

Case 9

Absolut Vodka

- 1 You found it inserted in the December 1988 issues of *LA Style* and *New York* magazines: two sheets of plastic, one clear and attached at the edges; inside, a viscous liquid containing floating snow droplets. You could shake it and, like an old-fashioned paperweight of a Christmas scene, snow swirled around a bottle of Absolut vodka—"Absolut Wonderland." The industry, advertisers, publishers, and news media took note. Was this (the second in Absolut's blockbuster Christmas ads) the establishment of a tradition? What next?

BACKGROUND OF THE ALCOHOLIC BEVERAGE INDUSTRY

- 2 The 21st Amendment, which marked the end of Prohibition in the United States, allowed each state to regulate the sale of alcoholic beverages. More than 50 years later, their sale was still highly regulated and taxed.¹ Some states had licensed private package stores, some had state-controlled stores, and the regulation of on-premise drinking laws varied considerably. A three-tiered system of distribution was strictly followed, however: producers/importers, wholesalers, and retailer/on-premise licensees. Wholesalers were allowed to operate only within one state. All retail and on-premise licensed vendors (bars, restaurants, and clubs) were required to buy from wholesalers. Eighteen states were "control" states, that is, the state owned and operated the majority of retail outlets. In these states, bar and restaurant owners received a discount on buys but had to make all of their purchases through state stores. "Noncontrol" states required licensing but allowed competitive pricing.
- 3 Alcoholic beverages (distilled spirits, wine, and beer) were a \$170 billion global market in the mid-1980s; global advertising expenditures, excluding other promotional devices such as sports sponsorships, were estimated at about \$2 billion. One-half of this spending was estimated to occur in the United States.²
- 4 Industry classification broke down the distilled-spirit group into (1) brown goods (or whiskey) such as bourbon, blends, Scotch, Canadian and Irish whiskeys; (2) white goods such as gin, vodka, rum, and tequila; and (3) specialties such as brandy, cordials, liqueurs, and premixed cocktails. By 1986, the distilled-spirits industry had been on a downward slide for some five years.

¹Federal excise taxes went to \$12.50 a proof/gallon (i.e., higher-proof beverages had higher taxes) at the producer level in 1985 from the \$10.50 it had been since 1976. State taxes averaged \$2.63 a proof/gallon in 1976; \$3.06 in 1984. The advertising of distilled liquor on television or radio was prohibited.

²This and information on marketing strategies primarily from John Cavanagh and Frederick F. Clairmonte, *Alcoholic Beverages: Dimensions of Corporate Power* (New York: St. Martin's Press, 1985), 129-130.

Source: This case was prepared from publicly available sources by Bette Collins, under the supervision of Professor Paul W. Farris. It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Copyright © 1989 by the University of Virginia Darden Business Publishing Darden School of Business ATTN: Stephen Momper PO Box 6550 Charlottesville, VA 22906 Permissions@dardenbusinesspublishing.com. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the Darden School Foundation. Rev. 9/90.

TABLE 1 Distilled Spirit Industry Sales, 1975 and 1986

	1975		1986	
	Cases* Sold (in millions)	Share of Market(%)	Cases* Sold (in millions)	Share of Market(%)
Brown goods	101	53.7	65	38.9
White goods	65	34.6	71	42.4
Vodka	37	19.7	39	23.4
Specialties	21	11.2	32	8.8

*A case was defined as 9 liters.

- 5 One product that bucked the sliding figures throughout the rest of the distilled-spirits industry was imported vodka. Vodka was distilled from any grain material at 190 proof or above. When bottled, without aging, it was usually between 80 and 100 proof. After distillation, it was charcoal-filtered to remove any flavor or aroma. In 1982, while total vodka sales were down 3.8 percent, imported vodka was up 17 percent. Big losers were domestic giants Smirnoff (sales down 8 percent in 1981, 0.7 percent in 1982) and Wolfschmidt (sales down 10.1 percent in 1982); big winners were import leader Stolichnaya, and newcomer, Absolut.
- 6 One author summarized the marketing strategies of distillers at this time as follows:
 1. Targeting of women as a rising consumer group (with new brands or redefinition of old brands, which was successfully carried out by various vodka brands as well as Jack Daniels)
 2. Capturing of the youth market, although "youth" had to be redefined, as states raised drinking ages from 18 to 21 in order to receive federal highway construction monies
 3. Capturing of specific ethnic markets
 4. Capitalizing on a trend toward lightness
 5. Focusing on super premiums at the "summit of the income pyramid." Absolut vodka was an example of such a super premium brand.
- 7 Selected price information on vodkas is presented in Exhibit 1.

