

# Rediscovering the Mediterranean Spirit

## Project Title

Larios

## Industry Sector

Alcoholic Drinks

## Client Company

Maxxium

## Design Consultancy

Brandhouse

## Date

30 June 2017



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## Executive Summary

**-45%**

Pre-redesign for  
**10 YEARS**



**+23%**

**IN JUST  
2 YEARS**

**How a design strategy with ‘Mediterranean Spirit’ took Spain’s Larios Gin brand from a decade of decline to over two years of double-digit growth.**

By the end of 2013 times were tough for Larios, Spain’s number one gin brand. The Spanish drinks market was changing: it had become increasingly crowded, competitive and driven by novelty. Traditional, established brands were being left behind. After more than a century of success, drinkers were falling out of love with Larios, the gin that had always been a part of their lives, *de toda la vida*. Sales were falling, market share was slipping, brand equity was being eroded and profitability was plummeting. In the space of ten years, Larios lost 45% of its sales volume and 42% of its sales value. Two attempts to rectify the situation failed.

Then new research uncovered a fundamental brand insight: the emotional power of Larios’s unique Mediterranean heritage and ingredients. This insight led to a radical brand redesign strategy that can be summed up in two words: *Mediterranean Spirit*.

Following a comprehensive brand redesign, **Larios’s volume sales went from a decade-long fall of 45% to an increase of 23% in just two years.** Value share increased for the first time in ten years. Brand equity was boosted and perceptions of quality and desirability rose. Profitability was restored.

Sales of a previously-unsuccessful superpremium variant, Larios 12, *more than doubled* after redesign. This was followed by further successful launches of other high-margin variants and pack-size formats, and by strong growth of Larios’s core product, London Dry Gin, which was renamed *Ginebra Mediterranea* in line with the strategy.

***Mediterranean Spirit transformed everything for Larios.***

Word Count: 283



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## Project Overview

Larios suffered ten years of bad news: volume decline, share loss, falling profitability and brand equity erosion. Larios made two attempts to modernise the brand and to capitalise on the trend for superpremium, but its efforts met with little success.

### 3.1 Outline of project brief

**Spain's bestselling gin brand was in long-term decline. After two failed attempts it desperately needed to reconnect with a generation of consumers tempted away by the new wave of superpremium gins.**

- **Business objective:** to halt ten years of revenue decline. Specifically, to prevent value share, at 21.2%, from falling below 20%.
- **Marketing objective:** to stabilise falling penetration by halting the exodus of drinkers.
- **Design objectives:** to use design to rebuild the Larios brand in a way that:
  - Forces consumer reappraisal and improves brand equity and quality perceptions.
  - Sustains and justifies a more profitable pricing strategy.

**Scope of the project:** new branding, visual identity and communication. New 70cl bottle for core product. Renovate Larios 12 (premium product). Create a design approach that will allow for new products and variants.

### 3.2 Description

**Larios is Spain's number one gin distiller.**

Larios has been distilling spirits since 1863. It makes the best-selling gins in Spain and continental Europe, and is one of the top ten gin brands in the world. In the Spanish gin market in 2013, Larios had 21.2% share by value and 29% by volume. Nearly one bottle in every three bought in Spain was Larios.

However, over ten years to 2013, consumer and market changes steadily undermined the brand's strength and stability.

### 3.3 Overview of market

**Spain's drinks market was increasingly driven by novelty and innovation, and many traditional brands were in long-term decline. The change was particularly marked in gin, where there was growing interest in a new wave of superpremium brands - but a loss of interest in mainstream brands like Larios.**

Spain is Europe's largest gin market and the third largest in the world. Spain's 36 million adults, consume over 32 million litres of gin every year. However, with a growing pace of change and innovation, gins like Larios were being taken for granted. They were increasingly seen as traditional, 'cheap' and boring. Drinkers seeking excitement and novelty started looking elsewhere.

Larios slipped into decline. Although brand awareness stayed high (89%), levels of consideration plummeted to just 19%. Over ten years to 2013, it lost 45% of volume and 42% of value.

