The Satisfying Downfall Of Patrón

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SUMMARY

In 1989, John Paul DeJoria transformed the perception of tequila from a cheap, harsh drink to a premium spirit with Patron, a brand that skyrocketed to fame without owning a distillery or traditional advertising. Through clever marketing strategies and partnerships, he created a compelling narrative around Patron, leading to a $5.1 billion acquisition by Bacardi. However, as consumer preferences shifted towards authenticity and craft, Patron's dominance began to wane, revealing vulnerabilities in its brand story.

- *DeJoria's journey from sleeping in his car to co-founding a billion-dollar brand illustrates resilience and innovation.*
- *Patron's unique marketing strategy involved creating a new category for tequila, positioning it as a luxury item.*
- *The brand's success relied heavily on perception and relationships rather than traditional advertising.*
- *DeJoria outsourced production to a reputable distillery, leveraging their heritage to build credibility.*
- *Patron's marketing tactics included blind taste tests and celebrity endorsements, which significantly boosted sales.*
- *Despite initial success, Patron faced challenges as craft cocktail culture emerged, leading to declining sales.*
- *The brand's claim of purity was undermined by regulatory issues, further damaging its reputation.*
- *As competition intensified, Patron's market position weakened, highlighting the risks of relying on a fabricated brand narrative.*

The year is 1989. Tequila is cheap, harsh, and on the bottom shelf. Then, seemingly out of nowhere, an award-winning, fancy bottled labeled Product of Mexico appears. Created by a former shampoo salesman, he makes up a Mexican origin story, rips off a small distillery, and sells the company for $5.1 billion, all without advertising or even a distillery. But the real question is, how did he fool everyone? And why now is it burning to the ground? 1980. John Paul Deora is sleeping in his car selling encyclopedias door to door just to eat. He gets fired, he gets hired, and he gets fired again. Most people at this point would give up, but Deora, he doesn't. He takes out a $700 loan and co-founds a hair care brand. The company then becomes John Paul Mitchell Systems, one of the most recognized brands in the world, generating over a billion dollars a year. Nine years later, his friend Martin Crowied comes back from a trip to Mexico with a handblown bottle filled with a tequila that doesn't taste like tequila. It was smooth, sippable, and different. Deora loved it and wanted more. But when he looked at the shelves in American stores, it didn't exist, so he decided to make his own. We knew nothing about the business, but we knew it was the best tequila in the world. We just needed to get people to try it.

John Paul Deoria, CNBC. At the time, Tequila had an image problem. Everyone thought it was a strong and inexpensive drink that no one was going to pay premium for. Even great tequila would sit next to Joseé Quervo and get treated like a knockoff. So, Deora came up with something entirely different. Marketing law number one. When you can't win in a category, create a new category. Marketing is not a battle of products. It's a battle of perceptions. Al Rays, branding consultant. Dehora prices his idea at $37 while everything else on the shelves sits under $5. He adds a genuine cork, a handnumbered label, and wraps the whole thing in a gift box. He wants to make the experience feel sophisticated and completely different from everything else. And finally, he doesn't dare call it a tequila. He calls it the world's greatest spirit. And the tagline he comes up with, simply perfect. This image would easily set him apart from every other drink on the shelf. But he had no credibility and no way to actually produce the tequila.

Premium spirits, they run on heritage. Scotch is from Scotland. Cognac is from France and Tequila needed roots and Dehora didn't have any. No distilling background, no lineage and no origin story. Marketing law number two. When you don't have credibility, borrow it. Becoming a recognized expert isn't difficult. In modern PR terms, proof of expertise in most fields is shown with group affiliations, client lists, writing credentials, and media mentions, not IQ points or PhDs. Tim Ferrris. So Deora went looking for someone who did have experience and he found a family distillery called Ciiet Legis operating in Halisco, Mexico since 1952. Decades of craft, the tona wheel, Highland Agave, everything that made tequila feel high-end they had. Deora, he didn't build any of that. He outsourced the entire production to CIA Leguas and wrapped it in a handblown bottle. The story had something real underneath it, just not his. Patron was a marketing company selling another family tequila in a pretty bottle. The credibility problem was solved, so they launched with 12,000 cases. They expected a major success, but nothing happened. It turns out that the build it and they will come mentality doesn't work with tequila.