THE LAUNCH OF ABSOLUT IN THE UNITED STATES

- 8 Absolut vodka was owned and produced by the Swedish government. It was introduced in the United States in 1979, by Carillon Importers, a division of International Distillers and Vintners, Ltd. (IDV), the U.S. marketing subsidiary of the British alcoholic-beverage marketing firm, Grand Metropolitan. Carillon sales stood at \$52 million at that time, and it was the smallest of Grand Metropolitan's import and distribution subsidiaries. (Later in the decade, IDV bought Heublein, sellers of the domestic vodka brands Smirnoff and Popov, and the third-ranked import brand, Finlandia.)
- 9 Before the rise of Absolut as Carillon's star product, the company had focused on the orange-flavored liqueur, Grand Marnier. Grand Marnier (and later Creme de Grand Marnier) consistently grew about 8 percent a year. Carillon also sold Bombay, the imported gin.
- 10 The key to Absolut's story was Michel Roux. A Frenchman, Roux had earned a degree in hotel management and enology, the study of wines; however, Roux stated that more influential to his career was his stint as a paratrooper in the French army.

EXHIBIT 1 ABSOLUT VODKA Selected Price Information, August 1989

A. Commonwealth of Virginia Alcoholic Beverage Control Prices (for 750-ml bottles, except as noted; all prices include 20% state tax)

Domestic Vodka	Price	Imported Vodka	Price
Aristocrat*	\$6.00	Canada:	
Bowman's Virginia	4.70	Seagram's	\$6.80
Fleischmann's Royal	5.00	Denmark:	
Gilbey's	5.40	Danzka	11.95
Glenmore*	6.25	Denaka	13.20
Gordon's	5.65	England:	
Kamchatka	4.80	Tanqueray Sterling	12.90
Mr. Boston's Riva	4.80	Finland:	
Mohawk Peach (70 pf)	5.35	Finlandia	13.30
Nikolai	5.30	Iceland:	
Odesse	5.80	Elduris	12.85
Ostrova*	6.50	Icy	13.00
Popov	5.05	Holland:	
Relsky	4.90	Olifant	8.40
Senator's Club	4.65	Poland:	
Simka Kosher	6.90	Lukusowa	11.35
Skol	4.90	Russia:	
Skyline (Va.)	4.65	Stolichnaya	12.85
Smirnoff #21	7.15	1.75	26.00
#57*	9.10	1.00*	14.95
Stitzel-Weller	5.50	Sweden:	
Tvarscki-Cherry	9.10	Absolut	13.20
Vladimir	4.60	1.75	26.65
Wolfschmidt	\$5.50	1.00*	\$14.95

B. Plain Old Pearson's (Washington, D.C.) Comparative Advertising of Vodka Specials, August 14, 1989 (1.75-liter bottles; available rebates in parentheses)

	State of VA	Montgomery Co., MD	State of PA	Everyday Prices	Extra Special Low Prices
Absolut	\$26.85	\$22.99	\$24.37	\$19.99	—
Bowman's	10.10	9.39	—	8.99	—
Finlandia	—	22.85	24.14	18.99	\$17.49
Fleischmann's	10.70	9.55	11.36	8.49	—
Gilbey's	11.40	10.85	12.08	8.99	—
Gordon's (\$1.50)	12.50	11.39	13.01	8.99	—
Kamchatka	10.30	9.85	11.00	8.19	—
Popov	11.20	10.29	11.75	8.79	—
Smirnoff (\$2.00)	15.70	13.89	15.85	11.29	9.99
Stolichnaya (\$3.00)	26.00	22.19	24.30	19.99	—
Wolfschmidt (\$2.00)	\$11.90	\$10.85	\$12.49	\$ 8.99	\$7.99