**-45%**  
Volume Decline  
2005 - 2013

**-42%**  
Value Decline  
2005 - 2013

Fig 1: Volume Decline

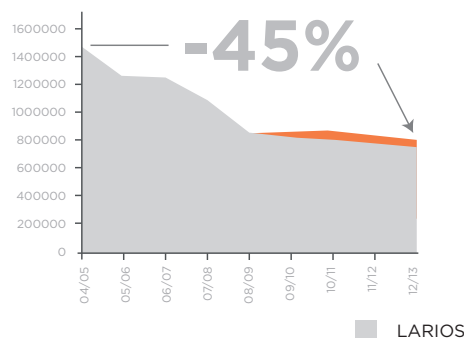
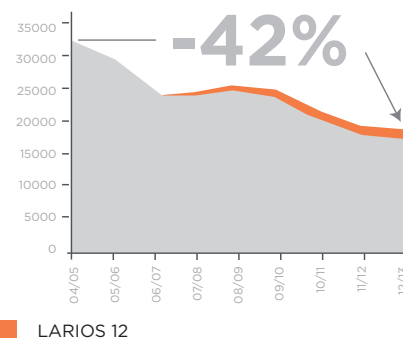
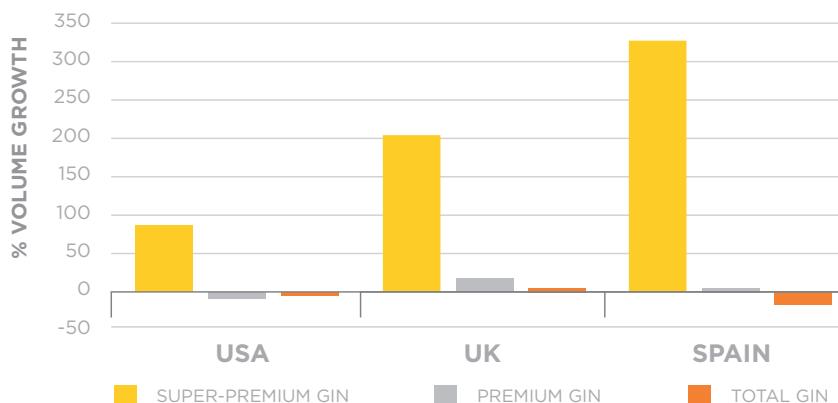


Fig 2: Value Decline



However, many younger and more sophisticated drinkers in Spain – and throughout the world – were developing a taste for a new wave of superpremium gins. Often produced in small batches, often imported, often commanding staggeringly high prices, these gins were seen as new, fresh, exciting, exotic – everything, in fact, that Larios wasn't. Driven by these new products, Spain's gin market was growing by 5.5% annually.

Fig 3: Gin - Superpremium vs Category Growth 2006-11  
Source: William grant



Faced with the long-term decline in its fortunes, and seeing the growth of the superpremium sector, Larios made two attempts to solve its problems. Neither were successful.

Fig 4: Unsuccessful attempts:  
superpremium Larios 12 (2008),  
brand redesign (2012-13)



In 2008 it launched superpremium Larios 12. Sales were disappointing. Research revealed that Larios's brand equity was a barrier to premium pricing. It just wasn't seen as 'special' or 'premium' enough to justify the price. For some drinkers, Larios was seen as "the brand the waiters use to clean the tables" or as a brand only good for *botellón* (an informal street gathering where young people get together to drink cheap alcohol).

In 2012-13 there was an attempt to comprehensively modernise and redesign the brand, accompanied by investment in advertising and communication across 17 different channels and touchpoints. Again, the impact was minimal. The rate of sales decline slowed a little but brand health measures continued to decline.

