

Vodka



VODKA OPINIONS

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Quietly confident

Colourless and (broadly speaking) neutral in flavour it may be, but vodka is far from uneventful. While the world has been reeling from the aftershocks of the 2008 financial meltdown, some of the major spirits categories have felt the impact of consumers turning away from ostentatious spending on the top-end juice, particularly in the on-trade environment.

But vodka has all the bases covered, and the increasing segmentation of the market ("low-premium" anyone?) appears to be cushioning this most profitable of sectors from the worst of the recession.

What Diageo might lose in bar sales of Ciroc or Ketel One, say, it is just as likely to recoup at the other end as people pick up a bottle of Popov or Gordon's to drink at home.

The US market is still the engine, approaching 60% of total global premium vodka market share in 2009 (Impact Databank), but the world awaits the next brand that will catch on big time – there's no shortage of willing candidates.

And if you want a measure of how seriously the business is regarded, you need look no further than Stolichnaya. In the long-running dispute over its control, there's a titanic storm brewing over this iconic piece of Russian drinks history.

Meanwhile, with its new Be There digital and social media campaign, Smirnoff continues to lead the way as the world's biggest spirits brand – showing no signs of slipping back below that 25 million case mark.



David Longfield
Supplement Editor

Euromonitor International alcoholic drinks analysts Spiros Malandrakis and Jeremy Cunningham decipher vodka's performance in the year of the Great Recession

Vodka rides out the storm

A celebrated “elixir of the masses” in its eastern European birthplace and a gleefully endorsed tippable for the scores of aspiring young urbanites hitting city centres globally, vodka’s ascent from regional speciality to international sensation has been stratospheric in its speed and seismic in its impact.

The category’s ubiquitous presence and iconic status hence came to represent an ideal barometer for trends within the spirits industry and beyond. Reflecting the mirror image of a global operating environment still pretty much in a state of disarray and underlining the disintegrating economic state of its eastern European bastion, vodka posted a sobering 1% total volume decline in 2009. But things are far better than top-line figures might suggest.

Green shoots beneath the gloom

While severe recessionary pressures formed – quite predictably – a bleak backdrop and indeed played a major part in vodka’s less than inspiring global performance in 2009, declines were anything but uniform. The core of the category’s problems is regional rather than financial.

Although a number of regions did witness marginal slowdowns or static volume growth compared with 2008, it was the plummeting sales in key eastern



making sense of global markets

European markets that acted as a dead weight, dragging global volumes down with them and presenting a gloomy façade for an otherwise still buoyant vodka industry.

According to Euromonitor International, vodka sales in eastern Europe plummeted by more than 3% in total volume terms in 2009, essentially tripling the pace of the category’s downward growth trajectory, which stood at -1% over the 2004-09 period. With sales in the region still accounting for a mind-boggling 67% of global volumes in 2009, it is easy to see why overall performance for the year appears skewed towards disappointment.

What’s more, vodka’s demise in eastern Europe originates in the ongoing shift to lower abv variants, underlying saturation issues, evolving westernisation and, last but not least, the unprecedented depth of the financial contagion. In other words, the landing of the recession only provided the icing for an already deflating cake.

On the other hand, and taking eastern Europe out of the equation, vodka’s high mixability credentials and vastly heterogeneous audiences provided for some defiantly bullish growth rates, even in the midst of one of the most pronounced economic blips in post-war history. Total volume sales grew by 7% in Asia-Pacific, 8% in Australasia, 4% in the Middle East and Africa, 3% in North America, 4% in Western Europe and 2% in Latin America – loudly reaffirming the category’s exemplary resilience in 2009.

Nevertheless, resilient as it may be, vodka could not escape trading down, with value sales growth dropping to 5% in fixed US\$ exchange rates, down from a CAGR of 7% over 2004-09. Rampant discounting in the vast majority of core markets was the manufacturer and retailer answer to the dawn of the new era of frugality which momentarily derailed the seemingly steadfast premiumisation bandwagon that had been largely spearheaded by the category.

Economic conditions affect corporate performance

The global vodka market remains one of the most fragmented of all spirits categories. The top five vodka producers accounted for only 22% of global vodka sales in 2009, compared with 75% for the top five producers in blended scotch. This is in part due to the size of the category, but mainly because most

of the world's largest vodka markets in eastern Europe have little history of branded products and have been highly fragmented.

This is, however, beginning to change through a combination of merger and acquisition activity, the development of large eastern European companies and the dynamic growth of vodka outside core markets.

In 2010, for the first time in more than a decade, Diageo lost its position as the leading producer of vodka in volume sales terms. This drop to number two came about from fourth-placed CEDC completing the takeover of third-placed Russky Alkohol ZAO, giving CEDC a 7.2% share of global vodka sales compared to Diageo's 7.1%. This acquisition follows on from Pernod Ricard's 2008 acquisition of V&S.

As a result of this deal, Diageo and Pernod Ricard moved down a position to second and third, respectively. Both companies saw volume sales stagnate. Diageo managed to benefit from the fact that its portfolio is largely focused on the economy and standard price segments in its key markets, thus allowing it not only to be hit by, but also benefit from, trading down. This was particularly the case for the company in the US, but it also allowed it to see growth in some emerging markets, such as South Africa.

Pernod Ricard suffered in part due to the more premium nature of its portfolio and its flagship brand Absolut.

Absolut continued to see volumes decline in its largest market, the US, in part due to the mature nature of the brand, but also consumer trading down from premium products. Bacardi, which was ranked 14th in global vodka sales in 2009, also suffered from consumers trading down from its super-premium Grey Goose brand in the US.

What goes up...

All the rest of the leading vodka companies in 2009 are focused on eastern Europe. Many of these companies have seen rapid rises in volumes as they successfully manage to tap into the large and fragmented markets of eastern Europe, especially Russia and Ukraine.

Fifth-placed Ukrainian-based Global Spirits AMG-77 (producer of the Khortytsya brand) had a negligible presence in global vodka in 2006. Fourth-placed Ukrainian-based Olimp Corp has had nearly as rapid a rise as Global Spirits AMG-77. Both companies,

however, are still primarily focused on their local markets.

As rapidly as these eastern European companies can rise, they can just as quickly fall. At the end of 2009, Ukrainian-based sixth-ranked Soyuz-Victan closed down after a couple of years of financial problems, while at the start of 2010 ninth-placed Nemiroff began to look for someone to invest in it or even buy it completely.

Both these companies looked for expansion outside their domestic market of Ukraine, but lacked the resources to push it through. Their plight has probably not been helped by the credit crunch that affected eastern Europe, especially Ukraine, limiting the possibility of gaining credit to fund expansion.

A year of change

While the much-vaunted and tested premiumisation trend is still in the doldrums, it was just one of the numerous trends pioneered by vodka, subsequently leading to its establishment in the spirits industry and beyond. It is then fitting to see vodka readily reflecting the feeling of austerity sweeping across mature markets as struggling consumers are forced to resort to belt-tightening.

The meteoric rise of economy brands, which were previously tucked away on the sidelines of manufacturer portfolios, is noisily taking centre stage. In a telling sign of the times, Diageo's Popov posted 10% volume growth in 2009 in the US at the same time that higher-end behemoths such as Skyy were stalling.

Even more interestingly, private-label variants, previously considered to be a recipe for disaster in a category enjoying such high levels of brand loyalty, are no longer taboo. Private-label spirits have gained a lot of traction in the recession and Sam's Club is the latest retailer to jump on board with the launch of a segment-redefining, premium, private-label Member's Mark vodka under the label Rue 33 in the US in December 2009.

A continuing flurry of celebrity endorsements and the ever-innovative flavoured launches aside, a landmark High Court ruling that saw vodka join the likes of champagne, whisk(e)y, cognac and sherry as a name protected by the courts was one of the most important developments of the year. Diageo won a case against Intercontinental Brands' Vodkat – a cheaper and lower alcohol content drink than regular vodka – in January 2010. The Gin & Vodka

Top 10 vodka markets 2004-2009

Market Sizes – Historic Total Volume (million 9-litre cases)

	2004	2009
Vodka		
Russia	209.8	163.2
US	45.4	58.1
Ukraine	37.3	54.7
Poland	26.8	32.2
Belarus	7.6	14.9
United Kingdom	8.6	11.3
Kazakhstan	11.3	10.2
Uzbekistan	5.5	7.2
Germany	4.6	6.5
India	1.6	6.4
Rest of the World	41.8	50.5

Association was delighted with the verdict, which of course has much more far-reaching consequences than putting an end to the claims of a minor schnapps brand in the UK.

UB Group on the rise

Eastern Europe has not been the only source of rapidly rising companies. The rapid growth of vodka outside the traditional eastern European markets has also meant the rapid rise of certain companies from outside the region. Chief among them has been the Indian-focused UB Group. The company, which dominates the Indian spirits market, has benefited from the rapid growth of vodka in India, which rose by 180% in volume terms between 2004 and 2009 to 58 million litres.

Capitalising on this growth, UB Group has seen its ranking in global vodka rise from 74th to 19th. With Indian vodka volumes expected to double again over 2009-2014, expect UB Group to be challenging for the top 10 in the next few years.

