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Suntory chief fixes focus on Beam integration

Kana Inagaki in Tokyo Author alerts

It took three years before Suntory, the Japanese owner of US spirits maker Beam, finally wooed Takeshi Niinami into joining the drinks group as its first chief executive from outside the founding family.

To some observers it seemed a risky gamble for Harvard-educated Mr Niinami to leave a successful career running Japanese convenience store operator Lawson. But the 56-year-old saw it as his "last chance" to make his name alongside global chief executives such as Carlos Brito of Anheuser-Busch InBev and Ivan Menezes of Diageo.

"I wanted to venture out into the world," Mr Niinami says in his first interview with the Financial Times since taking over in October. "Life itself is a risk so I don't consider [the job] as a risk."

Mr Niinami, who has close ties with the Japanese government, was handpicked by Nobutada Saji, the charismatic chairman of Suntory Holdings and the grandson of the group's founder, to fulfil his global ambitions.

As president, he is tasked with integrating Beam after a $16bn takeover of the Illinois-based maker of Jim Beam and Maker's Mark whiskey in May. By 2020, the privately held group, known for its Yamazaki and Hakushu whiskies, is aiming to record Y4tn ($34bn) in annual sales, compared with Y2.4tn projected for 2014.

Before Beam, Suntory paid $3.8bn for Orangina Schweppes in 2009 and bought the Lucozade and Ribena brands from GlaxoSmithKline in 2013.

Investment bankers continue to approach the acquisitive group with deal offers, but Mr Niinami says he will focus on merging Beam and Suntory. "Only then can we go to the next acquisition," he says, though he adds that the company will maintain the "financial flexibility" to do deals if a good opportunity arises.

"Global players already have the knowhow of expanding through acquisitions. We're now being tested with Beam Suntory," he adds.

Still, even with the Jim Beam brand in its stable, analysts say it will be challenging for Suntory to take top spot in the international spirits industry. Beam and Suntory together rank fourth in the global whiskey market with a 6.6 per cent share in 2013, far behind France's Pernod Ricard with a 16 per cent share and UK's Diageo with a 12 per cent share, according to Euromonitor.

Japanese drinks groups have often paid high premiums to buy brands overseas, but not all the deals have gone smoothly. In 2013, Asahi sued two buyout groups for allegedly misleading it about the earnings of Independent Liquor, the New Zealand-based drinks group it bought in 2011 for NZ$1.5bn.

Outspoken himself, Mr Niinami says he will encourage his Japanese employees to communicate more clearly with their Beam counterparts, noting that the Japanese language tends to be "ambiguous". To create an environment where they can speak their minds, there will be an exchange of personnel, including executives, between the two companies, he adds.

Suntory has already said that Matthew Shattock, Beam's chief executive, and his management team will continue to run the business under Japanese ownership. Mr Niinami says he has "full faith" in Mr Shattock and that Suntory would provide money for Beam to step up marketing of Jim Beam as a premium spirits brand in the US.

"There are many markets where Beam can go after more aggressively," Mr Niinami says, namely Japan, India, China, and Latin America.

Suntory will also increase spending for research and development and for production technology. In May, it will open a new research centre in Kyoto, in western Japan, with 400 employees.

But Mr Niinami says Suntory's main battleground will remain brown spirits such as whiskey and bourbon, acknowledging that it would be hard to grab the top position in the global beer market. He dismisses recurring speculation Suntory will resume merger talks with Japan's second-biggest brewer Kirin after negotiations fell apart in 2010.

"I'm not sure we can become the world's Number one by teaming up with Kirin. Our direction is different," Mr Niinami says.

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