*Larios's Brand Health Measures were almost uniformly negative compared with the category as a whole:*

ATTRIBUTE	LARIOS SCORE VERSES CATEGORY (2013)
HIGH QUALITY BRAND	-9
FOR PEOPLE WHO KNOW	-7
TO DRINK WITH FRIENDS	-2
STYLISH	-9
MODERN	-9
AUTHENTIC	-4
PRESTIGIOUS	-8

By late 2013 even Larios's own sales team were losing faith in the brand. They had started to believe that price was the only reason consumers would buy the brand, and that lowering the price the only was solution left to drive performance. The result of this was that margins were slashed, and profitability went into steep decline. Something urgently needed to be done.

### 3.4 Project launch date

Early 2015

### 3.5 Size of design budget and production costs

Total investment from client - €159,360

# 4

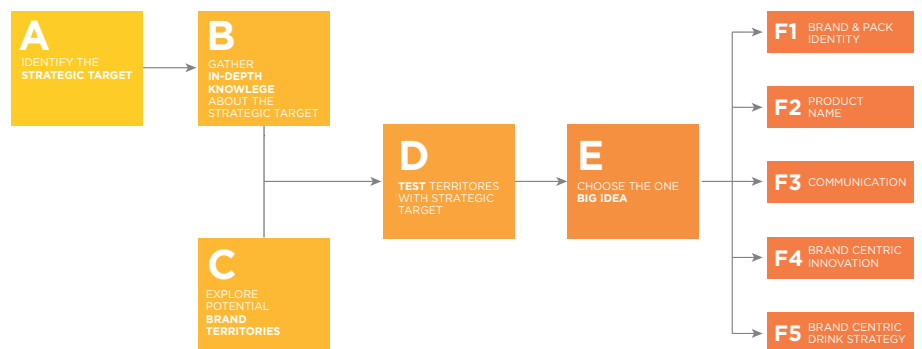
## Outline of Design Solution

To arrive at a design solution we conducted a multi-stage development programme encompassing research, strategy and design evolution. We began by identifying and researching a core target audience whilst at the same time interviewing Larios' management, staff and stakeholders. We delved deeper into Larios's 150-year history, its provenance and its production process to identify potential brand territories, which we then tested with consumers.

We found one powerful truth that set Larios apart from all other gins – its generations-old association with the Mediterranean.

The more we explored this association, and the more we probed what the Mediterranean means to drinkers, the more we realised that it had huge potential. This led us to the design brief: *Mediterranean Spirit*.

Fig 5: The Development Process



Larios has been produced in Malaga on the shores of the Mediterranean for more than a century. Of all the areas probed in consumer research, the area that had most traction, by a very long way, was the idea of the Mediterranean. Not just where it is and what it is, but what it represents in terms of its spirit, its resonance, its rhythm, its emotional power. Whether you manage a bank in Madrid or work for the construction authority in Cordoba, the Mediterranean is where you want to be. Its easygoing warmth permeates your ideal of what it means to be Spanish. Or to be human. Of all the gins in the world, only Larios is the one with deep Mediterranean roots and heritage and, of course, Mediterranean ingredients.

But these associations weren't elicited by the existing branding or packaging. In fact, much of the communication on pack actively worked against any sense of authenticity or

provenance. For example, Larios described itself as a London Dry Gin, when it wasn't even from London. It made it look like an inferior imitator of Beefeater or Gordon's.

*The Mediterranean Spirit* became our design brief. The new design reflected the patterns, colours, textures and spirit of the sea, the sand, the sky and flora of the Mediterranean coast. We even changed *London Dry Gin* to *Ginebra Mediterranea*.



Fig 6: Pack Redesign



Fig 7: Brand Identity





Fig 9: Brand-centric innovation Larios Rose and 150



Fig 10: Brand-centric drink strategy (Mediterranean G&T recipes)

Word Count: 337



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## Summary of Results

Larios Value Share  
**21.2%**  
 to **22.7%**  
 (July 2016)



