastic way.

Now, is this enough to say if we need to invest another million will we just go for it? Yes and no. In a way it will be enough because it is really delivering

across the board, across every single brand and every single market but in other way the attention on productivity is so high that you really want to understand exactly what that extra million would deliver. And this is where, of course, we have a set of metrics. ***But I need to tell you that it is my gut feel and sometimes also a leap of faith. We just think it's going to work and we just do it.***

JP: We also talk in our book about 'Living it'. Are there things that you do as an organization that bring Reserve brands to live?

MF: Yes, absolutely. Our company purpose is to “celebrate life every day, everywhere”. When you have that kind of purpose I think you just need to enjoy the opportunity, live the purpose and make the most of your contribution to the company. One of the example the way these purpose come to life - simple things like every single Diageo office in the world will have a fantastic bar that is open most of the time every Thursday and Friday from 6 pm and every employee have the opportunity to go to the bar and enjoy our brands, experience our brands. ...

[32: 40]

JP commentary: Let's just add a note at the end of this podcast. Matteo and I really went on quite a while talking about programs like a worldwide bartender competition and a bit more about millennials as well as the organization but I would explode the framework of this thirty minute-or-so podcast. If you're interested I will post some bonus materials after the podcast that you can also listen to. But I want to close it here, so let's listen to the end.

MF: ... just order a bottle and offer that bottle to anyone they see around and who they think it is worth to bring on board to experience our brand.

JP: So, I guess with that Matteo you will get a lot of phone calls now with people applying and wanting to join or at least wanting to get to know you better to be invited to a drink. I will post a lot of the materials that you

shared which look fantastic. You also said you might give us the new Johnnie Walker voyage, the odyssey movie. If people are interested in the Reserve brands, what's the best way to get in touch with those brands.

MF: I think from professional standpoint we have a nice [LinkedIn Reserve brands community](#) where we post most of the things that we do. We have websites for all our different brands that have contact information and then they can always reach out personally. It is always great for us to get consumers talking to us who are open to the world. And the invitation to the bar, especially to you JP, is there. Of course, I want you to see our bar and enjoy a nice Johnnie Walker Blue Label.

JP: That's exactly why I do these podcasts! It's interesting to hear that you have a LinkedIn group of Reserve brands. Greetings to Singapore.

MF: Thank you very much, JP. I really enjoyed the conversation and looking forward to talk to you again.



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