

Vodka



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Clearing a path for survival

It's impossible currently not to see everything through the lens of the credit crisis. Instability is the enemy of business and, until the "toxic debt" is purged from the global financial system, nobody can be sure who will be next to suffer.

Whereas once it was a safe bet for a spirits producer to be part of a global corporation, suddenly things have turned around; witness the controversial goings-on in the Caribbean, with the Trinidadian government having to rescue CL Financial – not only the parent company of various financial and insurance assets in the Caribbean, but also of the local Angostura rum group and Burn Stewart Distillers in Scotland.

Of all the spirits categories, vodka seems best placed to survive the downturn in reasonably good form. In uncertain times, the best a company can do is hope to maintain cashflow and keep volume and revenue losses to a minimum.

Vodka is a clear, unaged spirit. Once it has been distilled and filtered (see p12), it is cut to strength and can be bottled and shipped promptly. This implies good cashflow for those producing vodka, compared with whiskey or brandy, which have to



age in barrels for years before release.

True, there is trading down in all markets, but the news isn't all bad. If you major in premium vodka, you may well be benefiting from consumers trading down from ultra- and super-premium. And while people do appear to be going out less to restaurants and bars, the evidence points to them also buying a better quality bottle to drink at home (see Euromonitor's market analysis, p5).

Experience shows those companies which continue to invest in marketing emerge strongest from an economic downturn. Groupe Belvédère plans to spend \$5m above the line on its Sobieski brand in the US this year, and it remains to be seen how Pernod Ricard will develop its latest major acquisition, Absolut (see Vodka in the US, p16).

With savvy consumers on the lookout for the next deal, while being more discerning about what they buy, it may pay to focus on simple, old-fashioned values. As Stock Spirits' Marek Malinowski puts it (see Poland, p30): "You have to make sure you have the right quality products at the right prices."

David Longfield, Supplement Editor



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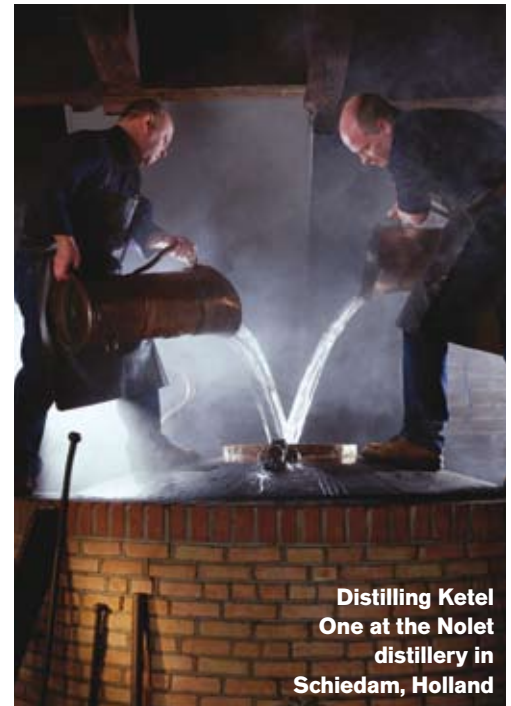
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Premium paradox

As the world enters arguably the most challenging economic operating environment of the post-war era, Rob Walker, senior drinks analyst at Euromonitor International, drills down into the vodka category to find both risks and opportunities



Distilling Ketel One at the Nolet distillery in Schiedam, Holland

The global vodka market was flat in 2008 and is forecast to contract 3% by volume over the next five years, according to newly released data from Euromonitor International. The performance curve starts to look more attractive, however, if eastern Europe, historically the hub of vodka consumption culture, is excluded from the data.

That separation sharpens the global growth rate for last year to 5% and turns a forecast contraction into a 20% upturn to 2013. Crucially, volume is projected to climb in a cluster of recession-hit industrialised markets, notably the US, the UK, Germany and France.

Looking for a face-saving exit

Brand migration is likely to become a defining feature of the drinks industry as the global economy skids into a potentially protracted downturn and consumers put a squeeze on spending. It is important to consider, however, that penny-pinching is not always about trading down, at least from the perspective of the consumer. While spirits drinkers rein in spending during periods of recession, most, especially those fuelling prestige categories, do not like to feel as though they are switching to inferior brands. They prefer to interpret their transfer as trading across, even though the trigger is, quite clearly, price. This is an important distinction because it goes to the heart of a big opportunity for the vodka category over the upcoming period.

To put this into context, if a cash-strapped consumer can no longer afford his usual brand of

12 Year Old Scotch, what are the options? By implication, trading down would mean moving into the 6 Year Old segment, – for example switching from a Johnnie Walker Black to a Johnnie Walker Red. That type of activity will happen, but at its core is a negative consumption shift for the consumer, like downgrading an airline ticket from business class to economy. In short, it hurts. A more attractive and face-saving option is to trade across to a lower-priced premium brand in a different category (or a lower-priced business class ticket with a different airline). And it is here, in this sweet spot of opportunity, that vodka looks well positioned to pick up a potentially lucrative windfall.

New data already seems to bear out the trend. Indeed, across the top 10 vodka markets in the

world, from Russia to the US, the premium and super-premium segments generated the strongest growth stories in 2008, according to Euromonitor International. In the US, for example, consumption of premium and super-premium vodka grew 5% and 8% respectively, compared with 4% for economy and 3% for standard formats. And in the UK, premium vodka grew a whopping 41% last year compared with a contraction of 4% for standard brands. On paper, these performances fly in the face of the financial crisis. In each case, however, the top tier of the vodka pyramid appeared to pick up a windfall of new consumers from the blended Scotch category, which contracted 1% by volume in both markets.

This upside trend for higher-priced vodka was reflected in eastern Europe where overall



Global Vodka: Top 10 markets 2008

	Volume 2008 (million 9-litre cases)	Growth (%) 2007-2008	Forecast Growth (%) 2008-2013
Russia	180.3	-3.9	-21.3
US	55.8	4.5	11.4
Ukraine	43.0	-1.0	-8.9
Poland	30.2	4.7	1.1
United Kingdom	10.7	4.2	7.4
Brazil	6.0	5.3	28.1
Germany	5.3	5.3	24.9
India	5.1	34.0	154.8
Canada	4.4	5.3	17.6
France	2.3	11.5	60.3
World	413.3	0.1	-3.0
World excluding Eastern Europe	130.3	5.0	20.3

Source: Euromonitor International

category consumption has been on a downward spiral for a number of years. In Russia, for example, volumes of premium and super-premium vodka increased 6% and 12% in 2008, compared with a 10% slide in the high-volume economy segment. It is important to keep in mind that financial crisis contagion was still low-impact in Russia over much of 2008. The strong performance of top-tier vodka can largely be attributed to a burgeoning class of wealthy young professionals, attracted by the trendsetting image of the category. But, as Russia and eastern Europe have become more exposed to global financial turbulence, this top-tier segment has also become the beneficiary of the type of cross-trade activity being seen in North America and western Europe.

So far so good for top-flight vodka, but maximising the opportunity in both emerging and industrialised markets will still depend on how effectively the category positions itself as the economic crisis deepens. There is a risk, for example, that brands will get too immersed in discounting activity, spurred by pressure from the retail sector and supermarkets in particular. Aggressive prices, although a driver of short-term volume, could weaken the image of the vodka category and loosen its attraction as a safe zone for consumers exiting higher-priced premium spirits. Image is, quite simply, all-embracing for the premium end of the vodka category. Critically, distributors also need to keep an eye on the long-term picture – that means building a sustainable platform of growth once the global economy has recovered. It will be key, therefore, to preserve the image and heritage of the category, even in markets where brand loyalty is low.

Flexing muscles in the on-trade

Global on-trade consumption of vodka grew 3% in 2008, the category's weakest performance since 2000, according to the data. There is a silver lining, however, because sales by value were up 7% – higher than any other spirits category. The inference is that premium and super-premium brands are driving the on-trade growth curve just as they are in the retail sector. Similarly, a windfall volume is coming from cross-trade activity as consumers break rank with higher-priced alternatives in Scotch. This is giving vodka a comparatively high level of on-trade resilience, even at a time of worsening macro-economic conditions. Absolut is identified as a key beneficiary of cross-trade in the on-trade channel.

There is an added upside to a strong vodka performance in the on-trade because, going forward, it could create an even bigger bounce for the category at a retail level. In short, the on-trade is the ideal showcase for vodka to flex its mixability muscles. And as times get tougher,

Global Vodka: Premium sales analysis by top 10 markets 2008

	Economy		Standard		Premium		Super Premium	
	Vol	Gr	Vol	Gr	Vol	Gr	Vol	Gr
Russia	88.3	-9.5	65.8	0.2	19.8	5.7	6.3	12.0
US	36.4	4.0	1.4	2.9	11.4	4.8	6.5	7.6
Ukraine	13.7	-7.2	25.8	2.5	3.4	0.3	0.1	2.3
Poland	5.5	-2.3	16.4	5.0	6.6	8.2	1.7	12.7
United Kingdom	4.8	6.1	4.5	-4.0	1.0	41.2	0.4	12.6
Brazil	3.4	11.2	2.4	5.4	0.1	3.4	0.2	33.7
Germany	2.2	4.1	1.4	-5.2	0.9	2.1	0.9	40.5
India	0.1	78.7	4.3	32.4	0	-	0.7	36.5
Canada	1.2	5.6	3.0	4.4	0	-	0.2	14.0
France	0.7	13.0	1.2	11.7	0.3	8.7	0.2	9.1

Source: Euromonitor International

Notes: Vol = Total volume (million 9-litre case) Gr = Volume growth (%) 2008 vs 2007

especially in the developed markets, it seems likely that more and more people will be looking to prepare their drinks at home. The ubiquity as well as the versatility of vodka in the on-trade has potential, therefore, to filter into a stronger at-home vodka-based cocktail culture. This will prove especially important if the current period of recession in North America and western Europe turns into a slump.

Turning crisis into opportunity

When Pernod Ricard won the race for Absolut last year, paying some €5.6 billion, it stole a competitive march on its rivals that, over the medium term, the industry might look back on as the smartest strategic card of the decade. The key point is that Absolut ranks globally as the dominant vodka brand in its price range. And it is because of this favourable premium positioning, in the specific context of a forecast vodka windfall, that Absolut has potential to be one of the strongest growing spirits brands in the world over the next five years.

Of course, in the first quarter of last year few could have predicted the speed at which the global economy was about to spiral out of control and how that would impact on middle-class consumption culture. For example, when Diageo pulled out of the running for Absolut in February, nobody would have believed US investment bank Lehman Brothers was soon to be toppled by a financial crisis that would spread to all corners of the world. Before Lehman Brothers, it was still acceptable to talk about recession-proof spirits brands. The super-premium vodka Ketel One, which Diageo acquired through a joint-venture deal around the time it exited the Absolut race, was precisely one of those brands.

In an economic crisis that is threatening to destabilise even the world's top band of income earners, Ketel One, and brands in its price range, is almost certain to come under fiercer downward pressure. Crucially, it looks more exposed than Absolut, which is protectively sandwiched

Global Vodka: Top 10 markets by on-trade value 2008

	Value 2008	Growth	Forecast Growth
	(US\$ million – rsp)	(%)	(%)
		2007-2008	2008-2013
US	8,641	2.9	20.5
United Kingdom	4,151	2.5	4.9
Brazil	1,592	2.8	17.2
Ukraine	1,341	-5.2	-14.3
Poland	1,156	-0.7	5.0
France	972	15.2	82.0
Germany	918	1.3	5.1
Canada	872	6.8	26.1
Turkey	813	-1.4	47.7
Russia	620	4.2	9.1

Source: Euromonitor International

Note: Forecast value growth based on constant 2008 prices

between the standard and super-premium segments. Hence, with the benefit of hindsight, Diageo might yet kick itself for not making a bigger play for the Swedish brand. Fortune Brands and Bacardi might also rue an opportunity missed.