- 11 Roux went to the United States when he was 24. With no plans, he headed for “boom-ing” Texas and worked a series of routine jobs at hotels and clubs. In 1967, he opened a French restaurant in Dallas. By the time he heard Carillon was looking for its first salesperson, however, he decided both his strengths and the big money were in sales. Roux joined Carillon and, by the late 1970s, became their director of marketing.
- 12 In 1979, with U.S. vodka sales rising, the Swedish government was looking for a United States importer for Absolut. Roux recalled, “Larger distillers wanted time to mull over the project, but Carillon leapt at the chance.”³ Roux redesigned the bottle—giving it a short neck, contemporary look, and a silver and blue label—and had the label printed directly on the glass. He priced Absolut at “half again as much as domestic brands.”
- 13 At the time, Stolichnaya, marketed by Monsieur Henri, had an 80 percent share of the imported vodka market. Market research evaluations of Roux’s changes were devastating:
- With its off-beat bottle and name, combined with its unlikely origins, the researchers predicted disaster. People wondered if Roux was losing his touch. Roux himself had doubts—but not for long.
- “We had never had market research before, and we said, ‘You know, we’ve been very successful at what we’ve done in the past. So why should we listen to it now?’”
- 14 Roux ascribed the problem to a mismatch between market-research techniques and the Absolut marketing strategy; traditional market research asked the wrong people. The wealthy don’t volunteer for tests. He decided that conventional wisdom was right—that the best way to sell a luxury item was by marketing it as a status symbol, but the “status” buyer for Absolut was unconventional—the young and the hip. Roux believed they were not open to snob appeal, but they were open to wit.
- 15 The target market for Absolut was described variously as “anyone under 35,” to “the top of the pyramid,” “the upper end, trend-setting, artsy crowd,” to “the ferociously hip.” Roux said that he used demographics when he was planning but described the target market as “everyone 21 and older with the ability to drink. I have a whole spectrum.”⁴

THE ABSOLUT ADVERTISING STRATEGY

- 16 The first advertising campaign stressed Absolut’s Swedish origins. Then, a year later, Carillon’s advertising firm was acquired by an agency handling Brown-Forman’s competitive brands, and Carillon began searching for a separate agency to handle its Absolut account. The company looked at 94 agencies and finally narrowed the field down to a small group who were asked to do “speculative” advertising. In 1981, TBWA (which one observer dubbed as “feisty”) won the account and proceeded to “break all the rules in liquor advertising.”
- 17 To make sure that TBWA didn’t discard any ideas, Roux told them to bring him what was in their garbage cans, the resting place of the “Absolut Impression” ad before its rescue. He welcomed all ideas and suggestions; a staffer’s 11-year-old child was the origin for an “Absolut Magic” ad.
- 18 Roux was dogged about motivating for creativity. He once took the sales staff on the Orient Express, another time hot-air ballooning, and he flew them on the Supersonic Transport Aircraft—all because he believed that new experiences were the greatest reward one could give as a motivator, and because he believed inspiration was the key ingredient to success. Gloria Steinem was the keynote speaker at a 1983 sales meeting.

³This and the majority of information and quotations on Roux from Michele B. Morse, “Absolut Truths,” *Review*, December 1988.

⁴Brian Bagot, “Neat Shot,” *Marketing and Media Decisions*, March 1989.

Copy and Media

- 19 Wit, intrigue, and subtlety became the focus of the first TBWA Absolut ad campaign. Punning on “absolute,” the ads used the superlative and, usually, a single other word, such as the image of a chained bottle with the caption, “Absolut Security.” Turning the weakness of an odd bottle into a strength, they played with the traditional liquor ad, which for some reason usually consisted of the bottle and a glass or the bottle alone. Roux said, “When somebody reads an art magazine, they are reading for leisure. Their state of mind is not the same as when they’re reading a weekly magazine. The brand becomes part of the enjoyment and the ads are more conducive to the state of mind.”
- 20 From the beginning, advertising outlets included not only the newsweeklies and the established glossies (*Vanity Fair*, *Rolling Stone*, *Esquire*, *Sports Illustrated*), but also off-beat magazines such as *Spy*, *Details*, *LA Style*, and *Interview*. Carillon was one of the original advertisers in *Ms.* and in *The Advocate* (a gay magazine). Roux believed that if the campaign got to the trendsetters, the masses would follow. Ads, which generally appeared as full pages 8 to 10 times a year, were sometimes tailored to fit the magazine genre, even to the extent of asking advertising reps of magazines for ideas. The emphasis was on the medium, but the bottle was the focus, even when it took other forms. The Absolut ad used in *Vogue* in 1988 pictured the Absolut label emblazoning a tight silver T-shirt dress designed by David Cameron on a woman who, in effect, became the bottle—“Absolut Cameron.” TBWA noted, “The idea is to make the bottle the hero in a whimsical fashion. It’s always the headliner.” The ad later became part of an eight-page insert in *Vogue* of Absolut dresses created by new designers.

