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VNC COCKTAILS :

NATURAL FUN WITH A TWIST

VNC Cocktails is a small business that's grown quickly in New Zealand and around the world

Written by By Andrea Marino & Produced by Janelle Liporto

VNC Cocktails first went to market in New Zealand, where the company is headquartered in August of 2007. It had taken the company around six months previously to develop the ready to pour cocktail products. In December of 2009, VNC bought a contract bottler so manufacturing could be done in-house rather than through a third party. According to Shane McKillen, Managing Director, "That was a significant transaction for us." VNC Cocktails is well established for distribution and marketing offshore—the company has offices in Beijing, Shanghai, Hong Kong, and just recently established an office in New York. McKillen explains, "We currently operate and sell products either directly or through distributors in around 20 countries."

Shane McKillen is an entrepreneur who started VNC Cocktails. He says, "This is a long-term plan for me. We expect the category to explode beneath us and we want to take advantage of that growth."

TRENDS

The trends vary by market. However, through research and speaking with consumers, one general consensus is that people want more natural products. "Although it's an alcohol-based product that people drink, they want to know what they're drinking, and they don't want artificial preservatives and flavours. It's not what they're looking for." VNC Cocktails does not use anything artificial in its cocktails, unlike most competitors. This unique product offers customers something



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We have worked with VNC Cocktails since the inception of this great product and value our association with this innovative team of people.



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different—all-natural ingredients—making them stand out from the rest.

CHALLENGES

One major challenge for VNC Cocktails is managing growth, like most small businesses. McKillen says, "We've been through the biggest growth already, integrating manufacturing with

"We're balancing delivery of the product and making sure we stay ahead of what the consumer is looking for in terms of taste"

Shane McKillen,
 Managing Director

our sales and marketing activities." Now, the company has to focus on matching sales to production. McKillen continues, "It's easy to sell something with the qualities of VNC, but then you've got to be able to manufacture it as well." As a business sells more, it needs to acquire more manufacturing capacity as well as managing the supply chain—such as bottles, caps, labels and ingredient suppliers—to be able to keep up with their growth. McKillen says, "As you grow faster, you've got to keep communication with those suppliers all the time and make sure they are aware of what you are doing so they can follow."

IMPROVEMENT STRATEGIES

Like most products, VNC Cocktails is constantly evolving. McKillen says, "We've been through three evolutions in label design." The company has invested some time into experimenting with different bottle delivery styles, which they will bring to market later this year. In addition, the

company is working towards developing new cocktail flavours. With seven flavours currently in markets around the world (not all in each market), another five are ready to go into production over the next 12 months. McKillen explains, "We're balancing delivery of the product and making sure we stay ahead of what the consumer is looking for in terms of taste. We think we've got that covered for the next 12 to 24 months."

DEVELOPMENTS

The company utilizes intellectual property in the flavour development. "I think our greatest claim, if we were the boasting type, would be the quality of the mint flavour in our Mojito drink," says McKillen. Mint is a difficult flavour to get right, without stabilisation it evolves into spearmint, which is something we did not want. Yet, VNC Cocktails wanted to keep the flavour as fresh garden mint, which took 18 months to perfect. "We think we've got a significant advantage over our competitors with that product, because I've never seen anything as good as ours anywhere around the world." This was endorsed by winning a gold medal for the Mojito from the Beverage Testing Institute in the USA in January.

Manufacturing is a fairly simple process once you have the flavour right: "It's putting liquid in a bottle, a cap and a label on it; then putting it in a box and exporting it around the world," says McKillen. In terms of label application, the

"We don't use anything artificial in our cocktails, and we think consumers really buy into it,

Shane McKillen,
Managing Director



company has been developing the automation system within the manufacturing facility. Since the bottle is fully sleeved, it runs through a steam tunnel, which essentially shrinks the label to the bottle. "It's been somewhat of a challenge to get it right. But we've developed it, and are installing our label application machine right now, and should have it on-stream this month," says McKillen.

DEFINES COMPANY

Product quality and naturalness is what defines this company and separates it from the competition. "We don't use anything artificial in our cocktails, and we think consumers really buy into it," says McKillen. "It's been spectacular growth and a spectacular success. The reason we've been able to do it is because we have such a good product and a great team."

Despite the negative impact of the economy on most companies, VNC Cocktails has actually benefited, as more consumers are entertaining

at home rather than going out. McKillen says, "We're a small-growth company, growing and exporting around the world. The recession hasn't really affected us."

FUTURE

The company is currently producing 150,000 cases, and the goal is to produce 1 million cases by the end of 2012. "We have the current capacity to do that in our factory." If this goal is accelerated, and more than 1 million cases are produced, the company will eventually have to increase capacity.

McKillen says, "We'll keep doing what we're doing to get where we want to go." The goal is for VNC to be recognized globally as a brand and a category leader. VNC wants to lead the natural cocktail category and become the top-of-mind name associated within that category. McKillen says, "Our product is good enough to get there. It takes time to talk to every consumer one on one, but we're well placed and it will happen." ■

FACTS AT A GLANCE



COMPANY NAME: VNC Cocktails

PROJECT DIRECTOR: Shane McKillen

ESTABLISHED: 2007

EMPLOYEES: 50+

REVENUE: \$50 million

www.vnccocktails.com