While consolidation in vodka should continue, through acquisition and, equally importantly, through organic growth as companies expand into growing markets such as India, it will continue to remain a relatively fragmented category for the foreseeable future, primarily due to the fragmented nature of the largest vodka market, Russia, combined with the broadening geographic popularity of the category, making it difficult for major brands to gain a large share.

Reasons to be upbeat

As the dust from the financial Armageddon of 2009 begins to settle, Euromonitor International forecasts vodka to post flat total volume growth over 2009-2014. But, as previously stated, single data points are not to be taken at face value.

As eastern Europe will continue bleeding under the added weight of government sponsored anti-alcohol initiatives and tax hikes and is projected to post more than a 2% volume CAGR decline for the category, the Asia Pacific dragon will increasingly embrace it.

With a projected volume CAGR of 8% translating into the additional consumption of 124 million litres of vodka over 2009-2014, it appears that vodka may well have found a new home. It took over the west and now it is time to take over the east. **DI**

Global vodka brand shares – total volume % breakdown

Brand	2004	2009
Smirnoff	4.8	5.9
Zelenaya Marka	0.3	2.8
Khortytsya	0.5	2.6
Absolut	1.9	2.4
Nemiroff	1.8	2
Khlibny Dar	0	1.7
Pyat Ozer	0.1	1.6
SV	1.1	1.5
Bilen'ka	0.1	1.5
Medoff	0.5	1.2
Others	88.9	76.8
Total	100	100

CEDC steps up the pressure

CEDC (Central European Distribution Corporation) has the vodka world in its sights following its acquisition of the Russian Alcohol Group at the end of last year.

The company's initial estimates now put total volumes for the group at about 31 million cases, vying for position as world's biggest vodka producer with industry leader Diageo.

The latest CEDC expansion adds Russian brand Green Mark (Zelenaya Marka) to a portfolio which already includes major regional brands in Poland and central/eastern Europe, such as Bols, Soplka, Absolwent and Parliament, as well as Zubrowka Bison Grass.

"The acquisition was completed before Christmas," the company's sales director, Iain Grist, told *Drinks International*. "We didn't know much about the brand we have just acquired [Green Mark] except for its strengths.



We have a sales force of more than 2,000 working in Russia, but [we have] really only just started."

Green Mark's previous owners, added Grist, "hadn't made much progress in developing the brand outside its major markets". So, he said, CEDC will be "evaluating everything", including the packaging.

"Green Mark will move from being a successful regional brand [in Russian and CIS markets] to an international one.

"Our challenge is now to integrate that brand into the CEDC operation.

"The key markets are the US, UK, Germany," he said. "It's not rocket science. There are other interesting markets such as Israel and duty free."

CEDC first went public with a share issue in July 1998, and the company was admitted to the NASDAQ National Market in the US the following year, from which the proceeds were used to acquire three of the leading regional distributors and a leading wine importer in Poland.

Its first expansion outside Poland came in 2006, when CEDC acquired Bols Hungary, a leading importer in the country, along with the Bols vodka brand. This was followed in 2008 by the purchase of the Parliament vodka brand in Russia.

The company has also recently announced a new agreement with Rémy Cointreau for distribution of its Polish Bison Grass flavoured variant Zubrowka in the US.

"We have used other smaller companies in the past," said Grist, "but there have been ongoing trade mark issues [with the name and concept of "Zubrowka"], which means that many distributors are not keen to take on a new product."

In CEDC's full year 2009 financial results announcement on March 1, the company's president and chief executive William Carey said: "Having recently taken control of our largest investment and strongest cash flow generator for the company, the Russian Alcohol Group, and obtaining 100% equity ownership of both of our vodka production businesses in Russia during the second half of 2009, we can now look forward to a clearer path to start to deliver on our 2010 objectives."

This includes vodka launches in Poland and Russia.

Wyborowa appoints distributor for US

Luksusowa vodka is to be imported by WJ Deutsch & Sons in the US. The Wyborowa-owned brand is to be sold nationwide at \$24.99 for 1.75-litre, \$16.99 for 1-litre and \$13.99 for 75cl.

Deutsch CEO Peter Deutsch said: "Following the announcement of our new spirits division in July, we immediately began the search for the right partner to supply us with this important category. Luksusowa is an ideal fit for WJ Deutsch because it is a category leader – the number one-selling potato vodka in the world."

Victor Jerez, CEO of Wyborowa, said: "Through our partnership with WJ Deutsch, we will be able to capitalise on Deutsch's sales and marketing expertise, strong network of US distributors and on and off-premise relationships."



Chopin potato vodka has unveiled a hand-blown, 7ft tall, 200-litre bottle to be auctioned off in support of the Grammy Foundation. According to Chopin, this is the largest bottle of vodka ever produced and is an exact replica of Chopin Vodka's signature bottle. The company expects to raise \$50,000 at auction. The bottle was revealed on the red carpet at the Santa Barbara International Film Festival and it features autographs from the likes of Sandra Bullock, Jeff Bridges, James Cameron and Quentin Tarantino.

TYPICALLY TROPICAL



ABSOLUT FLAVOUR OF THE TROPICS BRAND OWNER

Pernod Ricard

MARKETS Asia/Europe
duty free/travel retail

CONTACT

PRTR-Focus@focuspr.co.uk

The latest variant from the Absolut stable is Flavour of the Tropics. It was unveiled at last year's Tax Free World Association's Cannes exhibition and is in the process of being rolled out in London Heathrow, Paris Charles de Gaulle, Frankfurt, Barcelona and Istanbul airports.

The specific flavours are: orange, mango, lychee, pineapple and melon.

At tastings in European airports, Flavour of the Tropics will be mixed with orange, according to John Smalles, head of marketing, Pernod Ricard travel retail Europe.



BALTIC BEAUTY

LITHUANIAN VODKA

BRAND OWNER Stumbras AB

PRICE £13, US\$14.99

MARKETS Lithuania, Poland, Peru, Israel, US, Spain, UK, Mexico, Italy, Bangladesh

CONTACT export@stumbras.lt

Lithuanian vodka claims to be the most popular vodka in the Baltic States. Its production, handling and merchandising is said to be strictly regulated by the government.

According to the regulations, original Lithuanian vodka can only be produced in Lithuania and can be made only out of grain of Lithuanian origin, using a "unique technology" and ethyl alcohol of the highest quality, claims the company.

The company says that at the end of last year, Lithuanian vodka was updated. Filtration via silver or gold filters was introduced to ensure higher quality and purity and softness.

The gold vodka won a gold medal at Prodexpo, the major annual trade show held in Moscow in January.

Czysta a force to be reckoned with

Stock Spirits Group has enjoyed some remarkable success in its Polish heartland in 2009 with its Zoladkowa Gorzka clear vodka spin-off Czysa Deluxe.

Following its launch late in 2007, Czysa Deluxe exceeded 2 million cases in its first full year, before registering 5.3m cases last year, according to company chief executive Chris Heath.

The traditional Zoladkowa Gorzka vodka is flavoured with herbs, spices and dried fruit, and is a well established favourite in Poland. "It is so well known that it gave us a great base," said Heath.

"The Poles really know their vodka, and Czysa always does very well in consumer tastings. There is no advertising in Poland so we rely on one consumer talking to another."

The rapid growth of Czysa Deluxe has been enabled by the opening of a new high-speed bottling line last year – Europe's fastest, the company claims, at its Lubkin factory in Poland. "From the word go we have continually invested [in new equipment], up to about €20m now," said Heath.

A new rectifier coming on line this month will take production from its original level of 20 million bottles in 2006 – when Stock's major investor, Oaktree Capital, acquired the Polmos Lublin production facility – through to 100 million bottles this year, with a capacity of 160 million bottles. "The plant

will be producing the highest number of bottles of spirits in Europe," said Heath.

Outside the beer sector, vodka dominates drinks in Poland. Nielsen figures for 2009, supplied by Stock, show beer with a volume share of 87.7% of the total alcoholic drinks market and vodka at 8.4% – ahead of the next nearest, whisky, with just 0.2% share. In terms of value, vodka commanded 91.6% of the Polish market in 2009.

"The company share is well above 33% [by volume], from 10% in 2006," said Heath. "Czysa Deluxe is now 16% of the clear market, and the parent brand has 38% of the flavoured market. We have another 10% of the market with some other brands."

Although Heath admitted that competitors would be keen to take back market share lost to CEDC, he stated: "We will not be drawn into any aggressive pricing activity."

New products launched in Poland in 2009 included Stock Prestige, a premium clear vodka, a Bison Grass variant of Zoladkowa Gorzka and Lubelska Cytrynowka lemon flavoured vodka. "The consumers and our customers like to see new flavours," said Heath.

"It shows that it's a dynamic category and gives the opportunity for new cocktails."

Reflecting on how the vodka category might be affected by the global economic downturn, Heath added: "Those products with a strong positive image will bounce back first. One element that has weakened is the idea that if it's more expensive it must be better quality."

"We always make the liquid as good as it can be, then we build the image on top."



Explorer goes in Pernod Ricard sale of Swedish and Danish assets

Pernod Ricard is to sell its Explorer vodka brand as part of a larger disposal of assets.

The company is to sell a number of Swedish and Danish assets to Altia for a cash consideration of SEK835 million, or €82 million at current exchange rates.