After 10 years of decline,  
 volume sales went into

**DOUBLE  
 DIGIT GROWTH**

**▲ 0.8%**  
 Volume share  
**INCREASE**

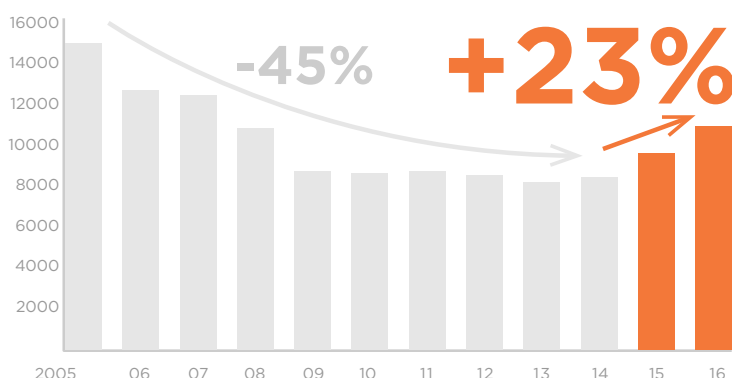
**Powered by Mediterranean Spirit, Larios's brand redesign exceeded every target set for it, and turned a ten-year decline into two consecutive years of double-digit growth.**

**Business objective:** to halt ten years of annual revenue decline. Specifically, to prevent value share, at 21.2%, from falling below 20%.

✓ **For the first time in ten years Larios's value share INCREASED** rising from 21.2% (July 2014) to 22.7% (July 2016) and annual sales value rose by €6m from €72m to €78m.

**Marketing objective:** to stabilise penetration by halting the exodus of drinkers.

✓ **After 10 years of decline, volume sales went into DOUBLE-DIGIT GROWTH** from -45% over 10 years to +23% in just 2 years.



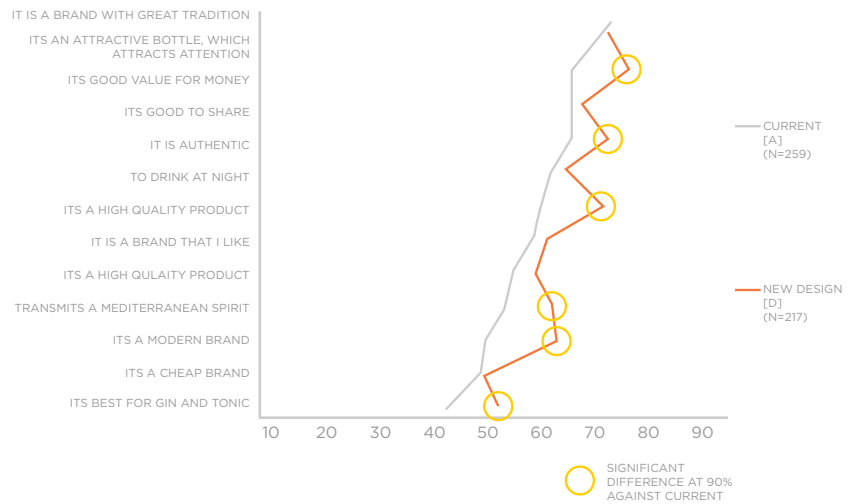
✓ **This equates to a 0.8% VOLUME SHARE INCREASE** from 29% to 29.8%

**Design objectives:** to use design to rebuild the Larios brand in a way that:

**1) Forces consumer reappraisal and improves brand equity and quality perceptions**

✓ **The redesign REDUCED NEGATIVE PERCEPTIONS**  
 The redesign improved brand perceptions across all dimensions. Due to a change in tracking agency and methodology in 2014 we are unable to show year-on-year equivalent measures. However, the chart on the following page shows a direct like-for-like comparison between the perceptions evoked by the old and new brand designs.