There is a lighthearted saying in Russia, still the world's biggest vodka market by volume, that goes something along the lines of: "There cannot be too much vodka, there can only be not enough vodka." Indeed, vodka has been for centuries a powerful and enduring product in Russia and across eastern Europe, but its reach is today truly global and its growth story in the 21st century lies, perhaps, elsewhere. India and China, for example, are forecast to be the fastest growing vodka markets in the world over the next five years, according to Euromonitor International.

What seems clear is that the current period of global economic instability has, paradoxically, opened a new window of opportunity for the premium end of the category. Over the next five years, this is the segment that has the most to gain and, potentially, if it gets it wrong, the most to lose too.

For more insight, please contact Rob Walker at rob.walker@euromonitor.com



Responsible response

Pernod Ricard's Absolut vodka brand has launched a responsible drinking campaign.

Recognize the Moment features tips and tools to help make responsible decisions when consuming alcohol.

It is being promoted via interactive mobile, video and social networking channels.

Absolut Company chief executive Ketil Eriksen said: "By leveraging the innovative nature and iconic influence of the Absolut brand, we believe we can help consumers think about responsible drinking in a truly unique way."

Legal-age consumers are encouraged to view the brand through Facebook, send themselves personalised responsible drinking messages, get recipes for alcohol-free drinks and research video clips for responsible drinking tips.

For more see absolut.com/recognizethemoment.



has launched a 38% abv vodka for the UK market. Pincer vodka will retail for around £21.95 and the company sees it appealing to 'work hard, play hard' drinkers aged 24 and over.



beverage industry to be available exclusively through the internet. Online retailer spirits24h.com will market the brand to the US.

Master stroke

Mediterranean vodka Akvinta has announced a search for Taste Masters.

These would-be brand ambassadors will be taken to Akvinta's home in Croatia where they will be entered into national and international bar competitions.

Smirnoff 50cl trial

Diageo Great Britain is trialling a new 50cl size for Smirnoff No.21 vodka within the cash and carry and convenience sectors, to complement the existing 35cl and 70cl range.

The Smirnoff 50cl, it is said, will cater for the "something for tonight" occasion.

Helen Facey, senior brand manager for Smirnoff said: "We have made the deci-

sion to trial this new 50cl size for Smirnoff as there is a proven consumer demand within the fractional category and we expect the product to perform well.

"We want to be able to offer consumers a range of options and price points so that they can choose the size that best suits their needs for different occasions."

Russian success

Mainstream vodka Green Mark's owner Russian Alcohol Group has announced a sales increase of more than 20% in the first two months of 2009, according to reports in the St Petersburg Times.

Chief executive Carlo Radicati said the growth will probably "continue in that direction" for the rest of the year.

"Russian Alcohol has a flexible portfolio of brands that is adaptable to the current situation," Radicati added.

Russian Alcohol accounted for 13% of the market by volume in 2008, followed by Synergy.

The report added that a financial squeeze in the country is pushing out smaller producers, enabling Russia's largest private vodka maker to keep increasing market share.

● According to Moscow-based investment bank Renaissance Capital, Russian vodka consumption may climb 0.6% in volume this year as more people switch to local brands from imported ones.

The market may climb 11% when valued in rubles, it estimated.

Last year, Russian vodka

output slipped 7.6% as higher incomes enabled more shoppers to buy imported alcohol.



Leopard conservation

Snow Leopard vodka is funding two new conservation projects in conjunction with the Snow Leopard Trust, based in Seattle, US.

One of the projects is an eco-camp to educate children in Kyrgyzstan about their mountain's fragile ecosystem and how their input is needed to ensure the long-term survival of the snow leopard while a Snow Leopard Enterprise programme in Yamaat valley, Mongolia, will aim to teach mountain communities the importance of protecting the snow leopard rather than seeing it as a threat.

Stephen Sparrow, founder and chief executive of Snow Leopard vodka said: "Our goal is simple - that more and more customers and consumers will sell and buy our product so that we can contribute more and more funds to this beautiful species' survival, and in doing so enhance the quality of the lives of some of the most impoverished mountain village communities in the world which share snow leopard habitat."

New projects are funded from 15% of the vodka's profits and from fundraising efforts.

Crystal craze

Dubai-based brand marketing company MMI has teamed up with Bacardi to create a 4.5-litre Swarovski crystal-covered Grey Goose vodka bottle.

The display bottle will be positioned at new Dubai night-spot BANG. In addition to this display bottle, Grey Goose will allocate an additional bottle for sale on an annual basis to this "showcase outlet". This bottle will have a floor selling-price of US\$13,500 (AED50,000) and the outlet may sell it at any price above that.



Cedar sellers

Alcohol Siberian Group, which incorporates Omskvinprom, has launched three cedar vodkas.

Flavours include pine nuts, pine nuts & honey and classic cedar sap.

The vodkas are all filtered through charcoal made from pine nut shells.

The bottles also feature a special patented anti-tipping closure which no other company will be able to use for 10 years.

Online claim

Poland-based Mustang vodka is to sell its ultra-premium brand exclusively online.

The company claims that Silver Mustang will be the first ultra-premium vodka in the history of the



Long on loyalty

As the worldwide economy falters, will premium vodkas lose ground to their standard rivals? Graham Holter examines the evidence

Champagne sales are not what they used to be. At times of global recession, even people who can afford to drink the best sparkling wine become self-conscious and fearful of appearing too ostentatious. Does the same apply to premium vodka?

The vodka category is all about image: even vodkas which play at lower price points like to act classy. That may ease the pain for consumers who are forced to trade down, even if it takes some value out of the industry. The longer-term worry for distillers is perhaps that consumers acclimatise too well to what might be termed the "standard" category, and stay there when the economy gets back on track.

But are consumers really trading down? The evidence at first sight is fairly inconclusive, and sometimes contradictory, even allowing for natural variations between markets.

In the US, the Distilled Spirits Council (DISCUS) reports that spirits revenues for 2008 were up 2.8% to \$18.7 billion, while volumes rose 1.6% to 184 million 9-litre cases. The vodka category did rather better, with sales up more than 4%. Premium vodka shot up by a remarkable 16.1%, which would have been an excellent performance in the height of the Reagan boom years, let alone the bankrupt final instalment of George W Bush's troubled administration.

"Contrary to popular belief, the entire beverage-alcohol sector is recession-resistant, not recession-proof," said Peter Cressy, chief executive of DISCUS. "Consumers appear to be trading around, not trading down. They are being more discerning about their buying decisions when it comes to alcohol."

In Russia, the scenario does not appear quite as rosy. The country's production of vodka and other spirits

Even if the recession affects consumption levels, people tend to remain brand-loyal

slumped by almost 21% in January 2009, according to the Federal State Statistics Service (Rosstat). There were some extenuating circumstances: a glut of production in December, to avoid the rising excise duty introduced in the new year, skewed the figures a little. But there is no escaping the fact that the economy was also a major factor.

Dmitry Dobrov, deputy chairman of the Union of Producers of Alcoholic Products, says wholesalers are showing an unprecedented interest in cheaper vodkas. "It's readily apparent that the market is moving downward," he told the Interfax agency. "People who earlier could afford vodka costing 150 roubles a bottle are switching to vodka for 100 roubles, while people who bought vodka for 100 roubles are going over to illegal products costing 50-60 roubles."

But Chris Hayter, director of UK-based online retailer The Vodka Emporium, says: "We haven't noticed any significant drop in the super-premium or premium vodkas.

"Ultimat, Grey Goose and Snow Leopard are still selling well. To be honest we didn't expect a drop, as with more people staying at home they tend to buy a bottle of something special. It's still

significantly cheaper than going out.

"Our bestselling brands at the moment are the Absolut range, Snow Leopard, Pinky and, recently, new sparkling vodka Camitz.

"There hasn't been a noticeable switch from last year in regard to the brands. The only noticeable drop is Belvedere although, with Camitz becoming more popular this summer could certainly see some changes in the £20-£30 price bracket."

Sales damage

Waitrose, the UK supermarket group which tends to attract bigger-spending customers than its larger rivals, reports some damage to its upper-end vodka sales.

Spirits buyer Michael Simpson-Jones says: "The vodka market is seeing strength off the back of more in-home drinking and the customer demand for more promotional activity. The established brands at the top end of the market are holding up, suggesting loyalists are sticking with their core brand.

"However, more niche premium brands are suffering. We have recently launched a 50cl version of a premium vodka which has allowed the price point to come down considerably and we have seen success with this.

"In the lower end of the market, customers are looking to try different vodkas but are only tempted to move away from their core brand ▶



Standard vs Premium

when an alternative is on offer. As the bulk of the vodka market is drunk with a mixer, customers are not so aware of taste differences but they do play to brand image and the chance to say they have found a different brand.”

On-off switch

In the six months to December 2008, Absolut’s US volumes fell by 3%, and globally by 2%, the brand’s new owner, Pernod Ricard, reported. The company partly blamed the integration process for the brand’s temporary decline but admitted that, with the drift from on- to off-premise sales, consumers are migrating from super-premium to premium, and from premium to standard.

Paula Eriksson, Absolut’s vice president of corporate communications, puts that statement into a wider context. “The mega-trend of the past years has been premiumisation,” she insists. “Consumers both in western vodka markets and in emerging markets are trading up. We still see this as the major trend.

“However, in the current financial climate we of course see that some consumers trade down. Some super-premium consumers start buying premium vodka, and some premium consumers start buying standard vodka. People also start consuming more at home as there’s a shift from on-trade consumption to off-trade consumption.”

Diageo spokeswoman Cecilia Coonan broadly agrees. “We did see some trading down, but this was specific to the US and we have a total vodka portfolio in the US, with strong trusted brands across all price points,” she says.

“The larger phenomenon is the switch from on-trade to off-trade, and again we have the range of brands and scale to make sure we are well positioned to continue to drive growth in this channel. We have also been innovating successfully in vodka to capture the at-home-consumption market – for example, Smirnoff Cocktails in the US.”

Robin Singh runs the Pravda Vodka Bar in Toronto, where there is scant evidence of a move to cheaper brands. “The global crisis will maybe reduce consumption, but people become loyal and develop a taste for what they are drinking,” he observes. “If anything they might have smaller tabs when they go to lounges and bars, but I doubt whether people will change to cheaper brands.”

But surely the on-trade can manipulate their customers more readily than retailers are able to? Won’t establishments such as Pravda simply keep pushing premium brands because it’s in their interests to do so?

Singh maintains that taste credentials remain paramount. “As with any product, even wine, the more expensive is not always better,” he says.



“We can all relate how many times the \$20 wine is better than the \$50 wine. Vodka is no different. I have had \$20 vodkas that are much better than \$40 vodkas. Canadian Iceberg vodka is one of my favourite values: good, clean and well priced.” Singh also highlights Zirkova and Reyka as being particularly good for the money, and criticises some well-known vodkas for investing too much in marketing and not enough in the quality of their products. “A good product has very little to do with becoming popular,” he says.

