

# COOL

## UNDER FIRE

In an increasingly crowded category, imported vodka brands strive to distinguish themselves from the pack **BY SALLY KRAL**

The resurgence of pre-Prohibition-era cocktail culture in the past decade has been both a boon to and an obstacle for the imported vodka category. While increased interest in cocktails has spurred serious growth in spirits sales, competition has also heated up as vodka brands expand and new names emerge. The mixology movement has also led to the rise of domestic craft products and brown spirits, putting pressure most particularly on the imported vodka category to stay relevant to today's consumers.

"Over the past five years, competition within the vodka category has been driven by the growth of not only flavored innovations by dozens of vodka brands, but the increasing popularity of whiskies, particularly Bourbon," says Andy Glaser, president and chief executive of Swedish import Purity vodka.

While the category overall continues to grow, albeit at a slower pace, the top 10 imported vodka brands are boosting their marketing campaigns and sales strategies to stay on top in a crowded segment and appeal to mixologists.

### Price Pressure

No other spirits category is as aggressively packed today as imported vodka. Though most of the younger brands continue to grow at an impressive rate, the top 10 brands rose by just 1.8 percent last year. The category as a whole remained largely stagnant, eking out a 1.5-percent gain, compared to a 6.5-percent advance in 2012, according to Impact Databank. Absolut, Grey Goose and Stolichnaya all suffered losses, and out of more than two dozen spirits on Impact's 2013 "Hot Brand" awards list, only two imported vodkas—Pinnacle and Exclusiv—made the cut, as Svedka and Ciroc fell from the list. Those two brands still posted growth,

with Svedka rising by a steady 3.3 percent last year to 3.95 million cases and Ciroc increasing 8 percent to 1.9 million cases. Pinnacle and Exclusiv, meanwhile, largely carried the segment in 2013, with Pinnacle jumping 10.4 percent to 2.8 million cases and Exclusiv posting a whopping 94.8-percent gain to 565,000 cases.

Pinnacle and Exclusiv retail at \$12.99 and \$9.99 a 750-ml. bottle, respectively, which is right in the competitive sweet spot that has many imported vodka brands struggling to stake their claim in the market. Polish brand Sobieski (\$11 to \$13), imported by Imperial Brands, is one brand grappling with pricing pressure. After becoming the fastest vodka brand to ever reach U.S. shipments of 1 million cases in 2011, the import's growth slowed considerably to 3.2 percent in 2012 and just 0.5 percent in 2013. "For all its success, the vodka category has grown increasingly competitive as accessibly priced new entrants and flavors crowd the overflowing back bar," says Imperial Brands president Nicolas Guillant. Sobieski has a number of strategies in place to combat its slowed growth in the current market environment, including an aim to premiumize by raising the brand's price to around \$14.95 a 750-ml. bottle within the next four years, as Shanken News Daily reported earlier this year.

Furthermore, the brand intends to cease flavor expansion. "Until recently, competition in the category has largely been driven by new and innovative flavors, but this trend seems to be waning," Guillant says, pointing to slowed interest in flavored vodkas in the on-premise. "While Sobieski has 11 flavors, we're not planning any more extensions. Rather, we'll be focusing our attention on those flavors that sell best and managing them with the utmost fiscal efficiency."

PHOTO BY DEIRDRE ROONEY / STOCKFOOD



Although the growth of imported vodka slowed in 2013, consumers are seeking out premium brands in drinks featuring fresh ingredients (fig vodka cocktail pictured), with an emphasis on tradition and authenticity.



The Berkshire Room in Chicago (center) uses Russian Standard vodka in its popular The Heroine cocktail (left). Cameron Bogue (right) of Earls Kitchen + Bar offers guests a choice of vodkas when crafting cocktails, including Grey Goose, Ketel One and Belvedere.

Nancy Rosenberg, who co-owns St. Paul, Minnesota-based Big Top Liquors, has noticed declining demand for flavors in the off-premise as well. “Customers are trending toward vodkas priced in the mid-range, with less focus on unusual flavors,” she says. “Consumers appear to be more interested in unflavored and citrus vodkas, stressing the importance of smoothness.” With six locations in Minnesota, Big Top carries about 50 imported vodka brands, accounting for anywhere from 8 percent to 25 percent of vodka sales, depending on the store. Top-sellers include Svedka (\$16.78 a 1.75-liter bottle), Absolut (\$29.84) and Sobieski (\$15.84).

