

# Luxury & Liaison, Abanti has her Glass Full at USL

Diageo India's former MD is heading the 2 new verticals at USL in renewed growth push

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Abanti Sankaranarayanan

**Mumbai:** Abanti Sankaranarayanan's work schedule has gotten heavier. In-between high-profile meetings, the former managing director of drinks company Diageo has to make trips to the 'Mantralaya', among other government departments, for a host of concerns — from liaising over tax and industry-related policy matters to promoting responsible drinking.

This is part of Abanti's new role as head of luxury business and corporate relations — both new verticals that Diageo, the world's largest distiller and maker of whiskey brand Johnnie Walker, has created within United Spirits earlier this month.

"It has just got busier with lot more time spent with government officials or trade bodies to discuss pain points," said Abanti, who joined Diageo in 2010 as marketing director and was elevated to the post of managing director two years ago. "Its importance is arising as alcohol is highly regulated. This will put USL on a very strong wicket on public policy, regulatory trade, market access and route to market — which is going to drive big commercial outcomes for us."

## Keep Liaisoning

In India, the alcoholic beverages industry is heavily regulated, with excise and other taxes from Indian made foreign liquor being an important source of revenue for state governments. In fact, in states that collectively account for 70% of the overall industry's revenues, state governments control manufacturing, distribution, retailing, and pricing. "It is a high-risk industry, primarily on account of the high taxes and innumerable regulations governing it," said Nishit Dhruva, managing partner of Mumbai-based corporate law firm MDP Partners. "Regulations pertaining to licensing, creation or expansion of brewing/distilling and bottling capacities, manufacturing processes, distribution and advertising impinge on the industry."

Abanti, however, said policy wins have to come at an industry level.

"It's challenging, but it has huge opportunity if you go professionally. There are a whole lot of tax and regulatory aspects that we are looking at. They are not uniform in each state and, hence, pricing is very different," she said.

## Premiumisation

Diageo is building its luxury portfolio in India to win in its chosen battleground of Scotch and premium white spirits.

USL, which makes the local whiskey Bagpiper, is by far the largest player by volume with over 40% share in the Indian market, followed by Pernod Ricard SA, which has around 15% of the market with local brands such as Royal Stag and Imperial Blue. Yet, the margin gap between the two players has widened substantially over the years — with USL's EBIDTA 30% lower than Pernod despite selling four times the number of cases (each case is 12 bottles of 750 ml).

"We want to create a centre of excellence within a much larger business whose centre of gravity is the belly of the market. The top end of the market is where Diageo has always played strong, and we want to put our arms around with unique capabilities of luxury marketing," said Abanti, who now heads a portfolio of global brands such as Ciroc vodka, The Singleton, Talisker and the Johnnie Walker family.

Over the last few quarters, Diageo's investment has led to portfolio premiumisation, which is evident from the product mix, with the premium category now contributing 31% of volume compared with about 20% in 2012.

In the last one year, Diageo, which held 50.5% of the overall luxury spirits market as per March-end figures, gained 430 basis points in the category while its share in Scotch, at 56.8%, increased 310 basis points, according to industry executives who quoted data from Nielsen.