The transaction includes a number of local wine and spirits brands, including Explorer vodka, Lord Calvert whisky, 1 Enkelt bitter, Blossa Glögg and Chill Out wines.

The deal also includes a bottling facility which is located in Svendborg, Denmark, along with two

logistic centres located in Odense, Denmark, and Årsta, Sweden.

Related long-term production, bottling and logistic services agreements between Pernod Ricard Sweden, Pernod Ricard Denmark and Altia have also been concluded.

Standard flies high

Rising star of Russian vodka Russian Standard announced in February that it exported more than a million 9-litre cases for the first time in 2009 – almost half of its 2.2m case total volume for the year in all markets.

The news followed a ceremony last December in St Petersburg in which the company was named the Russian region's top exporter of 2009 in the category of alcohol production.

Founder and chairman of Russian Standard, Roustam Tariko, said: "While many premium brands struggled in 2009, Russian Standard achieved a clear breakthrough in its international expansion and even passed established brands. This is an enormously proud accomplishment for everyone at Russian Standard Vodka."

Amid its continued rapid international expansion plans in 2009, Russian Standard launched in nine Asian countries, New Zealand, Canada and Australia, where the brand captured 5% of the entire vodka market just five months after its launch, according to Liquor Merchants Association of Australia and Nielsen data to December 6 2009.

At the same time, the company claims Russian Standard almost doubled volumes in the key US market, growing by more than 50% in the UK and 20% in Germany.

Early 2010 also saw the announcement of a distribution agreement in Spain with Maxxium España. "Spanish consumers have a passion for authentic products, and we believe that Russian Standard Vodka will experience rapid growth with Maxxium España," said Russian Standard Vodka International chief executive Chris Lucas.

In October last year the company also



announced a "multi-year international distribution agreement" with Rémy Cointreau Global Travel Retail, covering duty free channels globally.

The agreement excludes Russia and the CIS countries, south-east Asia, Australia, New Zealand, UAE, Oman and Dubai.

"Duty free is an important sector in Russian Standard Vodka's global expansion, and we have ambitious plans for our growth in the duty free channel," said Lucas.

Russian Standard has distributed Rémy Cointreau group brands in Russia since 2006.

Master class

Californian winery and distillery Charbay has announced the 13th generation of master distiller.

Marko Karakasevic has earned the master distiller title following an apprenticeship under his father, 12th generation master distiller Milorad (Miles) Karakasevic from Yugoslavia.

It was Marko's idea to launch fresh fruit vodkas in 1998 and he was honoured with the Vodka Visionary award by *Food & Wine* magazine. The distillery also makes brandy, liqueurs, rums, whiskey and tequila.

Charbay vodkas and whiskey are now served in the International Aman Resorts chain and the company has a new distributor in New York, called Lauber.



FRUITY

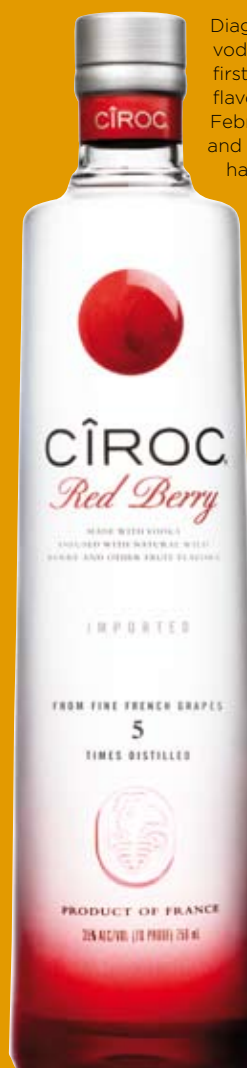
CIROC RED BERRY CIROC COCONUT

BRAND OWNER Diageo

PRICE US\$30

MARKETS US

CONTACT diageo.com



Diageo expects its ultra-premium vodka brand, Ciroc, to be the first to successfully tackle the flavoured segment, with the early February launch of Ciroc Red Berry and Ciroc Coconut. "If you don't have flavours, you are missing out on a huge opportunity," says Ciroc brand marketing director Marc Strachan, who has overseen the brand's meteoric rise to sales of nearly 400,000 cases since 2007.

Of all vodka consumed in the US, 25% is reckoned to be flavoured, and of flavoured vodka drinkers, 35% only drink flavoured vodka. This sector, along with 25 to 35-year-old "urban/metro aspirational luxury seekers", forms the target audience for the new 35% abv Ciroc extensions.

Ciroc Red Berry is clean, light and nicely balanced, with forward aromas of fresh strawberry and raspberry and hints of peach, blackberry and citrus. Ciroc Coconut (targeted at the flavoured rum sector leader) is sweeter and creamier in profile, with mild coconut supported by vanilla and a hint of citrus.

US TV first for Svedka

Svedka vodka has launched a marketing campaign in the US called R U BOT OR NOT?, which refers to the vodka's spokes-bot, Svedka Grl.

The multi-platform campaign sees Svedka's first TV commercial, which features a futuristic take on the 70's robot dance. It also marks the CGI debut of Svedka_Grl, which was designed by Stan Winston (*Iron Man*, *Terminator*, *Jurassic Park*).

Svedka's singular message, R U BOT OR NOT?, will be supported by billboards in key nightlife corridors, bus shelters, bus sides, taxi tops and phone kiosks in Svedka's core markets:

New York, Boston, Los Angeles, San Francisco, San Diego, Fort Lauderdale/Miami and Chicago.

Additionally, the brand's R U BOT OR NOT? messaging will run in local print publications including *Time Out NY*, *New York Magazine* and *Time Out Chicago*.

Online will be an important media vehicle and will include a Facebook fan page.

Specially designed cocktails for the on-trade include Hot Bot, Cosmo Bot and Celeb U Bot.

Svedka-custom photo booths will drive bar promotions where partygoers can download their photos and viral videos showing them doing their interpretation of the BOT DANCE.

JOSS VODKA

BRAND OWNER Solas Distillery

PRICE US\$29.99

MARKETS US

CONTACT zac.triemert@solasdistillery.com

Solas Distillery in the US state of Nebraska has unveiled what it describes as a “super-premium craft-distilled vodka made from locally grown organic wheat and filtered water from the Ogallala aquifer”.

Claiming to be the first distillery to open in the state after Prohibition, Solas commissioned Saxco International to come up with a premium look. It went with the 75cl Fidji bottle from Saverglass in France to give Joss a strong presence on-shelf.

Joss has been rolled out in its home state and distribution is being extended to the Midwest.



PREMIUM CRAFT

PRIME PREMIUM

BRAND OWNER Olimp Vodka Company

PRICE US\$20-25

MARKETS Ukraine, Poland, Germany, Moldova, Armenia, Georgia, Azerbaijan, Kazakhstan

CONTACT export@olimp.ua

The Olimp Vodka Company has unveiled its new Ukrainian premium label Prime, a 40% abv white vodka with a statement on the bottle that it has been “created to be an excellent present”. It is aimed at middle and high-income drinkers.

The company says it expects Prime to be highly successful, not only in Ukraine, but also in the global market. It sees Prime Premium as the ideal combination of a “unique taste and an exclusive design that makes it an excellent present”.

The bottle was designed by Claessens International (UK), a well known design agency.

The tasting note says: “special tincture of imperial white tea makes the taste very mild and fresh, while a light flavour and a delicate after taste accentuate the exclusiveness of the vodka”.

It concludes that the foundations of natural ingredients and artesian water ensure the high quality of this premium class beverage.



PRIME TIME

TAILORED

MARQUIS

BRAND OWNER Randall & Hibbs-Brockway

PRICE £34.99, €38.40, US\$52

MARKETS US, UK, Europe, Middle East

CONTACT Oliver Hibbs-Brockway – ohb@marquisvodka.co.uk

Marquis is a Polish vodka that has been “tailored” for the luxury market in both the US and the UK. It is said to be made from hand selected Polish rye grain from the area around Bialystok. It is then cut with de-mineralised water from Poland’s deepest aquifers to achieve 40% abv.

The clear bottles are shipped from Italy and the design is described as “decadent chrome artwork”. The stopper is made from sythetic materials and has a hand painted black wooden cap.



CELEBRATION

STUMBRAS VODKA

BRAND OWNER Stumbras AB

PRICE £14, US\$18.99

MARKETS Lithuania, Latvia, Estonia, Poland, Israel, UK, US, Mexico, Italy

CONTACT export@stumbras.lt

Stumbras, the Lithuanian distiller, launched its eponymous vodka to celebrate the centennial anniversary of Stumbras distillery.

The range consists of three vodkas, all 40% abv: Stumbras Centenary vodka, Stumbras Rye Bread vodka and Stumbras Bison Grass vodka.

All have inclusions placed by hand in each bottle – the wheat stalks and the rye grain are grown in ecological farms and the bison grass blade is gathered in the wild.



What the producers think

Purity Vodka Distillery, Sweden –

Thomas Kuuttanen master blender

La Martiniquaise (Poliakov), France –

Sylvia Bernard group export marketing manager

Charbay Winery & Distillery, Napa Valley, USA –

Susan Karakasevic owner/general manager

Where do you see the vodka category going in the next 3-5 years?

SB: We strongly believe in mainstream international brands and are confident Poliakov has the potential to be among the leading vodka brands. We assume vodka is the leading category in terms of recruitment and we need to capitalise on brand image to secure the loyalty of our consumers taking into account the number of players.