Stoli Group USA is also setting its sights on premiumization with its Stoli vodka, while simultaneously paring down the brand’s flavor offerings, having already phased out around six flavors with plans to discontinue even more, according to Stoli Group USA president John Esposito. “We’ve successfully moved our price up to premium and we’ll continue to move it up,” he told *Shanken News Daily* in September. Stoli’s current retail price is \$19 a 750-ml. bottle. “It’s where the brand belongs, and now that the advertising is there, we have a great opportunity to justify our pricing.”

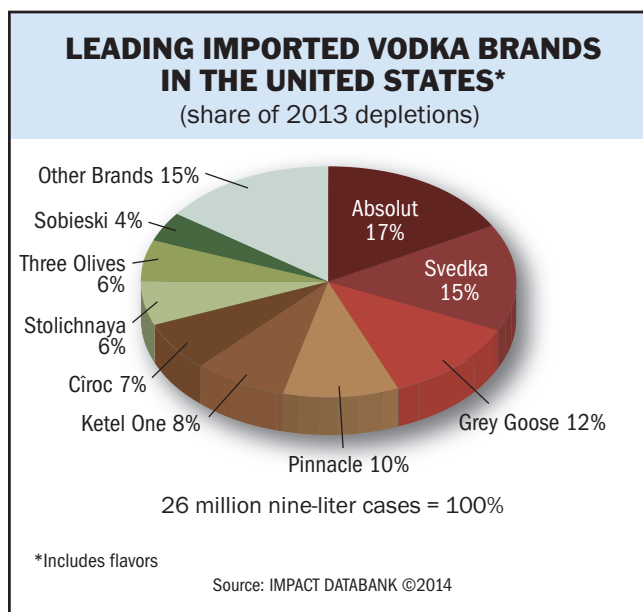
### Consumer Conscious

As the mixology movement has gained traction in both low- and high-end venues and with legal-drinking-age consumers of all demographics, imported vodka brands have turned their marketing focus on reaching today’s craft cocktail connoisseur, who seeks products with stories and tradition.

“Our pillars are history, quality and authenticity,” says Stoli chief marketing officer Lori Tieszen. “Customers crave a product that is real, honest and full of character, and Stoli has been rooted in those qualities for decades. Our vodka, label and bottle haven’t changed for 80 years.” Stoli’s most recent marketing campaign, which includes television, digital, print and out-of-home components, is geared directly at this focus on history and authenticity—concepts consumers have been clamoring for, thanks to the popularity of craft cocktails. “The new campaign is our first since forming Stoli Group USA earlier

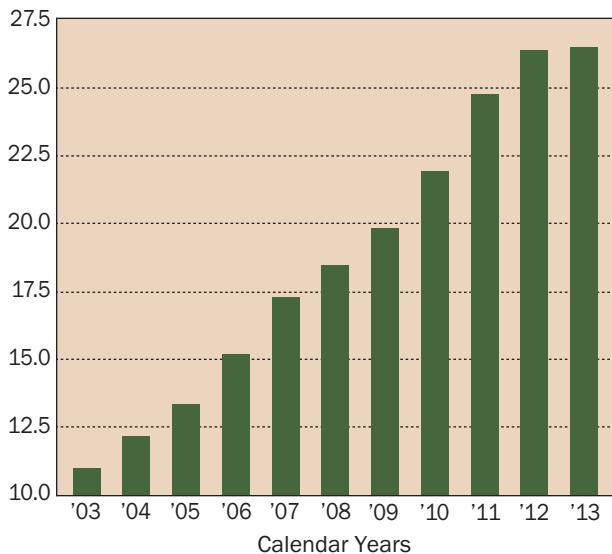
this year and toasts our iconic heritage, claiming Stoli’s position as not just ‘a vodka,’ but ‘THE Vodka,’” Tieszen says. “It celebrates Stoli’s authenticity and places the spotlight on our 80-year heritage as a trailblazer in the vodka category.”

Numerous other imported vodka brands across all price points have been rolling out campaigns similarly focused on vodka’s history and relevance, with an aim at dispelling any misconceptions in the mixology community that the clear spirit lacks depth and character. Over the past year, Bacardi’s Grey Goose (\$29.99 a 750-ml. bottle) has had success with its multimillion-dollar global campaign “Fly Beyond,” which features Grey Goose founder and cellar master François Thibault and focuses on communicating the brand’s inception, production process and provenance. This summer, Moët Hennessy’s Belvedere (\$29.99) extended its “Know the Difference” initiative with a new push called “Unlearn/Relearn,” emphasizing Belvedere’s heritage and quality and urging consumers to rethink common myths about vodka. Also this summer, Purity



PHOTOS (LEFT AND CENTER) BY THINKLEIGH PHOTOGRAPHY; (RIGHT) COURTESY OF CAMERON BOGUE

**IMPORTED VODKA  
IN THE U.S. MARKET—2003-2013\***  
(millions of nine-liter case depletions)



\*Includes flavors

Source: IMPACT DATABANK ©2014

vodka (\$39.99) launched its first-ever digital ad campaign, “Crafted Spirits,” with “The Soup” host Joel McHale as its celebrity ambassador. The program attempts to highlight the craft and passion behind Purity by chronicling McHale’s journey across the country as he visits with different craftsmen whose passions parallel that of Purity founder Thomas Kuuttanen.