Special Events and Promotions

- 21 Music, art, and fashion were consistent themes for Absolut promotion and advertising. Roux said, “The artists and the people who buy art are the trend-setters in this world.”⁵
- 22 Carillon sponsored an “Absolut Grappelli” concert at Carnegie Hall in 1988, for the violinist Stéphane Grappelli’s 80th birthday. An “Absolut Concert” was scheduled for late 1989 at Lincoln Center’s Avery Fisher Hall, to feature four modern composers conducting their own pieces. It was to end with an “Absolut Fanfare.” Such special event sponsorships generally absorbed 20 percent of the product’s advertising and promotion budget.
- 23 Carillon commissioned an original song by Brazilian Antonio Carlos Jobim (singer of “Bossa Nova” and “Girl from Ipanema”) to run in *Rolling Stone*—“Absolut Jobim.” Others were: “Downtown” and “Uptown” images: billboards tied to the locale, as on Rodeo Drive in Beverly Hills—“Absolut Drive”; billboards in Chicago with the letters in “Absolut Chicago” blowing in the wind; trucks roaming the streets of New York in 1988 with reproductions of the bottle, on ice, on their backs, and similar “outdoor” advertising for San Francisco and Washington, D.C.
- 24 In 1988, the advertising image changed slightly from whimsical treatments of the actual bottle to recreations of the bottle. In addition to fashion designers and photographers, Roux and TBWA hired painters and sculptors to create Absolut bottles for ads. Bottle renditions were commissioned from pop artist Andy Warhol (the drawing was later donated to the Whitney Museum), and artists Kenny Scharf and Ed Ruscha, who created an “Absolut L.A.” ad. In it, the bottle became a pool of crystal blue water surrounded by a white terrace. It won the 1988 MPA Kelly Award for “Best in Magazine Advertising” and ran free in *Newsweek*’s June 12, 1989, issue.

⁵Andrea Adelson, “Unusual Ads Help a Foreign Vodka to the Top,” *The New York Times*, November 28, 1988.

TABLE 2 Distilled Spirit Industry Advertising Budgets, 1988

Class Brand	No. of Brands Combined	Dollars (thousands)	Percentage of Class
Seagram's liquors	10	26,380.9	11.3
Dewars' Scotch whiskeys	2	11,498.9	4.9
Johnnie Walker Scotch	3	9,481.8	4.1
Kahlua liqueurs	3	8,151.1	3.5
Absolut vodka	2	7,686.9	3.3
Bacardi rums	5	7,547.7	3.2
Puerto Rican rums	2	7,498.1	3.2
Chivas	2	7,195.4	3.1
Tanqueray	1	7,054.9	3.0
J&B Scotch whiskeys	1	6,522.9	2.8
Top 10 total		99,018.6	42.4
Class total		233,554.2	100.0

Budgets

- 25** According to BAR/LNA, Grand Metropolitan, IDV, and Carillon spent \$6.7 million dollars on advertising Absolut in 1987. The Absolut advertising budget was set at \$18 million for 1988, which was believed to be the highest budget for spirits in U.S. history, and the budget was estimated to be between \$22.5 and \$23 million for 1989. (Carillon's fiscal year ended in October.) BAR/LNA comparative figures for January–December 1988 are given in Table 2.
- 26** Figures for Absolut early in the 1980s were not available; the brand was too small at that time. But Carillon was not alone in turning to advertising to reverse declining liquor sales in the early years. When Smirnoff sales fell by 8 percent in 1981, its advertising jumped 34 percent to \$9.9 million; sales were off by only 0.7 percent in 1982. Wolfschmidt spent \$3.4 million, but its sales were down 10.1 percent. Some industry-watchers blamed problems with Russian vodka on the boycott of the Olympics.

