

Exclusive news and research for the wine, spirits and beer executive

Wednesday, September 4, 2019

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## Interview, Part 1: Tom Steffanci, President, Deutsch Family Wine & Spirits

*Deutsch Family Wine & Spirits has embarked on a new chapter of growth in recent years, driven by the explosion of the Josh Cellars brand, which surpassed 2.6 million cases on a 23% increase last year, according to Impact Databank. SND associate editor Shane English recently caught up with Deutsch Family president Tom Steffanci to discuss the rise of Josh Cellars and other key brands across the portfolio.*

**SND:** How is the Deutsch Family portfolio positioned, from a big-picture perspective, as we head into the latter part of the year?

**Steffanci:** We're now in the first year of a new five-year cycle. The brands that we're bringing into our portfolio are, by and large, wine and spirits brands that we think we can scale. We've chosen to do acquisitions over brand creation. We've chosen a price point center of gravity, which for spirits is super-premium and luxury, and for wine is the \$11-\$25 price point. We're coming off a five-year period in which we grew our profitability at an 18% compound annual growth rate (CAGR), and our revenue at 10% at CAGR. That was a dynamic growth period, and it was led by Josh Cellars, but we had 10 brands growing double-digits. We've seen spirits become much more important to our business. Overall, we had revenue growth of 8% last year and depletion growth of 3.2%.

**SND:** Josh Cellars has excelled, reaching over 2.6 million cases last year. What's driving that growth?

**Steffanci:** We're extremely focused on the quality of the wines. In addition, I think we have a name, packaging, and story that consumers find walks a fine line between elegant and approachable. Our expected growth going forward is 17%, and the brand today is growing at 22%. We're actually ahead of the planned growth that we had on the brand.

**SND:** What's next on the agenda for Josh?

**Steffanci:** We've tested a Pinot Grigio from California and have had very good success. It's a little more ripe, and has more weight than the Italian style. That'll be launching nationally early next summer. This fall, we'll be launching a Prosecco extension nationally. The Prosecco has a large, silk-screened "Josh" featured on the glass, so it's a striking, unique package, and quite a departure from what we've done previously. We'll also be launching a Josh Reserve Cabernet Sauvignon that's aged in Bourbon barrels in the early summer next year.

**SND:** What's the update on Yellow Tail?

**Steffanci:** We're fortunate in that Yellow Tail is gaining share. We're experiencing low single-digit declines in total, but we're taking share against our competitors. And we have bright spots: Chardonnay and Pinot Grigio are growing at a pretty good clip, and Cabernet continues to perform fairly well. We'll continue our involvement with the Super Bowl, but not in the traditional sense. We're going to do a takeover with YouTube, rather than run a traditional Super Bowl spot during the telecast this year.

<b>Deutsch Family Wine &amp; Spirits—Top Ten Brands</b> (thousands of 9-liter case depletions)					
<b>Rank</b>	<b>Brand</b>	<b>Origin/Type</b>	<b>2017</b>	<b>2018</b>	<b>Percent Change<sup>1</sup></b>
1	Yellow Tail <sup>2</sup>	Australian Table Wine	7,350	7,203	-2%
2	Josh Cellars <sup>3</sup>	California Table Wine	2,160	2,646	23%
3	Layer Cake	Multi-Origin Table Wine <sup>4</sup>	440	477	9%
4	Luksusowa	Polish Vodka	275	270	-2%
5	Barone Fini	Italian Table Wine	136	129	-5%
6	Hob Nob	French Table Wine	137	112	-18%
7	Villa Pozzi	Italian Table Wine	79	72	-9%
8	Fleurs de Prairie	French Table Wine	20	70	250%
9	The Crossings	New Zealand Table Wine	72	68	-5%
10	Redemption	American Whiskey	53	67	26%
<b>Total Top Ten<sup>5</sup></b>			<b>10,722</b>	<b>11,115</b>	<b>4%</b>
<sup>1</sup> based on unrounded data <sup>2</sup> excludes Bubbles <sup>3</sup> includes Reserve <sup>4</sup> includes imports and domestic (California) <sup>5</sup> addition of columns may not agree due to rounding  <b>Source: IMPACT DATABANK © 2019</b>					