SK: As long as people can stop and enjoy a drink, vodka will be a staple part of many cocktails – it's the backbone of many classics.

Will the trend towards super-premium brands cease, and the action move to premium/standard?

TK: Studies indicate that premium and standard categories will be the big losers, while value and super/ultra-premium will be the winners, as the market is becoming more segmented.

After two years of down-trading, it is evident educated consumers are tired of compromising on quality. Now vodka drinkers are looking for something beyond image, so vodka is becoming more about taste and quality, which to some extent changes the patterns of consumption.

SK: People want the status, the quality and the connection to a company that is loyal to artisan standards. We see customers who want to trust their favourite brand.

Can the phenomenal growth of vodka continue?

TK: Absolutely. There is a pronounced interest in handcrafted products, micro-distilleries, organic, non-filtered, Fairtrade etc. In addition to the traditional markets, Asia has outstanding potential and the markets in Latin America are also of interest as they are just developing a cocktail culture based on white spirits in general and vodka in particular.

SB: Although the French vodka market increased by 15% in 2009 and is among the world's most dynamic markets, it is still six times smaller than the scotch whisky market and it is recruiting a lot. We are confident.

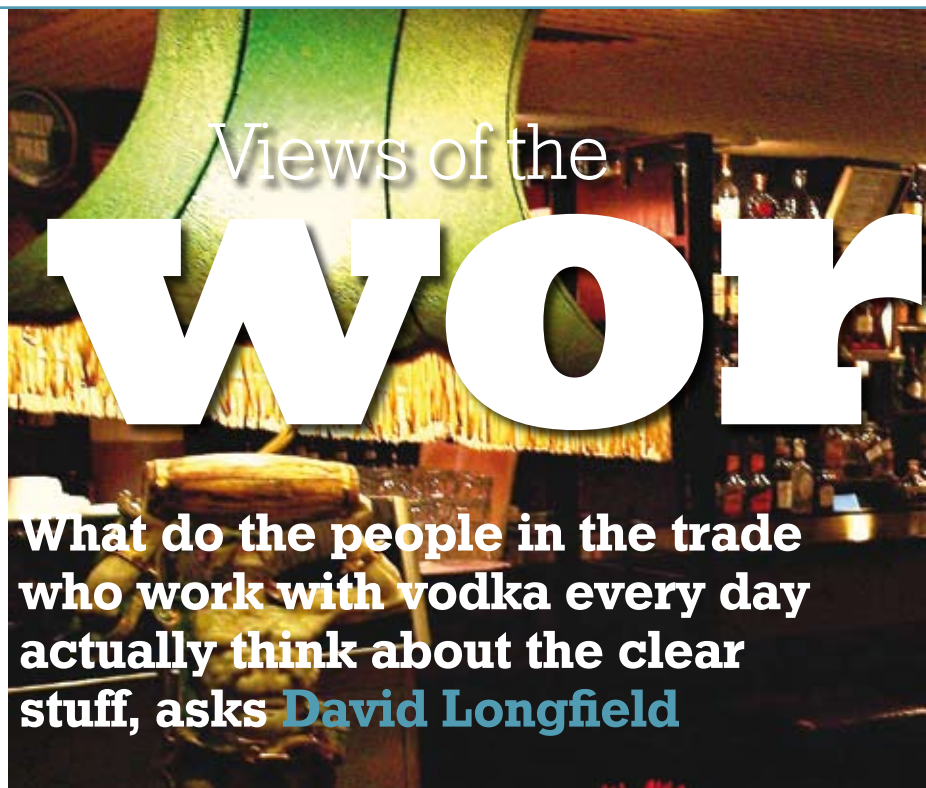
Are there still flavours to develop? Does the market need more?

TK: I'm sure this market will continue to grow rapidly as producers want increased shelf space and it's cheaper to produce a flavoured vodka than a good non-flavoured vodka. But what the market really needs is a greater understanding of fresh and natural ingredients, which are far superior to the artificial flavourings used by the industry.

SK: More flavours? Only for novelty, a way to get in the press. It's a hollow gong, these days. From 1998 to 2002, we were the only ones making fresh fruit flavoured vodkas that tasted like real fruit. It was exciting, heady and we took off like a rocket, so we were copied to the nth degree.



Thomas Kuuttanen



Views of the WOLF

What do the people in the trade who work with vodka every day actually think about the clear stuff, asks **David Longfield**

Vodka is the fastest moving spirits category of them all – new brands come and go with astonishing speed, yet only some hit the right note. But is vodka exciting, or just dull and predictable – a blank canvas?

It has to be said, potatoes and grain are hardly the most exciting aspects of our diet – they form one part of a well balanced, satisfying meal. Is it the same for vodka in a cocktail?

But the fact is a whole lot of people like to drink vodka. Is it the bartender's job to try to steer customers towards the more flavourful base spirits? And does it matter, as long as a bar is turning over the volumes and making good profit?

Three members of the bar community offer their thoughts:

Pekka Pellinen – global brand champion, Finlandia Vodka Worldwide

Ben Simpson – manager, Motel Bar, Forrester's Lane, Wellington, NZ

René van de Graaf – owner, Dino's American Bar, Vienna, Austria

Is vodka exciting, or just dull and predictable?

PP: Fresh juices and ingredients are being used more frequently. Vodka, flavoured or not, is used to boost the taste and aroma. That's the main point of vodka's success – its taste is not dominant.

BS: Because of all the promotional money invested, the vodka market is not too

keen to take risks with image and market position. 42 Below's early advertising campaigns were a notable exception.

RG: People today are fast-living, they like something new every day with its own interesting story. So if a company is able to create a brand which hits a nerve, they're lucky. If not, they're gone.

Does the addition of juices and flavourings make a nonsense of any claims to quality or purity that vodka brands are so keen to promote?

PP: More skilled bartenders tend to prefer pure/clean vodkas as the heavier and oily vodkas "kill" the freshness and crispness of the drink. Flavoured vodka is usually used in long drinks where there is a need for a specific taste component.

BS: Most vodkas do not have the flavour strength to dominate a drink unless it is a straightforward Martini. This can be a plus, of course, if there is something else in the drink you are profiling, but generally it seems that vodka is selected as a cocktail ingredient to make drinks that appeal to those people who do not like the taste of other alcohol.

RG: In my philosophy the better the basic spirit you take, the better the cocktail gets. So using premium vodkas in mixing drinks is for me not only very logical, but almost the only smart thing to do with it; drinking vodka all the time only neat is boring.



The Motel Bar, Wellington, New Zealand

Do you feel an obligation to try to inform and gently educate your customers away from the “tasteless” and towards the more characterful base spirits?

PP: The vodka cocktail culture is still not that developed in the world, but more and more bars (with skilled bartenders) start to understand that, so customers are starting to ask bartenders for different vodka drinks again. There is a huge difference in basic cocktails, if you use different vodkas.

BS: I believe you should give people what

they want – they’re paying for it after all. Once I’ve presented the drink I often suggest that they try it next time with a different spirit by way of an experiment (swapping the vodka for gin or white rum). Most white spirit cocktails can handle a change of base spirit.

RG: Without a good profit you can forget everything else and close your bar. There are guests and guests; some of them are focused on vodka, so I let them. I say that we in our bar don’t sell any “bad” spirits, so if I don’t want them to drink something I don’t buy it.

Is there anything you don’t get from existing vodkas that you would like to see?

PP: Flavoured vodkas to take a stronger position, especially in the eastern part of Europe, where most of the vodka consumption is straight shots. More herb and botanical vodkas.

BS: More dry flavours, less emphasis on “odourless, flavourless, colourless” and more drive for flavour, more potato vodkas available.

RG: The guests who drink vodka are greatly led by the image of a certain brand, and I think of the idea that vodka is a “clear” spirit, so they can drink it without the next-day hangover. So personally I would like a vodka with more “taste” while still being a clear, high quality, spirit.



Pekka Pellinen

What’s really happening out there?

Motel Bar, Wellington – Ben Simpson

What are your current pours? Speed rail: Snow Queen
How often do you change? Go-to vodka is changed every four months or so. The last few brands used include Russian Standard, Stolichnaya, Wyborowa

What’s your super-premium? Russian Standard Imperia

Which vodka brand do you think is best for:

- a Martini – Snow Queen
- a long drink – Stolichnaya
- neat/frozen – Chopin

What is your main flavoured vodka brand? Belvedere

How many different flavoured vodkas do you stock? Nine

In 2010 are you planning to stock more, less or make no change? No change

Which flavoured vodka do you think is the most interesting to work with for cocktails? Bison grass

In 2009 did you stock more vodkas, fewer or no change? No change

And in 2010, do you intend to increase your vodka range, decrease it or make no change? No change

Dino’s American Bar, Vienna – René van de Graaf

What are your current pours? Speed rail: Smirnoff

How often do you change? Depends on who we have a pouring contract with

What’s your super-premium? Ciroc

Which vodka brand do you think is best for:

- a Martini – Ciroc
- a long drink – Smirnoff
- neat/frozen – Ciroc

What is your main flavoured vodka brand? Ketel One Citroen

How many different flavoured vodkas do you stock? Ketel One Citroen and Absolut

Kurant. We make our own flavoured vodkas, such vanilla, pepper (different kinds), chilli, Roquefort cheese, oregano and so on

And in 2010 are you planning to stock more, less or make no change? We’re always trying new flavours that we make ourselves

Which flavoured vodka do you think is the most interesting to work with for cocktails? Vanilla

In 2009 did you stock more vodkas, fewer or make no change? It stayed more or less the same: some new ones came in, some we didn’t buy any more

And in 2010, do you intend to increase your vodka range, decrease it or make no change? If something new, interesting (or very big in the media, so our guests ask for it) comes along – but not just any other bottle, there are already so many



René van de Graaf

Higher States

It may not rival that of Russia in terms of sheer size, but the US vodka market remains reassuringly resilient as the world's most dynamic and diverse. Ben McFarland reports

Its impressive expansion in recent years has been well documented. Between 2003 and 2007, the American vodka market swelled substantially with hundreds of new brands, both imported and domestic – yet mainly positioned at a premium or super-premium price point – doing battle for share of the biggest distilled spirit sector in the States.