Driving premiums

Paula Eriksson sees no need for a reorganisation of priorities as the global recession takes hold: “The Absolut Company’s focus is to drive the premium segment. Spirits meet many needs beyond mere consumption,” she argues.

“Great products and brands will always be attractive for consumers to express their personal preferences and tastes, and who they are. International premium spirits cater to this need. And as we have seen in the past, as people develop their preferences, this is where they aspire to go. In other words, premiumisation is a macro-trend that will be continued. However, in the current economic climate there are tendencies to down-trade in the off-premise.”

Hayter at The Vodka Emporium adds: “When paying over £20 on a bottle of vodka you do get a noticeable difference in quality compared with £10. We have done some blind tests ourselves and the feedback is overwhelming. Once a bottle of something more premium is tried the consumer rarely goes back to the lower brand. Even the difference between Smirnoff Red and Smirnoff Black shows a difference in consumer feedback.

There is a move towards cocktails to capture the at-home market

Peter Cressy (below left): “The beverage-alcohol sector is recession-resistant, not recession-proof”

Chris Hayter (below right): “No noticeable switch from last year in regard to the brands”



“To be honest, it’s at £25 and over that the gulf in difference is huge. When consumers try Pinky, Camitz, Grey Goose and Snow Queen the feedback is overwhelmingly positive on the smooth taste and lack of ‘kick’ that cheaper options give you.”

To give the vodka industry its credit, the brands it has created do appear to have justified much of the hype that surrounds them. In theory, it should be a category that’s especially vulnerable to economic swings: a large number of consumers genuinely find it difficult to tell one liquid from another, meaning that – as Absolut’s Eriksson suggests – marketing is more important – and effective – than some critics realise.

But these are, very probably, the early months of a prolonged worldwide recession. Vodka enters the downturn in a strong position, but it is by no means certain how long it can go on defying gravity. □

In the detail

While the finer technical points of the vodka distillation process are of less concern to the consumer than brand image, for Ian Wisniewski it's the raw ingredients that count

Choice is a wonderful thing and, with more vodka brands than ever competing for attention, the key question is how consumers exercise that choice, and how informed it is. For some it may depend on "the look," with stylish packaging all that's required to convince them they've made the right choice.

If, and when, these consumers change their criteria for choosing a brand, there's plenty of scope to get more technical, with a growing number of brands promoting the choice of ingredients, distillation, filtration and the water.

But how much does a technical message resonate with the target audience? Bartenders, for example, are hailed as brand champions who educate customers. But there's no shortage of UK bartenders who feel they've "done" vodka and moved their creative focus to other categories. So, will vodka salesmen reciting technicalities inspire bartenders and help them form an opinion, or will it be a case of too much information?

"We're looking at the technical process, ingredients, country of origin, history, packaging, marketing campaign, and what brands' customers ask for," says Giuseppe Gallo, manager

of Purple Bar at the Sanderson Hotel in London. "It's this combination of factors that makes a vodka desirable, but the taste is number one."

A growing number of consumers are also getting into technicalities, with provenance increasingly considered a lifestyle issue. Meanwhile, knowing the latest brands, bars and cocktails is considered cool in markets such as the UK, with brand information only a website away.

Knowledge gap

The choice of ingredient, whether wheat or rye for example, is a principal influence in the character of a vodka, with ingredients also far easier for consumers to engage with than the complexities of distillation or filtration. And, as each ingredient has a story, talking it up is easy. But what's the level of interest? "Consumers are interested in ingredients, and they're particularly interested when you describe the taste," says Mark Holmes, founder of U'Luvka vodka.

The level of interest often exceeds the level of knowledge. "We do a lot of tastings and the majority of people have no idea what goes into vodka – they operate on brand names," says Chris Parker, managing director of London & Scottish, which markets UK5 organic vodka.

Moreover, consumers who think they know repeat that vodka is only made from potatoes, even though there are actually very few potato vodkas. Grape or barley vodka is also a rarity, while the choice of rye or wheat vodkas is significantly larger.

Familiarising consumers with ingredients, and the individual flavour profile each offers, would also help to counter the "vodka doesn't taste of anything" and "all vodkas taste the same" mindset, which still affects many consumers.

But with more brands produced from the same ingredient coming to the market, will the impact of the message be reduced? "On the contrary, we talk enthusiastically about our wheat, as it is arguably the best in the world and



Quality ingredients: Finnish barley field

has a huge point of difference," says Grey Goose maître de chai François Thibault. "This wheat [which comes from an area of France nicknamed the "wheat ocean"] is the same used by France's finest patissiers and is famous in its own right."

Claire Smith, head of spirit creation and mixology at Belvedere vodka, concurs: "More people talking about rye is a good thing. The more we're talking about rye the better."

Points of difference

Are there any advantages for a barley vodka, with this ingredient having a less familiar story to tell? Markku Raittinen, Finlandia vodka's global ambassador, says: "It gives us a unique selling point and I'm sure this will be beneficial to consumers at the point of purchase."

As vodka has entered the eco-era, this could help to make the world a more sustainable place. But how does it work? "Consumer thinking is: 'I didn't know there's organic vodka, I like it, it's a sensible price, I'll buy it,'" says Chris Parker.

Another innovation is multi-ingredient vodka,



Finlandia distillery at Ilmajoki



Chris Parker: Organic beginnings



François Thibault: World's best wheat



Markku Raittinen: Unique selling point

Photo by: Finlandia

Wisniewski's tasting tips

Whether you're loving or not loving a brand depends on various factors, not least of which is what you're looking for – upfront character perhaps, or a mellow style. As everyone's palate is individual we can pick up similar, or different, characteristics in the same brand, while judging the level of sweetness or dryness is also a personal call.

At least there are definite guidelines for the techniques used to judge a brand. Vodka shows its range of characteristics most clearly at **room temperature**, in a **tulip-shaped tasting glass** or **shot glass**. Avoid chilling as it tends to reduce the range of characteristics, while altering the texture.

An initial consideration on the palate is the **texture**, which varies from delicate and elegant to greater body and creaminess. Texture is also important as it carries characteristics such as sweetness, dryness, nuttiness, pepper and spice.

Sweetness and dryness range from subtle to dominant, while playing a role in balancing or underlining the accompanying characteristics. Similarly, notes such as pepper and spice can add character and range, or appear dominant and intrusive, depending on your individual threshold.

Comparing vodkas from different ingredients helps to develop a memory bank of what each ingredient offers. And, even though brands distilled from the same ingredient can reveal a similar range of characteristics, they can appear in different sequences and with **varying degrees of intensity**. Creaminess, for example, may be a principal characteristic, or play a supporting role.

The **finish** can show the same characteristics in the same sequence and balance as on the palate, but there can also be changes. Richer sweetness on the palate, for example, may appear subtler in the finish. The finish should deliver an enjoyable experience or it won't encourage the next sip.



such as U'Luvka, distilled three times using Polish rye, wheat and barley. "I made U'Luvka multi-ingredient as I wanted layers of flavour and complexity on the palate," says Holmes. "It's a marked point of difference. It says you're luxury."

Bartenders have become increasingly fluent in discussing the distillation process, but consumer interest and knowledge is typically on a different level. Moreover, continuous stills are typically perceived as high-tech and highly automated and, consequently, as having something of a uniform influence. This underestimates how individual the influence of a continuous still can be. And the skill of the master distiller and how the stills are run are the real issues.

The water used to reduce the spirit to bottling strength provides another talking point. Brands bottled at 40% abv mean 60% of the contents is water, which suggests the water is influential. But how easy is it to quantify the contribution made by water from a particular source? Comparing the influence of different water sources on a brand would clarify this (and if any brand has done this,

and is happy to share the results, this writer would love to visit).

A similar question applies to the growing range of filtration methods – essentially, exactly how each method influences the character of the resulting vodka.

Ultimately, it's a case of each production detail having a particular influence, and these all add up to create an individual flavour profile. But, with vodka typically served in a long drink or cocktail, how many consumers ever get to taste a brand's actual character? In which case, are consumers judging technicalities on how interesting they sound, rather than the flavour profile they create? Or are they just ordering a fashionable cocktail without any awareness of technicalities?

Meanwhile, sipping neat vodka is a growing trend internationally, but this only accounts for a fraction of consumption. And that raises another issue. Any consumers who don't rate the character of a particular brand aren't going to care about the production details, however interesting the story.



For many vodka brands, the smoothness of the end product is a key factor: how many times it has been distilled and filtered. Ian Wisniewski asks how important geographic origins are in the marketing mix

Achieving global stardom is a beautiful dream for many a vodka brand, and success in the UK and US is a vital part of the process. Consequently, numerous brands have converged on these markets, which now offer an extraordinary range of choice, including “old world” vodkas, from Poland, Russia and Scandinavia, alongside “new world” vodkas from countries such as the Netherlands, France and New Zealand.

Meanwhile, the traditional classification that Polish, Russian and Scandinavian brands offer character derived from the ingredients, while western brands deliver a “neutral” palate, needs updating. A recent generation of western brands, such as Ketel One (Netherlands), offers character rather than neutrality, while Grey Goose (France) also played a key role in developing the deluxe sector. Launched in the US in 1997, Grey Goose was acquired by Bacardi in 2004 for a reported (but unconfirmed) US\$2.4 billion. Needless to say, achieving such status and success so early in its career has made Grey Goose a role model for any brand with ambition.

But with the UK and US markets already saturated, and more brands continually arriving, it's ever more challenging to stand out. As various brands promote their individuality with a package of features, including production details, a primary characteristic applying to every brand is country of origin. But where does this fit within a brand's credentials, and what can it achieve?

“It's the first thing I talk about, it's important to centre the product,” says Claire Smith, head

Provenance rules

Photo: courtesy of Finlandia

of spirit creation and mixology at Belvedere vodka. Mark Holmes, founder of U'Luvka vodka adds: “The first thing consumers ask at tastings is where's it from?”

Talking it up

While packaging and marketing can be primary means of communicating the country of origin, a brand name such as Finlandia automatically conveys a Finnish origin. This raises another issue – that consumer perception of a brand will be influenced by the overall perception of the country of origin.

“Consumers in various markets think of Finland as unpolluted and one of the most environmentally friendly countries,” says Maureen Brekka, managing director for Finlandia (see *Scandinavia*, p29). “The pure ingredients of Finlandia tie together what Finland and Finlandia stand for.

It's extremely important as a marketer to think about the role of country of origin. It needs to stand for something meaningful and you need to have an attractive story.”

While Russian distillers have tended to focus on the vast domestic market, they are increasingly looking at export opportunities, which means the world can expect to see a growing choice of Russian brands. Moreover, privatisation in Russia and Poland resulted in more distilleries gaining investment and developing their portfolios. A new generation of brands such as Green Mark, Parliament and Russian Standard has also extended the choice beyond the “classic” range of brands available during the Communist era.

More Polish and Russian brands in various markets means more choice and consumers becoming more familiar with the country of origin message. But can this also dilute the impact country of origin has for each brand?

“More Polish brands on the market will not dilute the message, it will strengthen it,” says Holmes. “Poland has the heritage and is less discovered than Russian vodka.” Claire Smith





For the land of the midnight sun, read purity, tranquility and unsullied, unpolluted land and crops

continues the theme: “The more Polish brands there are talking up Poland, and if every time you taste a Polish vodka it’s good, it can only help.”