Deora struggles to sell anything. How do you sell something nobody knows exists? So, he looks around for possible distributors. First, retail, a survival of the fittest game that if you have no track record of success, they're not going to give you any shelf space. Then, advertising. It's expensive, risky, and for a product with zero proven demand, it's out of reach. Dehora knew he had a good product, but he had no way to sell it. So, he visits an old-time friend. He walks into Spago, Wolf Gang Puck's restaurant on Sunset Boulevard, the hottest restaurant in West Hollywood. He presents his bottle of Patron, and even offers deep discounts. Puck says yes.

The mission to achieve distribution is accomplished. But, in Deora's own words, after a year, they were selling very, very little, so we dropped them. Then they partnered with Jim Bean. Distribution everywhere, resources, scale. A year later, barely breaking 12,000 cases. Jim Bean tells them, "The product is great, but the price is too high. You'll never scale this." So, they walk away again. They then partner with alcohol giant Crerum, and they sell 17,000 cases. Definitely better, but still not enough. So, they do something no one expects. Marketing law number three. Marketing determines the success and failure of business. Marketing is too important to be left to the marketing department. David Packard, co-founder of HP. Deoria buys back his distribution and they go on the attack.

No middlemen, no gatekeepers. They're in charge of everything. The stakes are higher than ever. If it works, he keeps it all. If it fails, there's no one else to blame. So, he does what he knows best, hair care. Through Paul Mitchell Systems, he hands out free Patrone to thousands of high-end clients. They try it and realize there's nothing else like it. Then he builds the stage and places Patron at exclusive clubs and private events. In 1991, they host a public blind taste test at Spago. Patron vers the biggest names. Erdura, Saza, and Quervo. Audited by

Ernston Young. Patron wins. Now it's not just a bottle. It's the one that beat everyone else. They are the best. Before long, celebrities like Bruce Springsteen were calling to order cases. They didn't wait for attention. They had manufactured it with Relentless PR. By 2001, they were closing in on 120,000 cases being sold.

And with all these sales, they needed more supply. And that's when CIT Legos said no. Ciietas didn't want to scale. The family had their own limits. They cap production to protect quality. For Patron, that was a ceiling they couldn't accept. So, Deora took the one thing CIA Leguas could never take back, their position in the market. Marketing law number four. The brand that comes to mind first wins. It's better to be first in the mind than to be first in the marketplace. Jack Trout, marketing expert. By now, Patron didn't need the distillery as they had the image of premium tequila in the bag. Anyone who thought of premium tequila thought of Patron and Cieté Leguis couldn't change that. So, Deora built his own distillery. The split ended in a legal fight and in the end, Cieté Leguis got nothing. Not even a footnote in the story. But a certain type of consumer did notice the change in distilleries.

As Jimmy Joerger, a former bartender, said, "There are a few bars like mine that continue to sell patron, but only as a way to sell ciietas." Because when a guest would order Patrone, we'd say, "Do you mean the original Patron?" Because we'd recommend the original and we'd sell the CIT Legos. The insiders and experts knew the original was better. Even till this day on Reddit, it's hotly debated. Try Ciet Legos. Patron was made by CIT Legos a while ago. This way, you'll know what Patron should taste like. Guy from Paul Mitchell Hair Products fell in love with tequila in Mexico but in the US it was seen as cheap crudelymade product.

Ciietas agreed to provide product and it was sold under the patron name. Sales were so good he asked CIT Leguas to increase production as they were still supporting their own domestic brand. They told him there was no way to increase production without compromising quality which they were not willing to do. So Patron made the move and built their own facility and the comment and from there the quality of Patron went downhill. Most people would agree Ciieté Legos is the better product. It's more complex. It has more character. But most people don't even know it exists. And most people didn't ever even notice the change. They didn't compare. They didn't question it. They just ordered what was already believed to be premium. The product changed. But the perception, it didn't. Owning production was one thing.