However, when this plethora of new vodkas, brand extensions and variants clambered on to America's fast-moving bandwagon, the economic climate was significantly more pleasant and finances were in far finer fettle. Given the subsequent downturn in the economy and the overcrowded nature of the market, it would be logical to assume that, while the wheels may not have fallen off the wagon, the brakes at least have been applied.

But it's not necessarily so. The American vodka market has displayed more than a sturdy resistance to the recession. In 2009, according to the Distilled Spirits Council of America (DISCUS), gross revenue for the sector was valued at more than \$4.56 billion, representing a third of the total US spirits market. The vodka sector grew slightly to reach 55.95 million 9-litre cases.

This was slower growth than any of the previous five years, yet there are reasons to be cheerful despite the double whammy of recession and a shift from on-premise to off-premise. Even if you take into account the fact that folk often turn to drink as an antidote to an economic malaise, vodka's stats in the past two or three years are far healthier than those of other spirits.

Consumers driving value

Yet the story these generic figures fail to tell is one of a shift in consumer behaviour; people are eschewing brands in the upper echelon of the vodka scene in favour of what some would politely call "popular" brands. Further investigation of DISCUS figures reveals that volume sales of high-end premium and super-premium vodkas, sold at or around the US\$30 mark, were down 2.35% and 5.8% respectively, while value and mainstream vodkas, costing anything from

\$7 a bottle, have seen respective spikes in sales of 10.7% and 5% when compared with the figures from 2008.

The shift has played into the hands of brands such as Svedka – the Swedish brand which is owned by Constellation and has a bottle shaped very similarly to Absolut – and Popov, owned by Diageo. Clad in traditional Russian imagery and often packaged in plastic, Popov saw sales rise 5.4% between 2007 and 2008, according to leading market research company Mintel.

Yet Andrey Skurikhin, a partner of SPI Group – owner of the Stolichnaya brand outside Russia – dismisses the premium "downturn" as nothing more than a brief blip. "When the recession first hit, there was a shift towards value brands but that was simply the consumer panicking," he says. "That behaviour has passed and we've seen a distinct return to more discerning brands, especially the ones that manage to strike a good balance between a desired price point and



quality. If you can achieve that as a brand, consumers remain loyal even during a recession.

“Compared with other markets,” he continues, “the American consumer is very educated when it comes to spirits and tends to be richer and more willing to pay for quality, and they won’t be easily swayed by a dollar difference here or there.”

Jeremy JF Thompson, education marketing specialist at Russian Standard vodka, concurs with this view. “There are many of us who may decide that a real vacation is out of the question in 2010, but it’s just this kind of resolution that allows us to feel more entitled to a better brand of drink at the end of the day,” he says.

“If I can’t be sucking up frozen Cachaça through a straw sticking out of a coconut somewhere on the sandy coasts of Brazil, I’ll certainly allow myself a top-shelf cocktail at the watering hole down the street.”

Ned Duggan, US senior brand manager for Grey Goose, adds: “In tough economic conditions people stay with trusted brands and that’s certainly proven to be the case in the past year. New entrants to the market have suffered but brands such as Grey Goose, which are respected for their quality, have continued to enjoy strong demand.

“We have seen a shift from the on-premise to the off-premise,” says Duggan, but: “It’s more important than ever for consumers to know the value of what they are buying, so building awareness of the care with which Grey Goose is made, using the finest natural ingredients, has always been and continues to be very important.”

And he doesn’t expect the home-drinking trend to last too much longer: “More people are returning to the on-premise and there are new nightclubs and restaurants opening, so we are looking forward to healthy growth in the year ahead”.

Premium persists

Despite the dip in form and while marketing budgets are more modest than they were during the boom years, the jostling for position at the premium end of the market certainly remains intense with investment and innovation rife, be it from the behemoth brands or the



THE AMERICAN CONSUMER IS VERY EDUCATED WHEN IT COMES TO SPIRITS

ANDREY SKURIKHIN
STOLICHNAYA

new, emerging wave of regional micro-distillers.

Having assumed control of Stolichnaya’s international distribution following Pernod Ricard’s acquisition of Sweden’s V&S Group, the SPI Group recently repositioned its core brand and pledged to grow Stoli by 100% within four years. A taller, more heavily embossed bottle was introduced at the end of last year and a new marketing initiative – aimed at further exploring the brand’s Russian heritage but in a style designed to entice a younger consumer – has been embarked upon.

“Some may say it’s not the best time to reposition,” admits Skurikhin, “but this is a long-term exercise and one that will stand the brand in great stead in the future.”

In addition to the parent brand, SPI also has interests in the ultra-premium sector with Stolichnaya Elit and is expanding in the flavoured arena with its new Stolichnaya Gala Applik.

Diageo, which commands a 23.3% share of the entire vodka market, enhanced its premium presence in the US courtesy of a \$900m deal in 2008 with Ketel One producer Nolet Distillery – the joint venture giving Diageo global distribution rights for the Dutch potstill produced vodka. Now no longer stalled in the period of changeover, it’s been busy cementing its premium positioning through extensive work within the upper echelons of the on-trade, where it has

already established a strong foothold with bartenders.

And then, of course, there’s Absolut. After Smirnoff, which accounts for around 17% of all vodka sales by volume, Absolut is the largest vodka brand in America. Yet since 2008, when it was ushered under the wing of Pernod Ricard for the princely sum of £4.4bn, the general consensus is that the brand positioning remains uncertain. According to Mintel’s latest report, the brand’s market share dropped from 9.5% to 8.6%, with many wholesalers undermining its premium positioning through discounting.

The challenge facing Pernod Ricard is recapturing the cult, cool and creative cache that thrust Absolut on to the scene in the 1980s. Having built a reputation as a strong supporter of the arts, Absolut has collaborated with director Spike Jonze on a film called *I’m Here*. Blurring the lines between artistic altruism and advertising, the 30-minute film stars two robots who live in Los Angeles and is subtitled *A Love Story in an Absolut World* – it recently stole the show at the Sundance Film Festival.

Jeremy Thompson offers the angle of a rival on Absolut: “I hope Absolut has peaked, but it’s still as much of a household name as a vodka brand can be, so there’s no telling, and despite the fact that even major players are cutting back their budgets, they still have more dollars to spend at the end of the day. ▶ p19



“If the game was just about visibility, Absolut would always win,” he says. “Fortunately, there’s been a push toward the pursuit of authenticity and more discernable forms of quality among trendsetters in the past decade.”

Thompson adds that mixology, micro-distilleries, the revival of various spirit categories, boutique brands and boutique branding, and international cocktail events are all visible consequences of this trend. “At first glance, this all might seem like luxury better suited to a booming economy,” he says. “But all these aspects of our industry have been, and are being, used to create leverage for both newer and smaller brands.”

Affordable luxury

Indeed, the ultra-premium end is still looking healthy. Ciroc, made using French grapes and owned by Diageo, is challenging Belvedere amid the ultra-premium arena with a move into the flavoured segment. Following its ongoing 2007 business alliance with Sean “Diddy” Combs, the brand has expanded its reach with the launch of Ciroc Red Berry and Ciroc Coconut (see page 11). Aimed squarely at premium vodka drinkers, they’re positioned as classy cocktail components or spirits to be sipped on the rocks.

Ultimat, the vodka that shares a stable with tequila high-flyer Patrón, is another emerging ultra-premium player, with the Patrón Spirits Company having spent approximately \$10m in advertising last year. “There will always be some brands that come and go, but when you have a consistent, high-quality product, with dedicated marketing support behind it, those are the brands with staying power,” says Matt Carroll, chief marketing officer for Patrón.

“Ultra-premium vodka is an affordable luxury. People might be watching their spending on expensive new cars and vacations, but when they go out for the evening, or are entertaining friends and family at home, they’re increasingly realising that it’s worth those extra few dollars to reward themselves with a high-quality cocktail.”

Regardless of whether they are times



Above: Cocktails at a launch event in New York for Patrón’s Ultimat Vodka



Above right: Jeremy Thompson, Russian Standard

of boom or bust, however, industry observers believe that, in the battle for vodka market share, the two all-important factors that will ensure brand longevity and strong consumer value are authenticity and quality.