Meanwhile, Preston Mendenhall, director of communications at Russian Standard, says: “The most important advantage is in the quality of the product. That is why we are very clearly focused on talking to consumers about what matters – production expertise and quality of ingredients.”

But there’s also the question of establishing individuality among a growing number of brands from the same countries. For example, with a brand name such as Russian Standard making the origins perfectly clear, how can Russian Standard utilise Russian origins while remaining differentiated from other Russian vodkas?

“We are the number one premium vodka in the birthplace of vodka. This gives us the ultimate credentials,” says Mendenhall.

And what about brands from countries without a vodka tradition – do they experience any additional challenges, or can this be an asset in the sense that it’s a point of difference from Polish, Russian and Scandinavian brands?



“In mature markets such as western Europe, the US and Australasia, consumers have moved beyond this point,” says Sophie Bowers, marketing controller of Bacardi-owned New Zealand contender 42 Below. “The educated drinking public are comfortable and aware that great vodka can, in theory, come from anywhere, and that the crucial inputs are exceptional distillation skills and high quality ingredients.”

So, how does a brand such as 42 Below utilise country of origin?

“New Zealand has been part of our DNA from day one and always will be,” says Bowers. “We believe the idea of a guy from the last place on earth believing he can make a vodka that can go up against those from traditional vodka producing markets is uniquely Kiwi; and at a product level, New Zealand gives us the best quality ingredients.”

Typical associations

Similarly, can French vodkas automatically benefit from the typical associations consumers have of French gastronomy, style, and of course the distilling heritage behind Cognac?

“It’s not a benefit that is automatically inherited,” says Sven-Olaf Hansen, Grey Goose global vodka category director. “Grey Goose has proven it’s worthy of its provenance. The man who created Grey Goose vodka, maître de chai Francois Thibault, was previously a Cognac maître de chai and has lived his whole life in Cognac, so the distilling heritage of the region is part of him and now part of Grey Goose. In Cognac tradition, his knowledge and skills have been passed down from maître de chai to maître de chai over hundreds of years. He has applied those same skills to create Grey Goose vodka.”

Awareness of country of origin has



Preston Mendenhall: “Clearly focused”



42 Below: New Zealand in its DNA

Sven-Olaf Hansen: “Grey Goose worthy of its provenance”

traditionally been high among US consumers, who have generally distinguished brands on the basis of domestic and imported status. However, as the market develops, this mindset is changing. On-going specialisation has resulted in bourbon being rediscovered, and re-evaluated, as the national spirit, while a generation of new vodka brands continues to expand.

So, what effect has this had on US consumer perception? Is it any more challenging for a domestic brand to achieve the same status and price point as the equivalent import, or is it down to each brand’s individual proposition?

“At the top end of the category artisan brands have very good credibility, and there’s a certain amount of national pride,” says Maureen Brekka. “There are still consumers for whom imported status is a quick cue, and when it’s tied into a meaningful story this has value. Otherwise imported status has limited value, which comes from having so many choices, and there’s more of a search for credentials.”

As an increasing variety of vodka brands continue to gain a higher profile in a larger number of export markets, and consumers become more knowledgeable about the category and brands, will country of origin continue to play a significant role, or will it all depend on how this fits into a brand’s overall credentials?

“It will always be important as it helps give a brand roots, but it has to be part of a package,” says Belvedere’s Claire Smith. “So it’s a case of what makes Poland special, and what else is beneficial for me as a consumer in choosing a brand. It’s a great selling point but it’s also part of a bigger picture.”

Sophie Bowers adds: “We believe it is more about the brand’s proposition and what it offers consumers. It should be individual.” □

Born in the USA

To conquer the US is a holy grail for most premium vodka brands. J Herbert Silverman presents a snapshot of the latest activity in the world's most dynamic market

In a flurry of acquisitions, mergers and flavour extensions, alongside an unstable US economy, experts in the world of vodka may well be uncertain about the future. And joining the ranks of distillers are flavour chemists and statisticians to reinforce brand stature – even specialists in creating groundbreaking television tie-ins.

New faces

One fast-rising star is Three Olives vodka, owned and imported by Manhattan-based and family-owned Proximo. Made from wheat grown in England, Three Olives sold more than a million cases in the US and Canada last year. Proximo has just created a new bottle design and a \$15 million advertising campaign, says the highly energised vice president of marketing, Elwyn Gladstone – great grandson of Queen Victoria's prime minister, William Gladstone.

The brand, known for its range of 16 flavour varieties, has come to refer to itself as "Three-O" in both the campaign and the new packaging. It's the fastest growing imported flavoured vodka in the US (Nielsen 52 weeks ending Feb 10 2009);

The key to our success has been the brand's 'cheap chic' market position, more relevant now than ever before

Marina Hahn, Svedka

third fastest growing premium spirit in the world (Impact Databank Feb 2009); and winner of 2008 Impact Hot Brand Award – second biggest flavoured vodka in the US by volume, behind only Absolut (NABCA Reporting 52 weeks through December 2008).

The multifaceted ad campaign conveys Three-O's message that drinking premium vodka should



be "fun and exciting" by featuring a series of models showing delight at the various flavours, with the headline: "What's Your O-Face?"

The O-Face campaign debuted in the March 2009 issues of US magazines such as Maxim, US Weekly, Out and Cosmopolitan, as well as on heavily trafficked websites such as Perez Hilton and Facebook. Three Olives sells from \$19.99 for a 75cl bottle.

Absolut priority

Pernod Ricard USA has successfully integrated Absolut Vodka into its portfolio and retained virtually all the Absolut US marketing team. In January, Pernod Ricard announced plans to capitalise on the Absolut acquisition by consolidating sales of its full line of premium spirits and wines, including the recently added Absolut, primarily with two leading US distributors – Southern Wine and Spirits and Republic National Distributing Co.

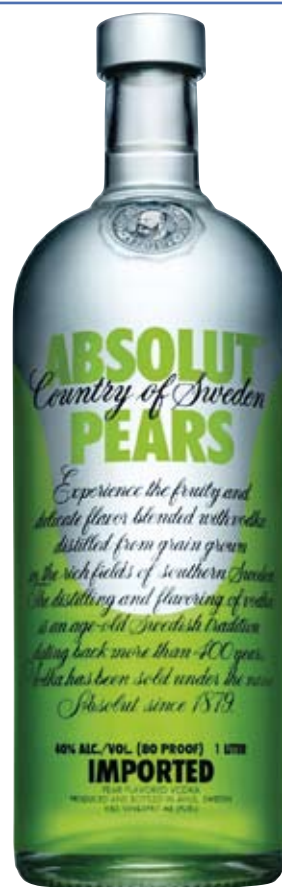
Most of Pernod Ricard USA's spirits marketing team has been relocated to the former Absolut Spirits offices in New York City. The Absolut marketing group remains based there.

Absolut is Pernod Ricard USA's top priority and is continuing to receive heavy investment, as shown by the recent debut of a TV ad. This was the first spirits brand commercial to be shown during the Grammy Awards coverage and first to be broadcast

US vodka suppliers' gross revenues including FET (millions)

Year	Value	Premium	High-end Premium	Super Premium	Grand Total
2003	\$787	\$771	\$1,089	\$320	\$2,966
2004	\$872	\$795	\$1,211	\$460	\$3,338
2005	\$883	\$854	\$1,300	\$546	\$3,582
2006	\$892	\$932	\$1,393	\$778	\$3,994
2007	\$923	\$992	\$1,449	\$933	\$4,297
2008	\$956	\$1,152	\$1,477	\$899	\$4,485
O3 - O8 growth	21.5%	49.4%	35.6%	180.9%	51.2%

Source: Distilled Spirits Council of the US



Reid Hafer: Pushing the envelope

Gerard Ruvo: Business built on innovation



during primetime on owned and operated CBS network stations in such key markets as New York, Chicago and Los Angeles. The major TV networks in the US (CBS, ABC, NBC) have traditionally not allowed spirits advertising.

“This 30-second spot is more than a broadcast advertising milestone,” says Ian Crystal, brand director at Pernod Ricard USA. “It comes at a time when many of our competitors have pulled back on their advertising investment. We want to send a message that we are committed to our consumers and the long-term future of Absolut.”

According to Beverage Information Group, Absolut 9-liter case depletions were 4,732,000 for the calendar year 2008 in the US.

Image of the future

In March, Svedka introduced a campaign in the US that includes ads, celebrity events and online branded content. To continue the tradition of providing witty and provocative commentary, straplines include: Party Like It's 2033; Man Cannot Live On Gossip Alone; and You Bring The Six-Packs, I'll Bring The Drinks”.

The product is also available in fusions of Citron, Raspberry, Clementine and Vanilla.

The company was bought by Constellation Brands in 2007. “The key to our success has been the brand’s ‘cheap chic’ market position, more relevant now than ever before,” says Marina ▶

On the campaign trail

- Buffalo Trace has repackaged its Platinum 7X brand. “The new look uses the signature triangle and our new 7X symbol, highlighting the fact Platinum has been distilled seven times,” says brand manager Elizabeth Cawood. “The label was redesigned to give it a more up-to-date image.”

- Despite the recession, The Patrón Spirits Company is intensifying a multi-million dollar consumer and trade brand campaign to show people how to Live Ultimately with its Ultimat vodka. The targeted campaign is based on the insight that: “In life, when you reach or attain the ultimate experience, it completely changes your frame of reference, and no other experience will compare.”

- Blue Ice vodka has introduced an organic wheat vodka, the American brand’s first line extension since its introduction to the market in 2001. It continues the tradition of founder Jim Myerson’s commitment to producing premium spirits reflective of Idaho’s natural resources. Certified Organic by the USDA and earning a kosher seal, Blue Ice Organic Wheat vodka is a blend of Idaho water and locally harvested, certified organic winter wheat.



- Following the successful Miss Russia Tour this past year, Russian Standard plans to bring the contestants of the Miss Russia Pageant back to the US for an expanded tour in the coming months. “Sales of Russian Standard’s premium brand, Russian Standard Vodka, doubled [102% growth in 2008], continuing one of the most successful premium vodka launches in US history,” says Leonid Yangarber, chief executive of Russian Standard USA.

- One component of Finlandia’s marketing plan is bartending engagement and education. The two key initiatives globally are Finnishing School, a continuing education class, and the Finlandia Vodka Cup, a global

bartending contest. This year, Christine Misiura, from Orlando, won the right to represent the US in the February finals, held in the Arctic Circle in Lapland.



Christine Misiura: Bartending finalist

Vodka in the US



Hahn, chief marketing officer. “Svedka recently secured its position as the number three imported vodka,” she adds, “moving up from fifth over industry veterans Stoli and Ketel One (Impact Databank, 2008) and doubled case volume from one million to two million cases in less than two years – the fastest growth trajectory the spirits industry has ever seen.”

Stoli plans in the pipeline

William Grant USA is aiming at a turnaround for its newly acquired Stolichnaya, says an optimistic Simon Hunt, president and managing director, North America. “We have seen a trend of channel shifting from the on-premise to the off-premise over the past few months and have dedicated an increased level of investment to develop unique programming for each of our brands, including Stolichnaya.”

Jonathan Yusen, senior vice president for marketing, adds: “Stoli is a powerful brand with many loyal fans. Our marketing goal is to bring more relevance to a new generation of Stoli drinkers. We are fast at work finalising and implementing creative marketing programmes to build upon the campaign and bring it to life for our consumers and trade partners.”

