Penderyn sets strategy to grow its travel retail business to 10% of the pie

Welsh whisky company Penderyn is planning on growing the share of business that travel retail provides from around 3-4% to 10% through a targeted approach that plays to its 'small but agile' attributes.

Simon Roffe, Director, Business Development, Penderyn Distillery and the limited edition YMA O HYD.

"As a small business, we have limited capacity. We can only make so much whisky every year and that is growing and we are investing in capacity, but the strategy is about maximising the profit we can make from each channel," explained Simon Roffe, Director, Business Development, Penderyn Distillery, in our interview during the TFWA World Exhibition & Conference in Cannes.

"Currently, 70% of our business comes from the UK, and 30% is international with a relatively small percentage (3-4%) of that coming from travel retail. There is a vision that this will become more balanced, to around 50/50 with 10% from travel retail. That is the plan."

Penderyn, which has 90 employees, is taking a 'small but targeted approach' to the channel based upon a strategy of following the UK consumer in terms of the core locations they are travelling to.

This includes homing in on duty free in countries where the brand has a strong domestic presence, and/or is targeting future growth.

"In a nutshell, this is the UK duty free channel, key airports around Europe and also layering up in destinations such as Germany, France and US and then into Asia," said Roffe. "We are marrying up our travel retail plan along with that."

A game-changing new listing

As previously reported, the company has recently started working with China Duty Free Group.

"That can be a game-changer," said Roffe referencing how face-time at industry events has aided the business in achieving its goals. "We are stepping out from behind the Zoom camera and create relationships again."

On top of building the footprint in travel retail, Roffe is charged with bringing new brands into the business and opening up and improving some of the company's activities in domestic markets around the world.

Penderyn currently sells into around 50 markets globally yet is still in the relative early stages of its development.

The company is 21 years old and is based in Brecon Beacons where it produces single malt whiskies and spirits. A second distillery in Llandudno opened in 2021, and a third, in Swansea, is planned to open in early 2023, based in a refurbished copperworks.

"It will include an immersive consumer experience," reveals Roffe.

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Penderyn The Headliner pays homage to the role the famous Welsh politician David Lloyd George played in creating the framework for the whisky industry.

Referring to recent wins and launches, he said: “This is a stage of the journey in travel retail for us. We are in a good position in that we can turn down bits of business if we don’t feel as if it will be beneficial to the overall strategy. We don’t have the liquid availability to open the doors to everyone.”

Capitalising on the interest in world whisky

In terms of the opportunity for growth, Roffe points to the rise in interest in the world whisky category.

“I have a view that the travel retail industry can be very polarised around the big retailers and the big brand houses almost to the exclusion of others who want to find a way in,” he said.

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“Retailers may traditionally, especially since the pandemic, take a more secure route in what they have in the range and only put on their shelves what they know someone will absolutely buy.

“There are around 30-40 countries around the world that are making whisky of very good quality. Not many people know that whisky isn’t Scotch or Irish.

“We do have an association with Wales but, more importantly, we try to leverage the concept of world whisky.”

He says that an increasing number of people shopping online more regularly has opened people’s eyes to boutique brands.

“It’s a challenge that we have to overcome by convincing those retailers that there is a consumer demand for new, innovation, difference – there absolutely is. But the level of understanding and acceptability of that varies a lot. We have some very encouraging partners we are working with.

“As people travel less, as the costs are going to go up, they will want to treat themselves and they are also looking for gifts. But you still have to give the retailer the confidence that you know what you are doing, that you know how the business works and that what you are going to ask them to do will pay them in return.

“Ultimately that is the travel retail challenge for small brands – we have to think of interesting ways of selling. Flying the flag for a brand that is well known in the UK is certainly one of the factors that has helped our success.”

Whiskies from wales

The whiskies, which do not show an age statement, have a lightness of taste that Roffe says makes them appealing to a broader range of consumers.

Looking at product development, plans are in the pipeline for a duty free friendly one litre bottle of Penderyn Faraday – a travel retail exclusive.

Within the company’s limited edition series of whiskies, titled the Icons of Wales (which run to around 10-15,000 bottles per release), is currently on its ninth and tenth expressions: The Headliner and YMA O HYD, which celebrates Wales qualifying for the 2022 FIFA World Cup.

“We connect with consumers because the quality is premium, which is an encouragement for retailers to push prices up. Yes, there is a balance of value required [in the channel] but sense of place is an interesting thing, said Roffe.

“We are quite strong with Dufry in the South West. I believe we are the largest liquor brand at Bristol Airport, so the challenge now is about how we overcome the global processes of an organisation like that to be flexible, agile and do it in a way that we dont break our bank balance.”

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