“It’s a mature market in America. The consumer is very knowledgeable and, over the next few years, genuine quality will become more important,” says SPT’s Skurikhin. “Currently drinkers can differentiate between flavoured vodkas but, in time, that will be the case for straight vodkas, high quality vodkas that you sip. The next movement in vodka will be the appreciation of the variety of vodka and all of its nuances.”

Thompson agrees that quality and authenticity are invaluable. “In a recession, these two general attributes are especially valuable. While there are always going to be the megaliths of the industry fighting it out overhead, they should keep an eye on the brawl brewing just beneath them... it’s the clash of the quality titans, and it’s open to anyone, big or small, who is willing to compete by virtue of looking the customer in the eye, raising a glass together and putting liquid to lips.

“Many emerging brands realise the value of visibility, but they should also pay attention to the taste of what’s in the bottle.”

The Flavoured Vodka market

The US market is overflowing with flavoured brands and it’s been a rich source of innovation, and indeed growth. While many have established themselves

as permanent fixtures on the back bar and the wackier efforts attract interest, novelty factor will only get you so far.

“There are a lot of non-traditional flavours being launched by other vodka brands – everything from bubblegum to root beer. Some sectors of the vodka market are starting to look more like candy stores,” says Ned Duggan from Grey Goose.

Daniel Hyatt, bar manager at the spirits-led Alembic bar in San Francisco, says: “I am not sure that anyone is looking that hard for them (flavoured vodkas) any more. Most in the industry are finding that doing their own infusions or using housemade tinctures and bitters gives a little more control and specificity, rather than pouring the same citron, orange, bacon-flavoured bottles everyone else is buying.

“For new producers I understand the impulse to put these out to market, as one can start making a little money right away rather than bearing the cost of ageing spirits. It is beginning to be the same story with craft gin, with another rolling out every day and most a tad short.”

Russian Standard’s Jeremy Thompson adds: “The problem with flavours is that once you produce your first round of them, everyone expects you to keep making more. Hence we arrive at 2010, face to face with bubblegum, root beer, and bacon vodka. Some of these products are actually quite fascinating, but they don’t stand the test of time – like that telephone shaped like a hamburger from the 1980s.”

WE ARRIVE AT 2010 FACE TO FACE WITH BUBBLEGUM, ROOT BEER AND BACON VODKA

**JEREMY THOMPSON
RUSSIAN STANDARD**



Message in the bottle

Photo: Shutterstock

When it comes to packaging design, it takes a lot to get the right bottle. **Lucy Britner** finds out who has the X factor

The lights are low. The drums are rolling. Simon Cowell is about to reveal the winner of this year's *X Factor*. On one hand, someone stands to make millions; on the other, they'll probably only enjoy 15 minutes of fame in an already over-saturated pop arena.

Marketing vodka is pretty similar. You might have the X factor but it takes more than that to ensure you're not a one-hit wonder.

Some designers see creating a new vodka brand as the golden ticket, others see it as a one-way ticket to novelty excess. But one thing they all seem to be clear on, when it comes to brands with the bottle, Absolut is top of the pops.

So where do you start when it comes to designing bottles?

Nir Wegrzyn, managing partner from

Brandopus (the company behind LVMH's Belvedere) says designing vodka bottles offers designers room to express themselves.

"What vodka brands do offer, over and above other spirits, is this 'creative freedom' that they crave. They tend to have much wider scopes for designs with fewer constraints and mandatory must-haves than most briefs – which, if not carefully approached, can lead to less distinctive and unique solutions."

Design Bridge's Graham Shearsby warns of the difficulties of creating a brand from scratch.



"All great brands have a story – not just drinks brands. Think about the splodge on a Mont Blanc pen, for example.

"It's important a bartender can communicate a brand with a consumer.

"It's important the brand connects with consumers. You have to be aware that there is so much out there."

Relatively young brand Purity, which only ventured out of its domestic market of Sweden to the US last year, was conceived according to some key criteria.

Thomas Kuuttanen, founder and master blender of Purity, says: "Among the most important things to consider are shelf appeal – 85% of customers choose a new brand based on its appearance; be true to the origin –

highlight the spirit's unique qualities and don't pretend to be something you are not; ease of use – this is more important to bartenders than everyday consumers. Drinks trends start in bars so you need them on your side. Don't look too much at the competition as you run the risk of becoming a 'me too' – currently tall, frosted and wispy.”

Kuuttanen also warns that it's important to take the work seriously. “It may sound obvious,” he adds, “but too many brands are thinking short term and the result is often a fad or a gimmick which has a tough time surviving the next trend.”

Which is why Shearsby is a little sceptical when it comes to viewing vodka projects as the golden ticket, especially in the dawn of an age filled with more money-conscious consumers.

He says: “It might've been the golden ticket a number of years ago. But it's an odd sector. It's almost now associated with novelty excess. An *X Factor* 15 minutes of fame. A gimmicky work. A bit of a yawn.

“Young designers out of college always want to work on wine projects – they say it's the closest to art.

“Vodka can be a little bit clichéd.”

Shearsby illustrates his point with reference to two main trends in the sector.

“The first is the *X Factor* winner bottle that will enjoy 15 minutes of fame. Then there is the over-decorative, extravagant Imperial Russian style bottle, adorned with Cyrillic lettering.

Which brings us nicely to Wegrzyn's point about what the role of packaging design should be.

He says: “The role of packaging design is far more important than most people realise. For consumers, packaging is the primary link to the brand – the physical expression of the brand in its natural environment. Through consumers' eyes the pack doesn't exist as an intrinsic part of the marketing effort (unlike advertising), but is simply what they buy, and hence it works in a different way to other communications. Therefore, it is vitally important to invest in building brands via design.”

Trends that may spark a brand's initial success are to be viewed with caution, according to Wegrzyn. He says: “Irrespective of immediate brand success that is often driven by 'this or that' trend, long-term brand success for a brand can only come when it can be linked to a branded equity. It is the role of design

WHAT VODKA BRANDS DO OFFER OVER AND ABOVE ALL SPIRITS IS CREATIVE FREEDOM

NIR WEGRZYN
BRANDOPUS



to define and, if necessary, create these brand equities that will live well beyond any advertising campaign.”

Diageo's global design and gifting director Jeremy Lindley agrees that there is little point investing in the liquid if you're not going to bother investing in the design. He says: “Overall, consumers make a very direct connection between the look of the product and what's inside. We invest heavily in our liquid so it's important to invest in packaging. It's where consumers source information about the drink.”

Consumer perception

Purity vodka invested in consumer research before embarking on its design. The key design cues the company came up with include unique, pure, heritage, ultra premium and timeless.

Purity's Kuuttanen says: “In addition to the results from the consumer research, we wanted to tie together the design, not only to the product but to its unique distillation technique. It is also very important that the bottle is user-friendly and, above all, easy to hold and pour.”

When it comes to investing in packaging, the very shape of the bottle can take up a bulk of the budget. You

don't have to go much further than a duty free shop to see a vast array of bottle shapes, all vying for your attention. Whether its U'Luvka's wavy bottle, Purity's crystal-style bottle or, if you go to Russia, Kalashnikov's gun-shaped bottle. According to U'Luvka, World Duty Free says its bottle is the most handled in travel retail.

And, as technology moves forward, we can expect to see some more radical bottle shapes in categories other than super-premium. Some believe this is due to the rise in contemporary gin bottles.

Avril Tooley from Brandopus says: “Over the past few years there has been a limited amount of radical structural design in vodka. However, with the rise in differentiated gin bottles there does appear to be a resurgence in more unique vodka bottle shapes, if currently only seen in the super-premium end of the market. As bottle manufacturing technology improves, allowing faster production speeds, more complex bottle structures are likely to filter through to all ends of the market.

“The rise in popularity of gin has also seen a blurring of visual boundaries between the two spirits, which will force vodka brands to have a much



clearer proposition. We have seen the introduction of some interesting bottle structures and graphics that have shifted their primary focus away from purity and are taking design influences from cosmetics, perfume and fashion brands.”

Kevin Shaw from Stranger & Stranger is inclined to agree, though he thinks the days of bling are over.

He says: “We’re so over those diamonds-in-the-vodka-bottle days. People want more real differentiation so we’re working on unique flavours delivered in new formats to add value.”

Belvedere and Grey Goose come up in designers’ top trumps.

Shearsby says: “These designs triggered another trend – almost like a snow dome

with print and frosting on the front and back and a window to the inside.

“Again, certain other brands have gone too far.”

The designer of Belvedere, Brandopus says this of its creation: “We admire Belvedere for what the design achieved and the category it has now created as the first super-premium vodka.

“It broke the category norms – a world that was driven by the absolute purity and clarity of the product itself – by using an exceptionally tall frosted bottle that masked the product, with a small window into the world of Belvedere. It is a classically beautiful and refined design and unlike many of its super-premium competitors it is not overstated.”

WE'RE SO OVER THOSE DIAMONDS-IN-THE-BOTTLE DAYS

KEVIN SHAW
STRANGER
AND STRANGER

Absolut winner

But the brand name on everyone’s lips is Pernod Ricard’s Absolut.

Although the bottle was finalised in 1979 – 31 years ago – it still looks contemporary.

Shearsby says: “I think there is a tick list when it comes to vodka – clarity, purity, elegance and speed-rail ergonomics.