Flavours of the moment

A major player in the domestic flavour field, Heaven Hill Distilleries, has added two new expressions – Sweet Tea and Espresso – to the Burnett’s Flavored Vodka portfolio as the category remains one of the most vibrant segments in the distilled spirits industry.

Since the introduction of its first flavour, Burnett’s Flavored Vodkas have grown to become one of the largest portfolios in the entire industry. The franchise now offers 18 flavours, including Blueberry, Cherry, Citrus, Coconut, Cranberry, Grape, Lime, Mango, Orange, Peach, Pomegranate, Raspberry, Sour Apple, Strawberry, Vanilla, Watermelon.

“These newest flavours are the result of considerable interest among consumers and retailers alike,” says Reid Hafer, senior brand manager. “We have generally tried to push the envelope of innovation but always within the desires of our truest focus groups.”

Even in a down economy, Skyy Spirits continues to innovate with its own new Infusions line, adding Pineapple, which was launched last year. “Skyy’s new product is the first pineapple-infused vodka available on a national basis in the US and will be supported with heavy print, outdoor and online advertising,” says Jason Daniel, senior brand manager. Skyy Vodka brand (core and Infusions) is 3.1 million cases worldwide.

“Contrary to popular belief, now is not the time to retreat from innovation and aggressive consumer promotion,” says

US Vodka volumes by year and price category 9-litre cases (000)

Year	Value	Premium	High-end Premium	Super Premium	Grand Total
2003	20,123	10,541	9,286	1,905	41,855
2004	20,827	10,752	9,878	2,631	44,088
2005	21,080	11,281	10,527	2,992	45,879
2006	21,144	12,301	11,204	4,132	48,782
2007	21,891	13,976	11,651	4,720	51,237
2008	22,462	14,739	11,598	4,550	53,349
03 - 08 growth	11.6%	39.8%	24.9%	138.9%	27.5%

Source: Distilled Spirits Council of the US

The flavoured vodka category is one of the spirits industry’s most vibrant segments

Classic vs flavoured vodka share

Year	Classic	Flavored
2000	92.1%	7.9%
2001	89.9%	10.1%
2002	88.6%	11.4%
2003	87.4%	12.6%
2004	86.8%	13.2%
2005	86.1%	13.9%
2006	86.6%	13.4%
2007	86.2%	13.8%

Source: Distilled Spirits Council of the US

Gerry Ruvo, Skyy Spirits chairman and chief executive. “Our business has been built on innovation, which will serve us well once the economy does recover and we come out of this in a better position than those brands that retreated to their bunkers.”

Sales of Skyy Vodka and its Infusions have been doing very well in the past several months, up double digits according to Nielsen statistics. Skyy parent company Gruppo Campari will begin selling Skyy Infusions internationally this spring.

Diageo, the giant among giant spirits organisations, is also adding flavours to its 9-million case Smirnoff brand. New to its portfolio are Melon and Pomegranate, to bring the total to 15 selections.

“Ciroc vodka is one of the fastest-growing spirits in the Diageo portfolio of brands,” says Marc Strachan, marketing director. “In 2008 sales increased by nearly 25%, while volume share grew nearly 20%” (December 28, 2008 IRI report.)

Two years ago Diageo made spirits history by entering into a strategic alliance with entertainment entrepreneur Sean “Diddy” Combs, in which Combs and Sean Combs Enterprises took the lead on all brand management activities for Ciroc.



One of life's essentials

Reporting from Moscow's Prodexpo show in February, Lucy Britner finds the big brands confident that the Russian vodka sector will survive the recession in good health, if a little slimmer

Last year, Russia's National Alcohol Association said the global financial crisis was so bad that Russians were cutting back on vodka. Pavel Shapkin, president of the NNA, told Reuters: "People are having to save money, including on drinks, and this is connected to the impact of the financial crisis on people's disposable incomes."

The alcohol industry body said 8.2 million decalitres of vodka – or more than half a litre for every one of Russia's 141 million population – was stockpiled in warehouses in November 2008.

But Russian vodka producers say the problem wasn't with the consumers. According to Preston Mendenhall, communications director at Russian Standard, the problem was with distribution.

"It's not true that people stopped drinking vodka," he says. "Producers were holding back because distributors were unable to pay."

"Basically, we are only shipping when we get paid. I imagine this is very much the same for every industry – for example, in Russia, we were told there would be a shortage of chicken

imported from the US."

Mendenhall says this is why growth for the Russian Standard brand in 2008 was between 1.9m and 2.1m cases and not the 2.3m cases that the company hoped for prior to the crisis.

The idea that Russia's vodka consumption is slowing down is "not entirely true", says Yasenov Oleg, marketing director at SY Group (Synergy).

"Here in Russia we have had problems with the selling chain – the steps between production and distribution," he says. "But this has been the same for every industry."

Oleg backs this up with impressive figures for Beluga. While he wouldn't give away numbers, he says Beluga is one of the fastest growing super-premium vodkas, with triple-

digit growth in 2008 and anticipated double-digit growth in 2009.

"In Russia, people will not stop drinking vodka. They might stop drinking milk..."

Low-premium potential

Although no one expects Russians to stop drinking vodka, the 2009 landscape is set to look a little different and, as the market becomes more difficult, brands seem to be taking different approaches and some will disappear. For many, the low-premium category appears to be the most attractive solution.

SY Group is probably best known for its super-premium brand Beluga. Last year, the company splashed out on a fish tank containing sturgeon at Moscow's annual trade show Prodexpo. But this year, the



Russian vodka

company opted out of the show and its big investment for 2009 is at low-premium level. They are not alone. A chat to a few key vodka players in Moscow revealed that they are all concerned about “the crisis” and many see low-premium as the answer.

SY Group acquired low-premium brand Russian Ice in 2005. By the end of 2008, it was selling over a million cases. A new advertising campaign has been shot in LA with Sylvester Stallone as frontman – apparently his grandmother was Russian. The core market is Russia and the brand’s campaign aims to stir patriotic feelings in Russian people. The product is on the shelves for 150-200 rubles for 50cl.

Like Synergy, global Russian vodka brand Russian Standard sees the potential in low-premium. Last autumn, RS rolled out Aurora – a low-premium that sells for 160 rubles for 50cl. The product also plays to the pride of Russian people – with a star as part of the design. Mendenhall says: “The product was in development for two years – low-premium is showing sustained growth.”

The product was launched initially in Moscow and St Petersburg. Mendenhall doesn’t rule out a global roll-out but not in the near future.

Beyond the crunch

Russian Standard’s flagship product is set to embark on a global roll-out campaign in 2009. The vodka is already available in 60 markets – up from 40 at the beginning of 2008 – and in the next few months Canada, Benelux and Portugal are due to receive the brand. Mendenhall adds: “There is some uncertainty in 2009 but we have our eyes open. We are treading carefully and it won’t stop us from finding the right partners for vodka. We have got to look beyond 2009.”

A flavour of Prodexpo

Flavoured vodka is not synonymous with Russian drinking culture, but it was in abundance at Prodexpo – perhaps an influence from Lithuania, which seems to love it.

● Lithuanian brand AB Stumbras marketing director Algirdas Cibury was trawling the show to find out what else is popular. Unlike Russia, he says, there is a rising demand for flavoured vodkas in Lithuania. “It was around 80% normal and 20% flavoured. Now it’s more 30% flavoured.”

Stumbras’s Original Lithuanian vodka includes Blackcurrant, Bilberry and Pepper & Honey flavours.

● Tigoda held a large stand at the entrance and head of trade marketing Anastasya Moiseeva told us that brand plans include a label redesign

Anna Kiryan, spokeswoman for 6.5 million-case vodka brand Pyat Ozer says: “We sell Pyat Ozer as a mainstream product because before the crisis it was the fastest growing sector. The popularity of low-premium vodka is rising in Russia. So to be in line with this and the fact that flavoured vodka is becoming more popular in Russia, we have started to produce a new vodka – Kedrovitsa, a cedar vodka with three variants – Cedar Sap, Pine Nuts, and Pine Nuts & Honey.”

Kiryan attributes the company’s potential to grow in spite of the economic climate to not having any significant debts. It seems the weaker players are wide open to being hoovered up by bigger companies. Kiryan adds: “We are sure the crisis is the right moment for leaders to increase their share of the alcohol market, because some companies will yield to the crisis. We have aims to become stronger and bigger.”

“The crisis speeds up the process of concentration in the alcohol market in Russia and maybe small brands will disappear.”

Russian drinks trade website alcohole.ru general manager Michael Maksimov adds: “There is definitely a trend of smaller companies closing and bigger brands buying them up.”

According to alco.ru, JSC vodka brand Veda was a casualty of the crisis at the end 2008.

Andrey Skurikhin – a minority shareholder in Stolichnaya vodka’s parent company SPI Group – attributes this trend to the instability of many brands. He says: “In Russia, there aren’t many stable brands. Some grow to 2-3 million cases in, say, four years. But then they start declining. The brands seem to be affected by what is happening in the lives of the owners.”

Though 2009 is set to be a year of uncertainty for many producers, one thing is guaranteed: they will need a vodka. □

of its Old Russia brand in order to “enhance brand awareness” and add value. Tigoda has also introduced some bold flavours – Horseradish, for example. Moiseeva says: “As far as I know, no one else has a horseradish vodka. It’s popular with restaurants and normally served with cow tongue.”

● Two-year-old company White Bear was also showcasing a range of naturally-flavoured vodkas, including honey and chilli. Like a lot of those present at the show, distribution is primarily in Russia – with a small amount making it to the US.

● Pyat Ozer’s parent company Alcohol Siberian Group is rolling out three new vodkas during 2009 – Pine Nut, Pine Nut & Honey and Classic Cedar Sap, all filtered through pine nut shell charcoal.



Focus: Stolichnaya

Following sales talks with Pernod Ricard and further speculation in 2008, SPI Group confirmed it is keeping the Stolichnaya brand and driving it forward. In 2009, SPI and William Grant & Sons will partner to extend the campaign in the US and beyond. Minority shareholder Andrey Skurikhin shares his views and opinions.

At the end of 2008, Stoli rolled out a multi-million dollar ad campaign in the US to raise awareness among a new generation. What can we expect from Stoli in 2009?

Stoli is known for its flavoured vodkas and we will be launching a new flavour in the second half of 2009. I can’t tell you what it is just yet. We have also redesigned the bottle.

Where will this flavour launch?

In the US initially. For us, this is the richest and more serious vodka consumer. The UK is one of the leading European markets for Stoli.

Stoli’s focus has been in the on-trade. Now the financial crisis is pushing consumers to the off-trade, will Stoli make the leap too?

No. We are not going to shift to the off-trade as a result of the crisis. We want to keep the brand’s value and not drive volume.

Even if that means a decrease in sales?

Everyone saw a slow-down. Stoli has faced these issues before and part of the brand’s character is that it is a solid, resilient offer.

Do you agree there is a trend for trading down?

Yes and there are positives – consumers who drink super-premium vodkas will trade down to Stoli.



In search of a Russian cocktail...

Lucy Britner spends four days at Russian food and beverage trade show Prodexpo – and four nights seeking out cocktails in Moscow

A couple of vodkas into the second day at Prodexpo and there is a lot of commotion around Russian brand Georgievskaya's stand. Its bartender is doing a flair demonstration.

Elsewhere, fellow Russian vodka Putinka is showing a video atop its stand of brand ambassador Alexey Mochnov throwing bottles around with expert precision.