## News Briefs:

- William Grant & Sons is rolling out Glenfiddich Grand Cru, the latest permanent addition to the brand portfolio. The 40% abv whisky was matured for 23 years before finishing in French casks previously used for aging sparkling wine. Glenfiddich Grand Cru is rolling out to specialty retailers and premium shops across the U.S. at a suggested retail price of \$300 a 750-ml. Glenfiddich was up 2.3% to 206,000 cases in the U.S. last year, according to Impact Databank.

- Terlato Wines has debuted a new luxury Cabernet Sauvignon from Washington State's Red Mountain appellation, Klipsun Vineyard Cabernet. The wine is sourced from and named for the region's Klipsun vineyard, which Terlato purchased in 2016. Only 1,000 6-packs of the inaugural 2016 vintage will be released, with each individually numbered bottle retailing for \$150 a 750-ml. In the past, grapes from the Klipsun vineyard have sold to Col Solare and Quilceda Creek, among others.

- E.&J. Gallo has launched Apothic Sparkling Red—a new, limited edition sparkler in the Apothic portfolio. The release taps into the growing popularity of sparkling wines while retaining the approachability and consumer appeal of the

Apothic brand. The 11.5% abv sparkler is now available across the U.S. at a suggested price of \$16. It joins Apothic Red, Dark, Crush, and Brew, among other releases. Last year, according to Impact Databank, the Apothic brand depleted 3.45 million cases in 2018, up 1.5%.

- Greensboro, North Carolina-based Pacific Highway Wines has become the exclusive representative of Chile's Santa Ema family of wines in the U.S. market. Effective immediately, Pacific Highway will handle import, sales, and marketing duties for Santa Ema's Maipo Valley-sourced wines. Initially, Pacific Highway will handle three tiers from Santa Ema: the Amplus range, including a Cabernet Sauvignon and a Carmenère, both retailing at \$30; the Reserva range, including a Cabernet Sauvignon and a Merlot priced at \$14; and the Select Terroir Reserva range, including a Cabernet Sauvignon, a Merlot, and a Sauvignon Blanc, at \$11.

- Irish Distillers has released two new whiskies under its Method and Madness label. The first is a single pot still Irish whiskey that's finished in French wild cherry wood for seven months to four years and bottled at 46% abv. The second is also a 46% abv single pot still whiskey, though this one is finished in French acacia wood for one to four years. Both new whiskies are currently limited to Ireland, the U.K., and global travel retail. Method and Madness first launched in February 2017, and is made at Irish Distillers' Midleton distillery.

- Herzog Wine Cellars has launched two new sparkling wines. The Oxnard, California-based winery has added to its Lineage line with Herzog Lineage Momentus, a sparkling blend made from Chardonnay and Chenin Blanc that retails at \$20 a 750-ml. It also launched the semi-sweet Belle Rouge (\$15) under its Jeunesse label. Both are available in New York, New Jersey, Florida, and California, with additional markets to come. Last year the Herzog Collection reached U.S. depletions of 45,000 cases, according to Impact Databank.

## **Craft Brewing and Distilling News:**

- Newport, Oregon-based Rogue Ales & Spirits has launched Coast Haste, a limited edition IPA made with hops grown just 71 miles from the brewery. The 8.6% abv IPA is made with Centennial hops grown on the company's farm along with Galaxy, Vic Secret, Mosaic, Citra, and Chinook hops to round the hazy beer's flavor profile. The brew will be available on draft and in 4-packs of 16-ounce cans throughout Rogue's distribution footprint while supplies last.

## **Recently in the News:**

- [Mast-Jägermeister US Unveils Jägermeister Cold Brew Coffee, A New Coffee Liqueur Extension](#)
- [Champagne's U.S. Shipment Value Soars in First Half](#)
- [Whisky Advocate: The Next Great Luxury Whisky Could Come From France](#)