



# TAKING THE SHERRY BULL BY THE HORNS

After 200 years in business, the Spanish company Grupo Osborne has seen more than its fair share of ups and downs, and not only survived, but thrived. But can even they save Sherry? Jürgen Mathäß spoke with Ignacio Osborne about Sherry's declining market share and what can be done to save this valuable style.

Since it began trading in 1772, Grupo Osborne has remained a family business. Its starting point, the production of Sherry, now represents but a small fraction of the group's activities. In the 1960s, Osborne consciously started diversifying into other regions with the founding of an eponymous house in Porto in 1967 and the purchase of Montecillo in Rioja in 1973. Thereafter followed Señorío del Cid in Ribera del Duero in 1999 and later in Rueda. At the same time, the group diversified into other business areas: brandy, the marketing of spirits, Iberian hams, water, refreshment beverages and energy drinks, along with catering. In 2007, annual turnover amounted to €313m. Wine and spirits, at approximately 16% and 28% of the business respectively, accounted then for less than half of total turnover. However, since the takeover earlier this year of 14 Domecq brands of Sherry and brandy from Pernod Ricard, including Carlos I, Felipe II and La Ina, the wine and spirits section of the business have taken on a new importance.



**Ignacio Osborne, who represents the Osborne family on the board.**

#### **Wine brands of the Grupo Osborne**

**Sherry:** Osborne, La Ina, Rio Viejo  
**Rioja:** Montecillo, Osborne Carabella  
**Malpica de Tajo:** Solaz, Tagus  
**Ribera del Duero:** Señorío del Cid  
**Rueda:** Señorío del Cid  
**Porto:** Osborne  
**Group's CEO:** Alfonso Calderón

*Meininger's:* While most professionals and sommeliers deem Sherry to be a highly intriguing product, sales are not growing. Have we seen the worst?

*Ignacio Osborne:* I don't see any end to the crisis yet. There still is more wine in the region than is being moved - and many of the wines are sold too cheaply. Take Spain alone: you can't sell much more Sherry than was marketed previously, since the consumption of wine is declining as a whole. Nor do I discern any vital growth impulses in the exporting countries. In my opinion, we Sherry producers made mistakes in only identifying new consumer trends too late and reacted inadequately to them. Sherry has lost the importance as an aperitif that it enjoyed in the past - and it is comparatively difficult to explain to today's consumer what an Amontillado is. We didn't react to changes such as these.

*Meininger's:* What would have been adequate at the time?

*Osborne:* I would have done it had I known it. Today I believe that we in

Jerez must offer products that go with the meal. We need wines with a low alcoholic content. The grand solution for that isn't in sight, though. We started in the early 60s to tap new business areas, due to the fact that a sign that changes were on their way had been around for some time.

**Meininger's:** Regardless, you've bought Sherry brands. What was your motive for doing so?

**Osborne:** First of all, we acquired them for a sound, viable price. Secondly, they are brands with quite a good image. Should the market for Sherry grow at all, then it will be on the price and quality level of La Ina. Thirdly, it was the brandy trademarks that truly intrigued us.

**Meininger's:** Would you have bought the Sherry brands if the brandy had not been up for sale?

**Osborne:** An interesting question. Possibly we wouldn't have taken on the Sherry alone. Then again, maybe we would have.

**Meininger's:** Has the importance of Sherry and brandy grown for Osborne with these brands?

**Osborne:** A little, yes, but less than you might expect. The wine sector - if you put all the wines together - has probably grown by 5%. Sherry makes up only a comparatively small fraction of our wine activities. Brandy has probably grown in value by about 8%.

**Meininger's:** As early as 1973, Osborne bought the traditional Rioja house of Montecillo. Yet it has only been during the last ten years that you've been truly committed to diverse wine regions. What were your motives for doing so?

**Osborne:** Viewed generally, we wanted to build on several pillars within the wine sector. Viewed specifically, our commit-

ment in Rioja, Ribera del Duero, Rueda and Malpica is motivated in each case by different reasons. Rueda, for instance, is the Spanish white wine region with the most potential. Although acreage and sales are rapidly growing, I see a healthy foundation for it, which makes us anticipate a bright future for our commitment there. Likewise with Ribera del Duero. This is a terrific region for top-quality red wines with solid growth and a very fine global image.

We launched the big project near Malpica because in my view you have got to produce somewhat 'freer' wines beside those with the rigid DO rules. There are consumers who don't want to drink the defined 'type' wines, deriving from those regions. At first we thought we should invest in the New World, and even took a look there, but then realised that plenty of opportunities were offering themselves right here in Spain.

On a smaller scale, producers like Mauro or the Marqués de Griñón have been paving the way. After all, Carlos Falco had already provided proof that the terroir near Malpica is superb. By the way, he helped us a great deal when we were planning our project.

**Meininger's:** How is the project progressing? There is a lot of wine to sell from your 750 hectares of vineyards there.

**Osborne:** First of all, from an oenological as well as a technical perspective, we're quite satisfied with the winery and vineyards. In agronomical terms, the project is one of the most modern in Europe. We are pretty happy with the sales abroad of the brand Solaz, which is produced there. We're making great headway, particularly in the

United States, Canada, Germany and Scandinavia. Domestically, we are less satisfied, because Spanish consumers don't accept these modern grape varieties to the extent we would like.

**Meininger's:** In terms of the style of wines, you are definitely offering a programme of contrasts. While Malpica produces primarily modern, international, fruity and trendy types of wines, Montecillo is stylistically one of the most traditional Riojas.

**Osborne:** We were involved in Rioja at a time when it was the only Spanish red wine region that was renowned internationally. It made sense at the time to go there, on that basis alone. I don't see any conflict with the Malpica wines. We address different consumer groups and, with Montecillo, we have a type of consumer who is knowledgeable about wine. The classical Rioja style certainly has a future. It's wrong to

claim that people who consume it are on their way to becoming extinct. If other wineries are of the opinion that they have to re-orientate their style, it's perhaps because they have not realised how to market that type of wine. We are pretty content, for our

part, with the business growth of the winery. The sales figures don't give us any reason to change the style. Montecillo is the second largest Spanish brand in the American market - and that mainly with Reservas and Gran Reservas. This fact alone should indicate to you that we cannot be getting it entirely wrong. With the new Osborne Rioja 'Carabella', a Crianza, which is produced at Montecillo, we're benefiting from the brand power of the Osborne bull, but we're not bottling any significantly changed style of wine. ■