Russians have a reputation for drinking their native vodka neat, but we're on the trail of Russian cocktails. This is a promising start.

Cast your mind back to the 80s cocktail boom. For those too young to remember – or perhaps old enough to forget – think Tom Cruise in a Hawaiian shirt, juggling bottles in front of a willing audience and garnishing with plastic umbrellas and big fruits. The resulting cocktails are pretty, fruity – and often a mask for the taste of the alcohol.

Although it would be unfair to say the Moscow cocktail scene is exactly like this, it's not a million miles away.

Emerging trend

Outside the exhibition and into the night, our first port of call is a bar and restaurant called Scandinavia. The reviews promise it will “deliver classics with a funky modern twist”.

When we ask for the signature Raspberry Mojito, it turns out it isn't available. Instead, the list features favourites such as the Cosmo, Tequila Sunrise and Margarita. Not what we're hoping for, but well-made, nonetheless.

The second day at the show reveals little promise. Synergy boss Yassenov Oleg explains that he thinks cocktails account for less than 1% of vodka consumption in Russia.

The bosses at Russian Spirit confirm they have



Putinka puts on the moves at the World Flair Association cocktail competition

noticed an emerging cocktail trend but “only in Horeca” (Hotel/Restaurant/Cafe).

Alexey Bren, newly appointed global marketing director at Ukrainian vodka brand Nemiroff, says that, while there is an emerging cocktail trend in both Russia and Ukraine, the company would not invest in marketing such a thing because it's more about the cocktail than the vodka brand behind it.

Midnight sour

Things pick up on the following night. The first stop is Shatush – an Asian fusion restaurant and bar that some review sites claim is the sister restaurant to London's Hakkasan. It turns out there is no such connection but the drinks selection is excellent. Still on the fruity route, the venue's signature drink is Green Destiny. This is a

mixture of Russian Standard vodka, melon liqueur and muddled kiwi. Interestingly, a cocktail of the same name appears on Hakkasan's list, but it contains bison grass vodka, cucumber, kiwi and pressed apple juice.

Perhaps more interesting is Shatush's Hookah bar – with tobacco concoctions including Gordon's gin, apple syrup and apple tobacco.

Then on to THE cocktail bar in Moscow. GQ looks and feels very exclusive. This style bar is dripping with beautiful chandeliers and mirrors and the lavish chairs cradle some of the wealthiest bottoms in Moscow – a good job since cocktails start at around £15 each.

The list is small and comprises the same classics we have seen in other places – the Cosmo, the Whisky Sour and the Mojito. Staff are eager to please and insist they match the drink to the



Flair blindfolded:
Georgievskaya's man
does it the hard way

customer, rather than sticking to a list. None of them have heard of my beloved Martinez and there's no maraschino on the back bar. But the bartender is able to whip up a Whisky Sour with egg white.

Unique approach

The February issue of Where Moscow magazine features an interview with Dmitry Sokolov about the "unique Russian evolution of cocktails". Sokolov runs a place called Free Bar and specialises in Bourbon. He told Where magazine that cocktail trends are still about mixing

ingredients so it is impossible to define them individually. He says: "In my opinion, a cocktail is good if it's impossible to name its ingredients." He cites Mojito and Margarita as two favourites.

It's a stark contrast to the renaissance in markets such as the US and UK, where it's all about enhancing spirit flavours in cocktails, rather than masking them.

Back at the show we get word that Putinka and the World Flair Association are hosting the world final of a flair competition in Moscow – with a prize fund of €15,000. After acquiring tickets from some scantily clad Putinka models,

**Putinka doesn't
beat about the bush
when it comes to
advertising**



we go along to a casino/function space in the suburbs, complete with koi carp water feature.

The WFA judging panel consists of working bartenders and brand ambassadors from around the world. During the contest, five finalists take to the floor to demonstrate flair tricks, stage presence, entertainment and the end product – a cocktail. Juggling three, four, five bottles; rolling them down arms and around necks; moving to the music – all this is part of the process. Even the regular bar staff "flair" while creating Putinka-based cocktails – lots of them heavy on the rose syrup.

There seems to be a real enthusiasm for "flairing" in Moscow – and a growing one for cocktails. It's a pity, then, that Putinka gets back to basics with its English strapline: "Let's get drunk".



Shatush cocktails – including Green Destiny

Quality growth

Ukraine producers are looking to the upmarket mainstream, reports Lucy Britner

When it comes to predicting the future of their vodka market, Ukrainians seem to largely agree with the Russians.

Low premiums, looking after the domestic market and an interest in flavoured vodka are all on the agenda. Interestingly, one of Ukraine's biggest vodka brands, Nemiroff, is also pushing on with plans for the ultra-premium market.

Ukrainian vodka Soyuz-Victan made its first foray into the Russian mid-market segment at Prodexpo. The new brand – Luta-Voda – is 120-130 rubles for 50cl and development started in Autumn 2008.

SV director of marketing and innovation Teymur Akhundov says: "The quality part of the mainstream segment is going to grow and we saw an opportunity.

"The product will focus on the off-trade but, once the brand builds, we may launch in the on-trade." The new range includes chilli pepper – a well known vodka flavour in Ukraine.

Elsewhere, PetRus's Status Vodka export manager, Anna Goncharenko, says the most promising segment is that of middle/low-premium. She adds: "This segment is the most stable and substantial all of the time."

Status has two vodkas in the low-premium segment – Zlatogor and Gorilochka – and Goncharenko says export levels haven't suffered.

It's no surprise then, that reports in the newspaper Ukrainian News reveal that the Khortytza distillery – one of the largest in the country – plans to launch a low-premium vodka this May.

Yevhen Cherniak, the Khortytza trademark owner, told the newspaper: "We will launch a new product by May holidays. This will



Status Vodka and Luta (below) are both aimed at the "stable and substantial" middle/low-premium segment



be a vodka which will cost UAH20 or UAH25 (€2.30). Consumers have switched from a premium class to a lower segment, that's why we give a minus premium for those who prefer premium."

Super/ultra-premium

Although Status Vodka's Goncharenko remains more tentative about the super and ultra-premium markets, she acknowledges their potential. She says: "The ultra-premium and high-premium segments are rather vulnerable in a group (of consumers) who bought them to raise their personal status.

"During a period of financial instability, this group migrates to the low-premium.

"But the ultra-premium sector will continue to have a backbone of 'celebrities' who do not depend on any outward conditions."

That's good news for vodka giant Nemiroff, which is forging ahead with ultra-premium plans.

Nemiroff, which has distribution in 55 countries, has launched Lex Ultra and marketing director Alexey Bren says the product was planned well before the global financial crisis.

He says: "We see the crisis as a unique opportunity to gain market share for

Nemiroff by offering very good quality products at competitive prices."

Bren thinks consumers who are able to purchase vodka at an ultra-premium level will not change their drinking habits dramatically.

He adds: "We have put a lot of work into launching Lex Ultra and we are confident it will succeed." The vodka retails for around €30.

Despite Nemiroff's global presence, the brand is concentrating on the domestic market in 2009.

Bren adds: "We will be aiming to increase our presence by building closer relationships between our brands and local consumers. This will be the primary objective for 2009."

● In terms of volume and value, white spirit in Ukraine has grown from 231,285.3 million litres to 387,034 million litres between 2003 and 2008, according to Euromonitor International. The data analysis company also says value of white spirits has more than doubled in the same period – increasing from UAH7,208 million to UAH16,064.1 million (approx €1,478m).



Traditionally, the Scandinavian nations have been at the forefront of design and marketing in vodka – where does the region go now? Henrik Aflodal reports

Scandinavia thrives on its image of untouched wilderness and unrivalled cleanness and purity – values exploited by the region's vodka marketers.

The icon of Swedish vodkas is named after the 19th-century Absolut Rent Brännvin, meaning “absolutely pure liquor”, produced by the Swedish “king of brännvin”, Lars Olsson Smith. Inspired by the success of Absolut vodka, in 1985 Norway's Arcus created the vodka brand Vikin Fjord, launched in the US by Heublein. It was believed Norse words would entice Americans to embrace yet another Scandinavian vodka: they didn't.

Shortly afterwards, Heublein bought Finlandia and the company later secured distribution rights for Absolut, so the Norwegian effort was scrapped.

The brand returned home in 1986 and changed its name to Vikingfjord. Since then it has become one of the top sellers in Norway and also sells in Sweden, Finland and Germany.

In 2002 a redesigned product went for America once again.

Despite the several hundreds of new vodkas on the US market, Vikingfjord managed to double its volume each year and sales are expected to reach 170,000 9-litre cases in 2009. In addition, it will enter new markets such as Romania and China. Marketing focuses on pristine purity, vodka “made with pure Norwegian glacial water”.

At the five-column distillation process in Sundnes Brenneri, north of Trondheim, 100 kilos of potato starch transforms into 68 litres of clean liquor. Before bottling the distillate undergoes triple filtration using carbon filters to

Pure history



remove the last remaining rough edges. The vodka is cut to drinking strength with melted ice water from the glacier Jostedalbreen. This concept of natural purity is trend-setting, notes brand manager Lajla Johansson: “Vikingfjord wants to be masculine and naturally cool, never forced or pushy.”

Natural resource

Absolut's strongest challenger in Scandinavia, Finlandia, also plays with the theme of purity. The brand ethos speaks of unspoilt vast natural resources. Drinkers encounter a land of wolves and eternal frost contrasted by summertime's midnight sun. Born in 1970, Finlandia pre-dates Absolut (created 1979). It was introduced in the US the year after and is the original “designer vodka”.

From the start it won acclaim for its design, a bottle with textured glass created by Tapio Wirkkala. Packaging Digest magazine ranked the “frozen ice” flask among the top 100 packaging concepts of 1970.

Dudley Moore and Goldie Hawn shared a

glass in 1978 in the movie *Foul Play*; Robert Altman used it in *The Player* (1992); James Bond owners signed an exclusive with Finlandia for *Die Another Day* in 2002. And sales are exploding: the brand shows double-digit growth each year. “It took Finlandia 23 years to reach a million annual case shipments, another 12 to hit two million and only three years to break the three million barrier,” says managing director Maureen Brekka.

Russia especially is crying out for Finlandia – Russians love the Finnish ethos of chilled purity. With 169,000 cases sold annually, Finlandia is the number one imported vodka in Russia. And the quest continues – in March the brand begins in Chile, complementing growing markets such as



Lajla Johansson: “Vikingfjord wants to be masculine and naturally cool, never forced or pushy”



Maureen Brekka:
“It took Finlandia 23 years to reach one million case shipments and only three to break the three million barrier”



Anna Malmhake:
“Level isn’t trying to impress others. It doesn’t have to”

Brazil and Venezuela, and, after that, China and Australia.

The Kentucky-based marketing team of Finlandia owner Brown-Forman is now busy preparing for this year’s Finlandia Midnight Sun – festivals held around the world to celebrate the summer solstice. “The midnight sun is a critical part of the brand and our Finnish heritage”, says public relations manager David Page. “Without its growing season, we wouldn’t have our six-row barley, which is a major contributor to the crisp, clean vodka taste.”

Level headed

In light of the rapid development of the Grey Goose brand, Absolut’s owner Vin & Sprit needed a super-premium product to counteract the French success. The answer was Level, rolled out in the US in 2004, the name communicating a “new level of vodka”. Consumers perceive vodka to be tasteless and neutral. This has prompted producers to develop luxury vodkas that are smoother than the existing brands – no obvious taste of alcohol, no burning sensation.