“The most important element of any brand is what’s the story behind it?”

“Absolut is a brand I admire.”

The team at Brandopus also goes weak at the knees for Absolut.

Creative director Paul Taylor says: “It is a design classic and it has successfully created a distinctive and iconic branded visual appearance through a unique bottle shape and simple graphic equities. It keeps the brand alive and top of mind by leveraging these equities and constantly challenging the category norms with individually designed flavour variants and beautiful limited edition bottles.”

The bottle is modelled on an 18th-century medicine bottle that one half of design duo Carlsson and Broman found in an antique shop. The pair began working on the project in 1977 and didn’t finalise the design until 1979.

Eric Naf, director of product innovation for Absolut, says: “You can always expect more exciting news from Absolut, including limited editions and new products that reflect our personality. New flavours are here to stay.”

Absolut is famous for its limited editions – disco balls, sequins, leather and studs. Naf adds: “It’s important to be consistent and always reflect the brand’s personality. We’re creative and stylish and want to stay contemporary to be seen as a player.”

Naf wouldn’t say how much the company spent on the bottle design but he did say this: “It’s not an isolated figure. We’ve invested millions over the years to be consistent in brand executions. This figure also includes media promotions and there is a full marketing budget dedicated to expressing that.”

Shearsby likens Absolut’s limited editions to a dressing-up box. He says it’s important to still be able to recognise a brand. “It’s a cool brand playing on its core values.”

A bit like Madonna. And whether you love or loathe her, she has never been short of a number one. **DI**



The origins of vodka are complex, says Hasse Nilsson, meandering across Russia, through Poland and Mongolia, all over the mighty historic plains of east and north Europe

Ancient and Modern



The Vodka History Museum, Moscow

Exactly where the cradle stood we do not know; of exactly what was once imbibed we can have no clear concept. But spirits historians are in agreement that vodka is a truly ancient beverage.

Vodka is believed to have first seen the light of day as early as the end of the first millennium, somewhere in the regions of modern-day Belarus, Russia or Ukraine. There are those who claim that vodka has a considerably more southern origin, while others hold that it was devised in eastern Europe where it was distilled from honey wine and beer.

Yet others point to the kinship with alchemists, who learnt from the classic ancient cultures how to decompose fluids through heating processes. Whichever theory you choose to adopt, what you mean when speaking of vodka remains a question of definition. To keep it simple, let's just say that vodka is a very old type of alcoholic beverage made from agricultural products.

International story

The first form of vodka did not have much in common with the pure, clear alcoholic beverage that we today label as vodka. Originally it was called bread wine and was most likely a cloudy, pungent, barely drinkable decoction of grains. In the east the use of the name

“vodka” – a diminutive of the Slavic word “voda”, meaning water – spread during the early Middle Ages.

The Russians emphatically claim that they were the ones who invented vodka, with fundamental knowledge that had worked its way up from the south, Mongolia or China, before the end of the first millennium. There's a lot pointing in their favour, although Poland also has some good arguments for itself.

The earliest, albeit brief, written records of vodka production in Poland are from the 1400s, but legend tells us that the Polish discovered strong alcohol as long ago as the 8th century, by leaving wine out over winter. The water in the mash would freeze, producing a concentrated solution at about 10% abv.

In 1546 in Poland, King Jan Olbracht granted the rights to distil and sell spirits to every adult citizen. Spirit had no doubt been produced in Poland since the early

Middle Ages, but then it was mainly for medical use. The Polish botanist Stefan Familiars tells us as early as 1534 in *Works on Herbs* that vodka “increases fertility and cures sleeplessness”.

At about the same time in 1540s Russia, the old tsar Ivan the Terrible reinstated a monopoly on vodka production and prohibited all other forms of manufacture. Consequently, the history of the tsar became the history of vodka, and vodka became an intrinsic part of Russian society.

Eventually, every self-respecting Russian landowner had a vodka distillery on the premises, and at the tsar's rural palace both distilling and what you could call advanced product development took place on a large scale. There they were particularly interested in finding methods for refining and purifying the vodka. It was in fact at a palace distillery that Pyotr Arsenjevic Smirnov started studying redistillation and carbon filtration.

The refinement of the raw and hardly drinkable spirit spread quickly within Russia and subsequently to other countries in Europe. During the 19th century, Russian vodka production was one of the world's most modern and technically advanced industries. Russia was a stronghold of continuous distillation, originally invented in Scotland, outrivalling the traditional batch distillation.

► p26

Top: historical artefacts at the Vodka History Museum, Moscow. Below: Russian chemist Dmitri Mendeleev



Russians celebrate in appropriate fashion as the country's 'dry law' ends in 1924

Vodka History

As early as 1902, a State Vodka Research Institute was founded. That same year, the Russian chemist, Dmitri Ivanovich Mendeleev (credited with being the creator of the first version of the periodic table of elements), determined the ideal alcohol content as 38% (rounded upwards to 40%), and was appointed by the tsar to standardise the production. During the Soviet era all vodka distilleries were owned by the State, and vodka became the national beverage of the continent.

Strangely enough, there is no evidence of the infamously parched and bibulous Vikings coming into contact with distilled libations on their “business trips” deep into Russia. When vodka as a drink made its triumphal procession all over the Nordic countries in the 1500s it was mainly as a universal medicine to cure everything from witchcraft and pests to haemorrhoids and bad hair days – and even alcoholism.

In the 18th century Swedish authorities banned private distillation for four years. During this period, more than 180,000 stills were seized, which should be seen in the context that Sweden had fewer than 300,000 households. Despite this attempt, there were more than 175,000 remaining stills in 1829 split among 450,000 households.

With an annual alcohol consumption of 107 litres per person it is obvious the stills were quite busy. This over-consumption resulted eventually in a

government-run production monopoly, which lasted until 1995, when it again became permissible for Swedish companies to produce alcohol.

Go west

Today we speak of a “vodka belt” extending over the nations of northern and north eastern Europe. Hard liquor has long dominated alcohol consumption there due to the lack of winemaking, and so the production of vodka and “akvavit” in these countries became world leading. It is only in recent years that vodka has become an established concept in the west.

It was Pyotr Arsenijevic Smirnov’s son Vladimir who introduced vodka to the western world, settling in France after fleeing the Russian revolution. From there he sold the rights to production of Smirnoff in post-Prohibition North America to another Russian émigré, Rudolph Kunett. Production began in 1934, although Vladimir never got the chance to witness it, dying in August of the same year.

Despite struggling to find an audience in its early years, Smirnoff vodka grew outstandingly popular, eventually being marketed as “white whiskey”, and by the end of the 1940s it was a staple in bars all over the country – when James Bond himself relaxes with a drink in a bar in the movie *Doctor No* from 1962, it is with a glass of Smirnoff in his hand.

Dawn of the design era

In the modern sense of the word, vodka has little in common with the original bread wine from the east. To a greater extent it has become a mixed drinks base from which flavour and character have been filtered out. Blenders and product developers have created a spirit that goes unnoticed when mixed with juices, soft drinks and ice.

Vodka is, however, precipitated by a billion dollar industry with enormous resources. When Absolut vodka was launched in 1979, it became such a landslide success that it caused a deep crisis for many traditional drink producers. In addition, when influential American TV series such as *Dallas* and *Falcon Crest* taught the world how to mix a cocktail, whiskey and cognac producers felt the cold draught of the consumer’s fleeting drinking habits.

Absolut vodka also manifested the importance of elegant design and modern branding. Absolut was no better than its main competitors, but the marketing was savvy and it did not take long for the brand



to become world leading. In addition, Absolut was the trailbreaker establishing vodka as the world’s foremost premium hard liquor.

Shift in taste

Recently vodka has developed in a completely different direction. Several prestigious vodkas claiming to taste a lot instead of a little, greatly more sophisticated and characteristic than their predecessors, have appeared on the market.

First there was Grey Goose from France, Polish Belvedere and Dutch Ketel One. Next Russia’s Stolichnaya raised the bar with Elit, followed by Polish player Ultimat, the grape-based vodka Ciroc from France, and the Russian vintage vodka Kauffmann.

The most lustrous example is perhaps the Swedish brand Purity, which has been picking up international competition gold medals regularly in recent years. Purity is the first vodka distilled in a traditional pot still that has achieved the European Union alcoholic proof standard of 96%.

Incidentally, the presence of greater numbers of quality vodkas on the market has changed consumer habits. All over the world the big brands are losing market share to vodka brands that cost twice as much. In keeping with this trend many producers of quality alcohol have started to take an interest in vodka, and the launch of new brands is extensive. In the US alone, a couple of hundred new vodka brands are attempting to gain access to the market each year.

The well-established brands, headed by Absolut, try to take on newcomers by merchandising vodkas tasting of orange, lemon, pear and pepper in a neverending stream of ingenuity.

Today vodka is the biggest selling spirit in the world, so in this respect it does not matter if you like it or not, if you drink it or not, or if you don’t care at all – you have to tip your cap to the industry.

Whether it be from Russia, Poland, Ukraine, Scandinavia or wherever, they have done a pretty good sales job with this crystal clear, tasty, lovely little water of life.