Owning the culture was something else. Placing Patron at exclusive events and getting it into the hands of celebrities was starting to pay off. Most people credit hip hop with making Patone famous, but Hollywood got there first. Clint Eastwood, a personal friend of D'Hora's films in the line of fire. The Patrone bottle gets a close-up in one of the film's most tent scenes. No deal, no payment, just a bottle that looked like it belonged there. Then in the early 2000s, bottle service culture explodes, and Patron, already embedded in the right avenues, was perfectly positioned.

Over 400 songs would mention Patron by name. Jay-Z, Lil John, Taylor Swift, The Weekend, none of them were paid. Sales went from 70,000 cases in 2000 to nearly 2 million cases by 2010. They controlled 68% of the ultra premium tequila market. January 2018, Bardi pays $5.1 billion for Patrone Tequila, the largest tequila acquisition in history. A brand that didn't even own a distillery for its first 13 years. It spent almost nothing on traditional advertising and built its name purely through relationships and free publicity. What Bikardi paid for was a belief system. John Paul Deora, the man who once slept in his car, walks away a certified billionaire. But here's the fascinating part. Once you put that belief system inside a corporation built on quarterly margins, that exclusivity starts to fade and the story begins to crack. Maybe Deoria saw it coming. Maybe he just knew when to leave the table because things were about to get a lot worse for Patron. For so long, we've been seen as probably the Kardashians of tequila. Adrien Parker, VP of marketing for Patron Tequila. Craft cocktail culture rose. A new consumer showed up who cared about what was actually in the glass as opposed to what was on the bottle. Bartenders started saying the quiet part out loud. Then the wolves arrived. Don Julio with real heritage, Fortaza with generations of craft, and class Azul pushing even harder on the luxury market. Each one taking a bite out of the story Patron had built.

Because once people start questioning the story, the offer stops making sense. Over the past few years, Patron's volume has been falling, down 8% in 2023, then another 11.8% in 2024. Now, this wouldn't be a massive problem if the overall tequila market is also falling and all the other brands are falling. However, the other brands aren't falling, they're growing. What should a brand leader advertise? Brand leadership, of course. Leadership is the single most important motivating factor in consumer behavior. Laura Rays, branding consultant. The worst thing for Patron would be to lose their number one spot in the ultra premium category. And in 2023, that's exactly what happened.

Don Julio overtakes Patron with 4 million cases sold as opposed to Patron's 2.8 million. And right behind them, closing the gap fast is Kaz Amigos with also 2.8 million cases being sold. If Patron falls out of the top two spots, it's not just a ranking change, it's a death blow. We've seen this before with BlackBerry, MySpace, and Blockbuster. Big brands with massive overheads and shrinking budgets. They don't fall slowly, they collapse. Then, just when it couldn't get any worse, it did. Patron had one of the strongest advantages in the category. three ingredients, agave, water, and yeast, no additives. While the regulations allow up to a 1% of undisclosed ingredients, Patron used zero. So, they tried to say that and Mexico CRT blocked them. The claim was shut down and the exports were suspended. Their biggest advantage was taken off the table. So, Patron flipped it. They made the censorship campaign.

Censored truth is our way of doubling down on that promise, even if you need to read between the lines. Roberto Ramirez LaDa, global SVP of Patron Tequila. Blacked out billboards, ads with audio bleep mid-sentence. The restriction that was supposed to silence them became the loudest thing they've said in decades. But from the outside, it seems that no one's buying Patron's fabricated story anymore. It seems it's too little, too late. Hannibal is at the gates, and the sun may be setting for Patron, but at its peak, this was a masterclass in marketing. John Bald Deoria is a genius. Did he always tell the truth? Probably not. But he understood something most of us don't.

We don't pay for what's in the bottle. We pay for how it makes us look. A $5.1 billion brand built without a distillery or an ad budget. Now, if you like this type of content, hit that subscribe button and check out our course below. The competitors for Patrone, they now know where to attack. They see the cracks and they see the paper tiger. And the wolves, they're circling. So, we watch as one of the most brilliant brands ever gets torn apart.