Global brand director Anna Malmhake says Level isn’t here to make a scene – the approach is more sophisticated: “Level isn’t trying to impress others. It doesn’t have to,” she says. “An effortless

Thomas Kuuttanen:
“Where there is no taste, refined taste matters”



charm makes it stand out from its more ostentatious and pretentious peers.”

Crafted by master blender Folke Andersson, Level comes from Absolut’s large distillery complex at Åhus. And this is indeed blended vodka, marrying clean alcohol processed, according to the company, through column stills 100 times, with batch-distilled flavouring spirits to add a touch of character. Level is aimed at enthusiasts who are looking for a subtle taste that adds something to the drink.

Swedish identity

Constellation-owned Svedka is arguably the classic example of a designer’s vodka, dreamed up in 1998 by the Belgian entrepreneur Guillaume Cuvelier to ride on the success of Swedish vodka. It introduced “cheap chic” into the vodka category, pulling off a marketing coup of Titanic proportions – a ground-breaking consumer offering, combining high quality premium product with a hip brand image sold at an affordable price.

Svedka is all about putting fun back into the vodka scene, says Robyn Greene, senior manager for PR & events: “The brand’s ‘spokesbot’ is a fun, flirtatious fembot [female robot] from the future, Svedka_Grl. She’s a bold visual signature providing snarky social commentary reminding consumers that the future is a lot like today... only better.”

The targeted “Svedka_consumers” are smart, “wired” and savvy, experimental, socialise in bars and are “in the know”. While competing brands focus on the past in their marketing, Svedka claims the future, where there are no boundaries. Sales know no limits either. The brand is

rocketing and has been the fastest-growing spirits brand in the US for the past seven years, outpacing category leaders Grey Goose and Patrón tequila. In 2008 Svedka shipped 2 million cases, placing it number three among imported vodkas. A one-million leap over two years makes it the quickest volume builder ever in the spirits industry.

Through recent packaging updates, Svedka’s bonds with Sweden have been strengthened. Such key quality cues as Imported from Sweden and Distilled Five Times are highlighted, complemented by the Swedish flag. Along with the name Svedka, the product appears more Swedish than Absolut. The new look is being presented to the American audience in a campaign including ads and celebrity events.

Refined taste

Taking the concept of purity to its natural conclusion in branding terms, Sweden’s Thomas Kuuttanen is on a quest to redefine vodka. His brand, Purity, investigates the true meaning of the word – Kuuttanen wanted to distil pure vodka without having to filter the product afterwards.

Being a technical illiterate he came up with the obvious solution. In a single two-tower pot still the alcohol is cleansed through 16 perforated plates. The following spirits cut is economically damaging though, with only one-tenth of the run collected. Purity is organic vodka made from a refined blend of estate-grown wheat and barley.

“Where there is no taste, refined taste matters”, Kuuttanen claims. Perhaps this is where the future lies? Mild tasting vodkas offering true taste sensations could be the new order of the day for Scandinavia. □

There's an ongoing debate between Poland and its former political master, Russia, over which can claim to have invented vodka. Each has an ancient tradition, but one Polish player, Sobieski, is confident enough to state on its vodkasobieski.com website: "Poland is the birthplace of vodka. Sorry Russia."

The Polish vodka market is large and complex and the levels of growth seen in the past year were unexpected, given forecasts of a downward trend. "The past three years have been good for the spirits industry in Poland," says Marek Malinowski, general manager for Stock Spirits in Poland. "And in Poland the spirits industry is vodka."

It was down to growing salaries in the economic boom, he says, especially in the lower income brackets. But with the effects of the recession, the worry now is about unemployment in Poland, already standing at 11%. "We will have to wait two to three months more to see what will happen in 2009," says Malinowski.

Despite this, Stock Spirits has been enjoying bullish growth in its Polish heartland. The company's flagship brand, Zoladkowa Gorzka (WZG) – a traditional bitter-sweet style flavoured with herbs, spices and dried fruits – now claims 42% of the flavoured market, following the 2005/6 launch of flavours, including mint.

In 2007 Stock launched a clear vodka extension, Czysza de Luxe, under the WZG umbrella which, says Stock chief executive Neil Everitt, rocketed to 2.1m cases in its first year.

With Czysza gaining up to 0.8% market share every month, Malinowski expects great things: "I am confident we will grow to have the leading clear brand this year."

Overall, the Polish domestic market is dominated by Central European Distribution Corporation, which claimed more than 27% market share in 2008. According to sales director Iain Grist, its flagship Absolwent has been the brand leader for the past eight or nine years, holding 15% market share. The Soplica label is also a million-case brand in Poland and the company owns the trademark in Poland, Hungary and Russia for Polish-made premium Bols vodka.

CEDC has been busy in the past 12 months integrating the Russian brand Parliament into its business but, says Grist: "Our focus is to build domestic markets first and foremost."

"We have by far the largest distribution network, servicing 40,000 direct accounts, so a lot of companies [including competitors] use us for delivering boxes."



There are "further developments" planned for Absolwent later this year, but the company has been focusing on improving the quality of its merchandising, sales force and logistics:

"It's very important in a market like this, where 70% of all vodka is bought in small stores," Grist points out.

Outside Poland, Zubrowka Bison Grass is the company's "number one export brand by far", entering the Drinks International Millionaires Club listing at 1 million 9-litre cases for the first time in 2008. "We are negotiating new contracts in Dubai at the moment, where it is already very popular in the trendy clubs and bars," says Grist. The company also markets Absolwent for export in countries including the UK, Ireland and France, in identical packaging but under the name Graduate.

With consumers becoming more



Marek Malinowski:
"Competitive situation has changed"

brand conscious in the domestic market, Grist is also confident of continued progress. "While vodka consumption is going to decline in terms of volume," he says, "the quality's going to improve."

"In the context of the market we're in and the kind of products we sell – affordable luxury – we are quite confident. People are still going out to have a drink."

The structure of Poland's vodka industry is changing fast. With Wyborowa already in its portfolio since 2001, Pernod Ricard's purchase of



While competition hots up on the domestic front, Polish vodkas are gaining a foothold in premium categories overseas, says David Longfield

Breaking America

Polish vodkas are making an impression at the premium quality level in the all-important US market. Groupe Belvédère's Sobieski was launched in the US in August 2007, and its recorded depletions for Jan-Dec 2008 of 255,000 9-litre cases earned it Hot Brand status in Impact magazine.

Sobieski's Truth in Vodka marketing campaign has gone down well with US consumers, with slogans such as "We designed a bottle to suit the spirit inside. Notice the lack of la-di-da" epitomising the company's philosophy.

According to Chester Brandes, president of distributor Imperial Brands, the company is to spend \$5m on a campaign taking in outdoor advertising and lifestyle magazines such as Rolling Stone, InStyle and Esquire. "We'll be spending more to get the message out that you don't need to pay a king's ransom to get a premium quality vodka."

New executions will be topical, he adds, playing on current economic conditions. The company also plans to launch two flavour extensions – currently under wraps – in the third quarter of 2009.

New brand Alchemia is produced by Stock Spirits under the Czysa banner and imported into the US by Panache Imports, while Stock also launched its own Orzel in Florida last summer. Primarily focused on on-trade and positioned in the super-premium bracke, the brand is now in six states.

Neil Everitt, Stock's Miami-based chief executive, says Poland's vodka history puts it in a good position in the US: "Consumer research shows most consumers don't know where vodka is from – it's more about image and emotion," he says. "We have the rational part sorted with our heritage and liquid-wise we're one of the best."

Patrón Spirits is more assertive about the Polish identity of its super-premium Ultimat vodka brand. "When we set out to find a vodka for our portfolio, we set our sights only on the best vodkas that are being produced in the world," says the company's chief operating officer John McDonnell. "And those best vodkas come from Poland – the birthplace of vodka."

At the top end, McDonnell is convinced that geographic origins play a part in the purchasing decision. "Consumers who enjoy ultra-premium spirits are very deliberate in their choices of what they like to drink," he says.

"I do think consumers know that Poland produces high quality vodkas."

V&S last year brought with it the premium Polish brand Luksusowa, bringing the French giant's market share up to a reported 13%.

"The competitive situation has changed compared with two or three years ago," says Stock's Malinowski. "We have moved from quite a distant third place four years ago to number two at 20.5% market share for our whole portfolio."

In its efforts to stay ahead of the competition, CEDC aims to continue supporting its brands as planned before the recession hit. "Vodka will remain the most dynamic sector in the industry," says Grist. "We maintain good contacts with our customers, and our brands are important to them. You have to make sure you have the right quality products at the right prices."



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Felicity Murray asks how, as designers fight in a crowded marketplace, can great packaging design set a brand apart?

The marketing power of packaging can never be underestimated. Good design is important whatever the product, but increasingly so in the premium vodka sector. Here it is becoming a real challenge for marketers to find new ways to distinguish their brand from all the others. With mounting legislation restricting alcohol marketing activities and budgets tightened due to the economic downturn, packaging has to work even harder to sell brands off the shelf.

On-shelf is the last chance for a brand to attract attention – be it behind a bar or in the retail environment. What the consumer picks up off the retail shelf is what they are happy to display at home and offer to friends. In the on-trade environment, it's what they are happy being seen to be selecting from back of the bar or displaying on their table.

The target growth audience for international vodka brands is the cocktail-drinking, fashion-conscious youth market. And for this aspirational consumer, image is vitally important.

The product's packaging is also the medium that reassures and inspires the consumer. It informs them about the brand – its authenticity, heritage, provenance and quality.

Rachel Bevans, a senior consultant at international design agency Dragon Brands, explains: "Packaging provides the opportunity to up-weight the story behind the brand. It reinforces the more emotive messages that consumers have received in other places/media, so they know what they're looking for in the store/bar.

"But you need to attract the consumer's attention in the first place and the super-premium brands predominantly use super-tall, elongated bottles to stand out on-shelf, along with purity, clarity and ice as their design cues," she adds.