Hasse Nilsson has been writing about spirits and wine in Scandinavian drink and food magazines for 15 years, and is also the author of Maxxium’s book Feel Famous



Distillery in Ödåkra, Skåne, southern Sweden, c.1900

Vin & Sprithistoriska Museet, Stockholm

Unique in Sweden, and possibly unmatched in Europe, the Historical Museum of Wine & Spirits gives visitors a comprehensive insight into the story of spirits and wine in Sweden.

Subjects waiting to be uncovered include why arrack punch was so popular at the turn of the 20th century; how the Swedes almost drank themselves into obliteration in the 19th century; a tasting room from the 1920s, as well as an original turn-of-the-century wine store.

On top of this, visitors can get to grips with an archive of 200 Swedish drinking songs and test their olfactory ability on the 55 different vodka and liquor spices in the museum’s “scent organ”.

Entry to the museum costs 50 kronor (€5), with an audio guide in English available, and full details can be found on the vinosprithistoriska.se website.



While vodka is the undisputed customer favourite, are bartenders turning their backs on the category? Tom Sandham puts the question to bar professionals from around the world

Friend or foe?

Vodka isn't a spirit that looks like it could win in a fistfight with other categories. True, it could be confused with pure alcohol, which is obviously very dangerous to the liver, but stick it in the flavour ring with a single malt or an aged rum and the mismatch is akin to a flyweight taking on Muhammad Ali.

The process by which vodka is produced points to a weaker constitution as well; multiple distillations ensure little character remains so that, while other spirits bulk up in ancient oak casks, vodka enjoys nothing more than the status of "neutral". Even gin can bite and scratch with its botanicals.

This, combined with the advent of social networking and shared information on the internet, could be the reason bartenders favour interesting or undiscovered and complex spirits. Indeed, if you ask a bartender in London what they prefer to mix with right now, it's gin, dark rum or tequila that will most likely top the list. The same goes for New York and, as they are the two markets that constantly set the cocktail trends globally, this shift is likely to reach the consumers soon.

Finnish line

All that said, if you wanted evidence that the global bar community is still happy to play with vodka then you would do well

to head to the Finlandia Vodka Cup. Held in Lapland back in February, the cocktail competition attracted bartenders from 31 different countries this year – the 12th of the annual competition – each keen to flex their mixing muscles with the white spirit.

With more than 450 very different vodka cocktails being made during the competition, the Vodka Cup successfully showcased how flexible the spirit can be.

As an example the competition winner's Cu-Martini aperitif included lime, peach tree liqueur, pomelo syrup and a slice of cucumber, while elsewhere everything from mango and mint to coconut and champagne were thrown in the mix.

If you consider vodka in the context of cocktail heritage, then it obviously has its place. The Bloody Mary first mixed by Ferdinand Petoit in 1921 at Harry's New York Bar in Paris is a respected classic, and the more recent Cosmopolitan had an enormous impact on cocktail culture in New York during the 1990s.

Then there's the Martini, at heart a gin-based drink, but given its global renown when Bond ordered his favourite vodka variant.

Even with this consumer demand though, and competitions such as the Finlandia Vodka Cup, there remains a negative response in some bartender quarters. Vodka is undoubtedly here to stay but this hasn't stopped some trying to influence choice in the bar.

Anton Velich's winning Finlandia Cup cocktail (Long Drink)

- Finlandia Icecream
- 0.4cl** Finlandia Mango Fusion Vodka
- 0.2cl** Coconut syrup
- 0.2cl** Lime juice
- 0.5cl** Mango juice
- 0.5cl** Strawberry juice

Method: Shake

Garnish: Fresh mint & strawberry



Role of the bartender

One method of encouraging a change in consumer palates is to switch-sell and Eric Alperin, who runs the Vanish Bar in Los Angeles, is an advocate of such measures.

"I would look to switch-sell," he says. "If you can't budge them, then make a vodka cocktail. But gain their trust and the next round they might be more open to change.

"While it's true that vodka is devoid of a strong individual personality, I do consider it a challenge to bring out the subtleties in this particular distillate. But I get fed up with the category's branding influence, so most of the time I ask if they would consider gin, or I just make them a gin cocktail and they love it."

Like Eric, Jon Cowley, who manages Milk & Honey in London, is certainly not one to question a customer choice, but he also recognises the significance of switch-selling.

"It's not just vodka we should switch-sell," says Cowley. "It's anything and everything. If people just want vodka, then we'll happily serve it, but if they like vodka and are willing to try other things, then we should encourage them. We're not here to educate everyone though ▶ p30

Vodka Cocktails

– drinking is supposed to be fun after all – and nothing is worse than a bartender who thinks they know best serving someone who just wants a vodka soda.”

Cowley is more than capable of making a tasty vodka beverage but, as he points out, if bartenders are to use it the trick is to play with the multitude of additional ingredients at their disposal.

In many cases the creativity in using vodka comes from marrying the likes of liqueurs, fresh fruits or other spirits. Approached in this way vodka has actually taught young bartenders much about flavour.

Javier Bravo, who manages the Long Island bar in Cork, Ireland, admits he enjoys working across the breadth of spirits categories, but is certainly not dismissive of vodka. “It’s number one in terms of the drinks we sell,” says Bravo, winner of the Quick Mix category at the Finlandia Cup this year with his Finflavor concoction. “So you have to try to appreciate the versatility – something like whisky is actually quite restrictive in mixed drinks.

“We make sure we put aside time to

the opportunities in this category.”

Since Velich was the overall winner in the aforementioned Vodka Cup this takes us back to Finlandia, a brand that has successfully launched a number of flavours. Indeed, in recent years the “flavoured vodka” sector has become important to the evolution of the category.

Absolut ruled this particular roost for many years but more recently the premium vodka market has seen all the players make a flavoured move. This does add spice to the category, but is there a point at which the development of these products can go too far?

American bar magazine *Radius* recently ran a list of vodka launches to the US market. It included an alarming array of nine new products, including Chase’s apple vodka from the UK, a jasmine flavoured vodka called (originally) Jasmine and a Fairtrade vodka called Fair. All this in a category where there are already more than 1,000 variants – and the bartender response?

“Stop it, stop it, stop it,” cries Jon Cowley. “Some vodka brands just want to

Purity Vodka signature cocktails

Rosie Z

5cl	Purity Vodka
0.5cl	Martini Rose
1.5cl	Rosewater
1 dash	Angostura aromatic bitters

Method: Stir with ice in a mixer glass and serve in a chilled cocktail glass. Decorate with a leaf of rose.

Purity Bubbles

3cl	Purity Vodka
0.9cl	Amaretto
0.1cl	Campari
4cl	Champagne Brut

Method: Stir carefully into a cocktail glass and decorate with a red cherry on a stick



then mass-produced flavours – their story, process and branding have more character than the big hitters.”

This could be why Chase has managed to capture the imagination of UK bartenders. There’s an apparent craft to the process.

More recently, the addition of Babicka has seen the first wormwood vodka arrive on the scene and the team behind this brand are confident there’s room for them in the market.

“The initial reaction to a new vodka is, so what?” says Alex Clarke, chief executive of Babicka. “But if you communicate your message clearly to bartenders then it can work. We’ve found the response has been positive because bartenders can see our reason to exist. There are no other wormwood vodkas on the shelf so we have a unique quality.”

Generally though, it’s difficult to make a mark in a category that has already saturated the market and, in the end, the question of whether vodka becomes dull because of this is entirely relevant.

Fortunately for the brands involved there remains a passion and determination in the bartending community that ensures some will do what they can to make the best drinks with the products in the bar.

“The question of whether vodka is dull is the problem here,” says Cowley. “Too many bartenders get caught up in what they like/dislike/find dull etc. If Gordon Ramsay found cooking steak dull, you can bet your bottom dollar he’d make sure his steak was the tastiest steak you’ve ever tried.

“Bartenders need always to remember that they’re making drinks for their customers, not for themselves.

If someone wants a vodka drink, let them have it.

“If the drink is considered dull by the bartender, then he’s got to up his game and make a better drink.” **DI**



regularly discuss and work with the product because you always need to pay attention to it. Its impact and its heritage in the spirits world means you simply can’t ignore it.”

Costas Nicolaides, who works as a bar consultant for Shakers Moving Bar in Cyprus, agrees and remains confident the category has its place. “Vodka’s lack of complexity is what makes it useful in mixed drinks,” he says. “I’ll drink it straight and enjoy it but appreciate the versatility when it comes to cocktails. The customers actually like the fact that it’s neutral so it’s up to us to show off the drinks.”

Contrasting flavours

Anton Velich is an up-and-coming bartender from Slovakian bar Rio Grande, and he is also enthusiastic about vodka. “It’s an important category,” says Anton. “But we don’t only have the standard vodkas to play with. In the Finlandia Vodka Cup competition I could use the flavoured varieties, which adds to

be inspirational products. The bottle design and marketing campaign has become more important than the liquid. If they invested half the money they spend on advertising into making a better product, you’d see benefits in the category and more bartenders would embrace it.”

Too much of a good thing?

Going back to Eric Alperin in LA: “Artisanal vodkas are definitely more interesting



Costas Nicolaides, bar consultant for Shakers Moving Bar in Cyprus



Javier Bravo: “Something like whisky is actually quite restrictive in mixed drinks”



Eric Alperin: “Artisanal vodkas are more interesting”



Jon Cowley: “Some vodka brands just want to be inspirational products”