“Success in the vodka category isn’t just about the right product, the right quality or the right package,” Imperial Brands’ Guillant says. “It’s also about the right positioning, the right marketing and taking the time to put together the perfect game plan.” Indeed, the right promotional campaign is a key marker of success for vodka brands in particular, and today’s campaigns highlighting the story and passion behind vodka appear to be reaching their target cocktail audience. “The trend we’re seeing now among our guests is a higher emphasis on origin, and we’re seeing them calling for specific brands,” says Benjamin Schiller, beverage director of The Berkshire Room in Chicago. He points to The Heroine (\$12) as a particularly popular vodka-based drink that comprises Russian Standard vodka, Aperol aperitif, Nonino amaro, Grand Poppy herbal liqueur, lemon juice, simple syrup and Verjooz grape juice.

“Eighty percent of our guests don’t have a preference for their vodka in such mixed drinks as a Vodka Tonic, but those ordering craft cocktails are often drawn as much to the base spirit as they are to the other ingredients we use,” says Cameron Bogue, beverage director for Earls Kitchen + Bar, which has locations in Denver; Miami; Somerville, Massachusetts; Bellevue, Washington; and Canada. “These consumers want to taste the vodka, so they’re much more interested in quality. Here is where we see calls for brands

like Grey Goose and Ketel One.” Bogue adds that other high-selling imports at Earls include Absolut, Van Gogh, Stolli and Belvedere.

These promotional tactics among imported vodka brands have reached not only craft cocktail fans, but bartenders as well. “Mixologists have been rediscovering vodka as a result of the premium end’s focus on providing higher-quality taste, and this trend has helped drive on-premise consumption,” Purity’s Glaser says.

## Braving The Crowd

While brands like Stolli and Sobieski have turned their focus to paring down extensions, some brands have been bolstered by their flavor releases. Pinnacle in particular has thrived as its portfolio expands. “Our key fruit flavors continue to grow,” says Jason Dolenga, senior brand director of vodka at Pinnacle owner Beam Suntory. “Pinnacle Peach and Red Berry are up 23 percent and 30 percent, respectively, since last year. In addition to fruit flavors, fan-favorite Pinnacle Cinnabon has been gaining popularity since its highly visible launch late last year.” The brand’s newest releases include Amaretto and CranApple extensions, as well as the return of holiday offerings Pumpkin Pie and Peppermint Bark. “Pinnacle vodka has performed exceptionally well thus far in 2014, with our newest brand extensions playing a crucial role in this success,” Dolenga adds. “We’re a category leader in flavor innovation and are committed to developing new and exciting flavors that our fans connect to.” Constellation Brands’ Svedka has also continued to see success across its flavor portfolio, adding Peach in August, following the release of Lemonade and Mango Pineapple variants last January.

Looking beyond flavor extensions, there’s a new trend hitting the imported vodka category: vodka hybrids. In 2012, Pernod Ricard launched Absolut Tune (\$30 a 750-ml. bottle), a sparkling blend of vodka and New Zealand Sauvignon Blanc, and this past August, Grey Goose revealed VX (\$74.99), a Cognac and vodka hybrid aimed at high-end on-premise accounts. “It remains to be seen if vodka hybrids will have staying power with consumers and take the place of slowing flavored vodka on-premise sales,” Imperial Brands’ Guillant says.

Even as the category has become increasingly crowded and consequently competitive, it hasn’t deterred companies from joining in. After acquiring Wyborowa vodka in 2001, Pernod Ricard launched the Polish brand in the U.S. market this summer. The brand added 270,000 cases in 2013 to reach 1.9 million cases globally, according to Impact Databank. Also this summer, Edrington Americas—a group known for its Scotch whisky portfolio—entered the imported vodka category with the U.S. launch of super-premium Polish vodka Snow Leopard, which the company bought in late 2012.

Though growth has slowed considerably since 2012, imported vodka doesn’t stand to lose its position as a leading spirits segment. Storied brands are at the ready with new campaigns and positioning, while brands introduced within the last decade—including Pinnacle, Exclusiv and Ciroc—bolster the category’s continued overall gains.

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