George Riddiford, managing director and partner at brand design consultancy BR&Me, points out that peculiar to vodka – and a key element in its design provenance – is the fact that it always comes from cold countries. "Pure and cold along with the 19th-century Russian

Cold wars

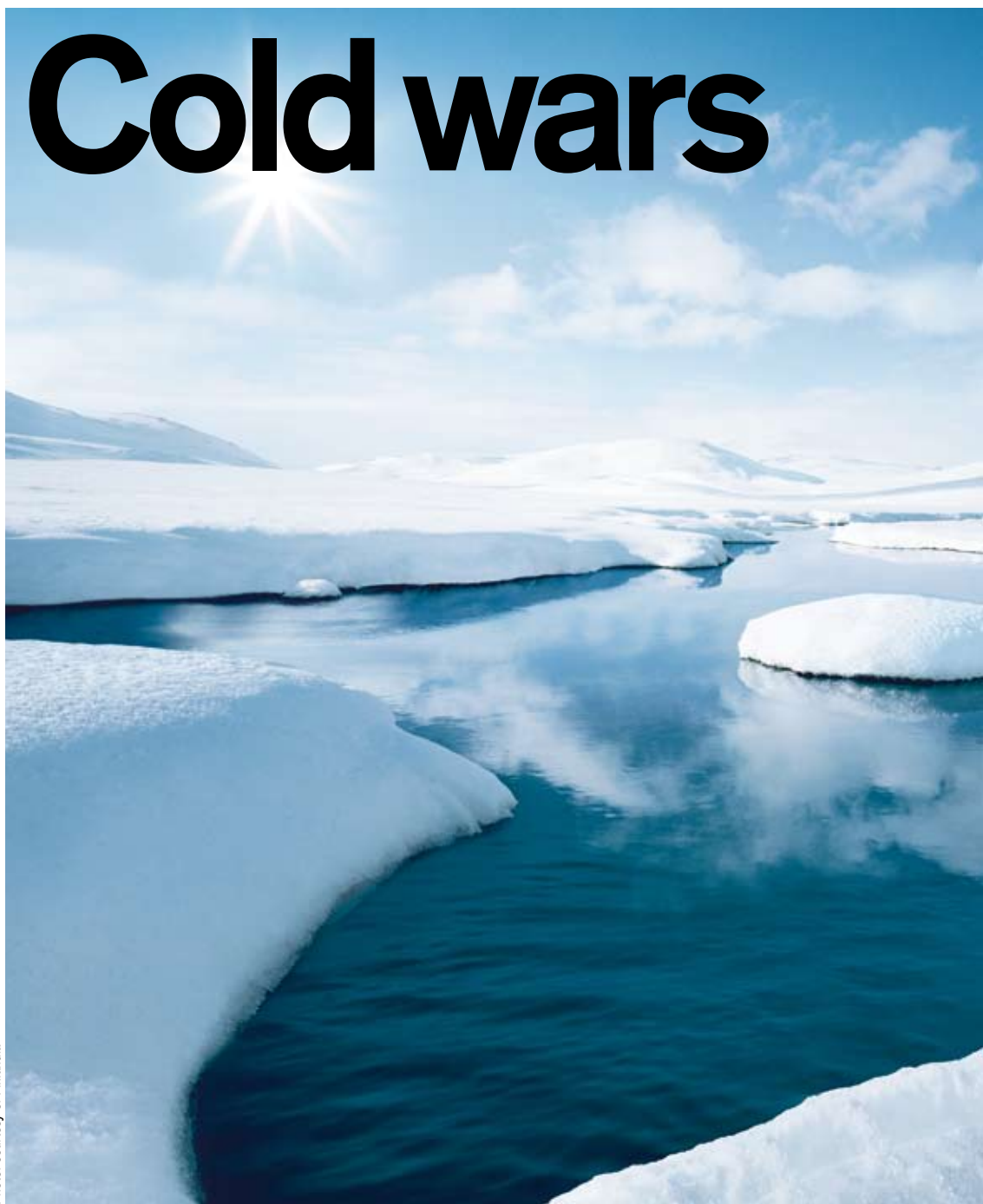


Photo: courtesy of Finlandia

heritage, Dr Zhivago look – is what they're all selling," he says.

"It's interesting how the design language of vodka is very strongly in cold colours. You see lots of cold grey and cold pastels – the Grey Goose bottle is a perfect example.

"Designers have built upon the clarity and purity by allowing plenty of opportunities to see the liquid inside – you don't see vodkas in dark brown glass," he adds. "And because of its target audience, there's been a move towards more

contemporary, leading-edge designs, hence the rise of brands such as Absolut, Grey Goose, Belvedere, X-Rated and many others.

"What they're doing is sourcing inspiration not just from historical Russia, but from other countries where vodka is also produced, and using more leading-edge design factors to differentiate from the classic Smirnoff look.

"But the most fascinating vodka, I think, is Blavod (black vodka). In a world where all vodka is clear and pure, this brand owner decided to



Rachel Bevans:
“Reinforce message”



George Riddiford:
“Clarity and purity”



Don Williams:
“Consumers buy brands because they have an emotional attachment that transcends mere functionality”



Asia and central and east Africa. It apparently manages to change the colour but not the taste of the vodka.

Transcending functionality

Another product to break out of the mould is the Diamond Standard Vodka, about to be launched by Diamond Beverages, a new luxury brand company founded by Richard Wallace and based in Illinois. Retailing at US\$95, this heavy, but elegant, tall black bottle of vodka is embedded with a 25mm Swarovski Crystal “diamond”.

“In a word, packaging is ‘everything’ in luxury spirits brands,” says Wallace. “Yes, the product must be good. Yes, the brand name must be a good ‘call’ at the bar. Yes, you must have a good distributor to sell the brand in at retail. But, the most important element of that critical first trial by consumers is the packaging. This is the consumer’s ‘badge’ that she/he wears when ordering at the bar, or serving to guests while entertaining at home. It is as important as the dress you decided to wear for the evening and the shoes to go with it. It is all about: ‘How will people react to the drink/brand I decide to order? What will they think of me? What does this brand say about me?’”

make black vodka. In common with all the other vodkas, it is using a strong visual cue to get itself noticed.”

The story goes that the man behind Blavod, Mark Dorman, was working in San Francisco when he was offered a choice of 28 vodkas in a bar. Then he was asked if he wanted his coffee black or white.

This gave him the idea that drinkers could be offered black vodka. He achieved this by adding a herb called catechu, which is found in southern

Wallace is banking on Diamond’s target audience thinking: “Look at that Diamond bottle – it’s the most beautiful spirit bottle I’ve ever seen and I’ll be all the more beautiful for drinking it.”

Don Williams, chief executive at brand ID specialist PI Global, concurs with Wallace’s sentiments about the value and power of packaging.

“Consumers buy brands because they have an emotional attachment which transcends mere functionality,” he says. “Why do consumers buy branded vodka over a far cheaper private label offer? Is it quality? Superior taste? Of course, but I’ll guarantee that once they’ve drowned it in tonic, eight out of 10 vodka drinkers wouldn’t be able to tell the difference.

“No, the reason they spend the extra for the brand is because it makes them feel good. It says something about them, it makes a statement, and it says ‘I’m a Grey Goose man’ or ‘I’m an Absolut woman’, and ‘these brands are part of my lifestyle – they have personalities which fit mine’.

“Without a relevant and strongly differentiated brand ID, personified through the graphic and structural equities presented on pack and leveraged through communication, all ▶



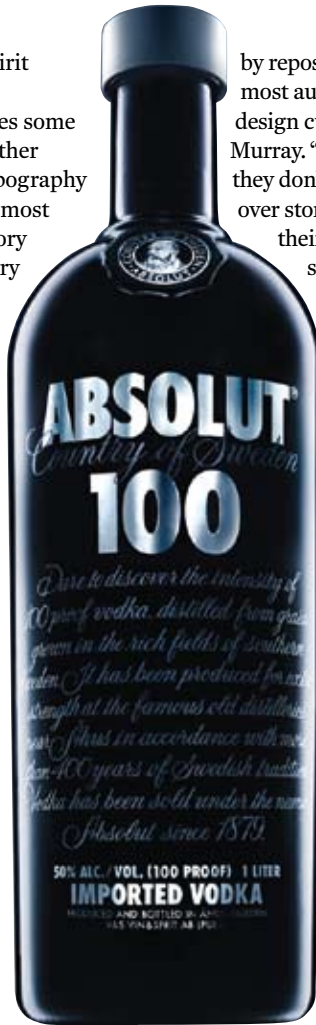
you have is a bland, anonymous spirit called vodka,” he says.

So, while the vodka category uses some of the heritage and tradition that other spirits do, with crests and florid typography and the like, it differs in that it is almost universally a clear flint glass category and probably the only spirit category that has adopted a more contemporary, minimalist and innovative approach to brand ID, driven largely by Absolut.

“Product design has been an important element of the success of Absolut,” agrees Paula Erikson at the company’s corporate communications office. “When Absolut was launched in 1979, it had to make a bold departure from the norms in vodka in order to stand out. It could not win the conventional discussion so it had to change it. In 1979, vodka was from Russia – Absolut is from Sweden. Vodka was presumed to be from potatoes – Absolut is made with winter wheat. Vodka was perceived to be a harsh, low-end spirit for shots – Absolut was a premium offering. The bottle (inspired by ancient Swedish apothecary bottles) had to communicate that this was a different proposition altogether, and it still does.”

On the other hand, Richard Murray, of Williams Murray Hamm branding consultancy, believes many of the big brands have either been sitting on their laurels or have lacked the bravery to innovate and the more head-turning designs are now coming from challenger brands such as Effen, Vertikal and Camitz CO₂, – although design, he says, is often only on a superficial level.

“It is interesting that brands such as Bols Genever are now also crowding the vodka market



by repositioning themselves as ‘the world’s most authentic spirit’, borrowing clear design cues from the vodka category,” says Murray. “Vodka brands will need to be careful they don’t become complacent or use style over story. Consumers often like to reason their choice of spirits and use brand stories as their own knowledge.”

Test of time

Jonathan Ford, creative partner at Pearl Fisher design agency, believes this type of big bold statement will get brands noticed in the future. “We don’t need another tall thin bottle on the back bar,” he says. “Bold design statements that disrupt the status quo, yet still adhere to certain vodka category principles, are likely to help sustain desire for the iconic and challenger brands. Look at Absolut’s recent 100 launch. A dark, masculine bottle with silver lettering, which totally disrupts the clear-frosted codes of vodka packaging and creates again iconic desire over the would-be pretenders.”

Chris Barber worked at Michael Peters and Identica before joining Dragon as creative director. At Identica he was part of the team responsible for the creation of Russian Standard, a brand that grew from a start point just 10 years ago into a the global success it is today.

“At the time we felt there was a gap in the market for an iconic luxury vodka from Russia,” says Barber. “Designers are usually asked to look for the unexpected for inspiration, but actually we chose the symbols of the culture and heritage that people are familiar with – a bear and an eagle. And the enormous bell in the Kremlin was the inspiration behind the bottle shape and the masculine, rugged feeling of the gunmetal on the label. Clean, modern, simple designs do look beautiful and attractive when you first see them, but they lack a lot depth,” he adds. “Having a wonderful, enriching story is so important if a brand is to stand the test of time.”

So what does a vodka pack have to do? Some say tell a story, and probably look cold and have pure and fresh credentials, because this is what the consumer asks of it. But, unanimously, the designers agree that vodka packaging could be a lot more radical – there’s a young and open-minded target market out there and it’s continuing to grow.

Ivan potential

Ivan the Terrible, a privately-owned Russian vodka, is the first brand to take advantage of a new venture company founded by international design guru Michael Peters.

Creative Capital Ventures operates on a part-fee, part-equity basis to help businesses that want to use the branding services of Michael Peters & Partners but do not have the financial strength to pay fully in cash.

Michael Peters says work is now nearing completion on a new global brand design and communications campaign for Ivan the Terrible to help it grow international market share.

Peters explains: “Gone are the days when we could just take fat fees from our clients. If we believe we are that good, we should take a part in the risk.

“Ivan the Terrible is a brand with massive potential that we can help unlock with the right branding and communication and that is why we asked for a stake in the company rather than just taking a fee. We are truly in it together.”

“And working on this project has made me realise what tremendous opportunities there are for the vodka category in the worldwide market. I am predicting we are going to see a whole new tranche of ‘youth companies’ wanting to go global and with a contemporary approach that will appeal to a young audience looking to enjoy white spirit – a move heralded years ago by Absolut.

“I’m incredibly optimistic for the future of the category and very excited that I will hopefully play a part in reshaping it.”



Jonathan Ford: “Bold statements”



Chris Barber: “Culture and heritage”



Michael Peters: “Contemporary approach”