Fig 12: Brand Image Impact of Redesign



RESTORED EQUITY

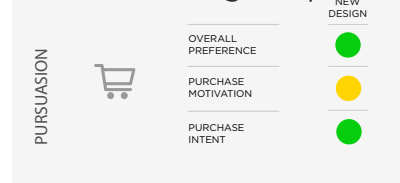


ON TRADE SHARE GAINS



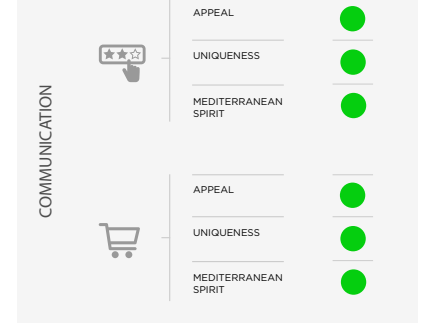
### The design RESTORED EQUITY KPIs

The design significantly outperformed the old branding across the range of persuasion and communication KPIs



COMPARED TO PREVIOUS:

- SIGNIFICANTLY BETTER
- AT SAME LEVEL
- SIGNIFICANTLY WORSE



### This translated into ON-TRADE SHARE GAINS

More people were happy to order and be seen with Larios in public

Larios 12 Share  
**MORE THAN DOUBLED**

0.8% to **2.0%**



### 2) Sustains and justifies a more profitable pricing strategy



**Superpremium Larios 12 share MORE THAN DOUBLED** from 0.8% MAT off-trade share (July 2012) to 2.0% (July 2016)



### Successful launch of new superpremium Larios Rosé

Priced at Parity to Larios 12, achieved 1.3% share in 1st year to July 2016



### Successful introduction of a more profitable pack format

The new 70cl bottle launched at lower unit cost than existing 1l, but approx 10% higher price per cl. Achieved 5% of total Larios sales in 2014, rising to 9% in 2016.

**10%** €

Higher price per cl.

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## Other influencing factors

### NO OTHER FACTOR

can account for  
the fact that after  
redesign,  
sales grew by

# 23%

in 2 years

### Larios's success was not due to market growth.

As a result of the growing interest in the new wave of super-premium gins, Spain's gin market was growing at 5.5% per year. However, Larios's volume sales had been declining while the market was growing. After the redesign, **sales grew by 23% in just two years** – far in excess of market growth rates.

### Larios's success was not due to changes in the product range.

Recent years had seen the rise of consumer demand for super-premium gin, but Larios was unable to break into this sector until the brand redesign. Although Larios had launched a super-premium product, Larios 12, some years *before* the redesign, it was only *after* it benefited from design that it achieved success.

Larios subsequently launched a second super-premium gin, Larios Rosé, but this was *after* the success of the redesign was already apparent.

Both before and after the successful redesign, the vast bulk of volume and value sales came from the existing London Dry gin (subsequently renamed Ginebra Mediterranea).

### Larios's success was not due to changes in distribution.

There were no significant changes in distribution at the time of the redesign.

### Larios's success was not due to changes in pricing.

For ten years, Larios's sales team had tried, and failed, to increase sales by means of deals, promotions and price-cutting. **The number of such deals and promotions was reduced following the redesign.**

**Due to bottle sizing, Larios had had an apparent price disadvantage over rival brands.** Most brands in Spain are sold in smaller 70cl bottles, whereas Larios is sold in bigger 1l bottles. At the time of the redesign a 30% smaller 70cl bottle was launched, at a lower unit price than the 1l bottle. However, only 5% of volume sales in were in the new 70cl bottle in the first year following redesign, rising to 9% in the second year – whereas the total volume uplift over those two years was 23%. Moreover, Larios gin sold in a 70cl bottle is 10% more expensive, volume for volume, than the equivalent sold in a litre bottle.





## Larios's success was not due to sponsorship or promotion.

There were no significant sponsorships or promotions at the time of the redesign.

## Larios's success was not due to increased communications expenditure

Larios had invested in communications and marketing at the time of the previous, unsuccessful brand redesign of 2012-13, with little success. New communications were created to support the successful Mediterranean Spirit brand redesign, but expenditure levels were not increased over the previous years.

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The only remaining factor that can successfully account for the spectacular revival of Larios's fortunes after ten years of steady decline is **design**.

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- Millward Brown-Brand Equity Insights Spain-Oct 2016
- The Department - U&A Spirits 2016
- Sales figures: Nielsen
- Brand Health Tracking Oct 13. TNS

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## Research Resources