Advertising Production and Costs

- 27** Carillon produced expensive ads; the "Absolut Impression" ad mentioned previously was a costly, no-print, embossed white-on-white magazine insert. But the most expensive were the Christmas special ads; the first, appearing in 1987, was reported to have cost over \$1 million to produce. When the ad was opened, a microchip recording played three songs, including "Santa Claus Is Coming to Town." This ad was inserted in *The New Yorker* and *New York*—"Have an Absolut Ball."
- 28** Christmas 1988 and "Absolut Wonderland" was also reported to have cost over \$1 million to produce. Another source said the cost was \$1 each, with a total of \$750 thousand for two of the magazines. Carillon had been planning the ad for almost a year but was stymied by how to make the snow drift, how to keep the liquid from freezing, how to bind the edges, and how it would withstand magazine mail-handling. The company experimented with 15 to 20 prototypes, finally settling on a liquid composed of water, oil, and antifreeze (said to be, however, nontoxic). Rounded snowflakes were used, because they didn't puncture the plastic and they drifted better than others, and the amount of snow was eventually reduced

because it obscured the bottle. Copies were mailed around the country to test the ad's durability. *The Washington Post* printed the following description by Jeff Greenberg, vice president and print-production director for TBWA:

The production key to this pricey undertaking is incredibly cheap Asian labor. You couldn't do it here. You couldn't pay for it.

The insert required hand-assembly by 300 workers, mostly teen-agers who put in 20-hour days in non-air-conditioned factories at a salary equivalent to \$50 a month. The workers are incredible—they never lift their heads up. I'm not meaning to sound like it's slave labor.

- 29 The three-dimensional snow ad ran in *LA Style*, *New York*, and *MarketWatch*. One million were printed at around \$.75 each, according to one source. "Absolut Wonderland" generated a huge amount of media coverage. Some 300 newspapers ran stories on the ad as did 40 TV news programs.

APPROACHING 1990

- 30 The marriage of Carillon and TBWA was a boon for both partners. TBWA U.S. offices were billing \$127 million midway through 1988, and the firm had added 12 new accounts during those six months alone. *The New York Times* noted the influence of the Absolut campaigns, saying it was "advertising that is so good it attracts new business to the agency." Richard Costello, president and CEO of TBWA, called Roux "the best client I ever had." Carillon sales for 1988 were \$200 million.
- 31 Absolut vodka sales grew an average 22 percent a year for a decade. It became the number one imported vodka in 1985, when it overtook Stolichnaya—perhaps partly as a result of a boycott of Soviet goods following the shooting of the Korean Airlines plane in September 1983.
- 32 At the end of 1988, Absolut had between 51 percent and 56 percent of the imported vodka market in the United States, 5 percent of the total market. Its recent case sales had grown from 1.1 million in 1986 to 1.8 million in 1988. Over two million cases were expected to be sold in 1989. Rival Stolichnaya had 30 percent of the import market, which represented 3.2 million cases (8 percent) of a total 1988 spirits market of 38 million cases. Vodka leader Smirnoff, however, was pulling in \$600 million versus Absolut's \$260 million.
- 33 Although total distilled-spirit volume sales were off 3.3 percent in 1988 (even imports were down 0.7 percent), *Advertising Age* noted (February 26, 1989) that "Imported vodka again outperformed all other categories, and domestic vodka followed on the imports' success." Exhibit 2 gives estimated case sales and the 1988 rank of top brands. Absolut was listed 18th in 1987, 35th in 1986.
- 34 In the United States, adult drinkers constituted a market of 170 million people in 1988; distilled-spirit consumption per capita was 2.2 gallons a year (2.3 gallons in 1987). Vodka accounted for 24 percent of those figures. The average cost of distilled spirits was \$39.90 a gallon; the average American spent \$83.26 on them in 1988. Exhibit 3 presents data as of spring 1987, on vodka consumers.
- 35 By the end of the decade, brown spirits were also attempting to cash in on trends toward lower calories and lower alcohol content or higher premiums. Seagram's Mount Royal Light boasted that its reduced calories came from a special process rather than the usual watering down. Schenley relaunched the classic Pinch Scotch with the restored wire mesh on the bottle (dropped in the 1960s because of cost) as a super-premium liquor, aged 15 years, and Schenley planned to spend \$20 million advertising it over three years. Jack Daniels introduced a \$20 bottle of Gentleman Jack.

EXHIBIT 2 ABSOLUT VODKA Liquor Industry Scoreboard*

	1988 Rank	Marketer	Sales (thousands of cases)			Five-Year Growth Rate
			1988	1987	1986	
Rum						
Bacardi	1	Bacardi	7,350	7,330	7,120	0.2%
Ron Castillo	49	Bacardi	720	720	740	(3.2)
Vodka						
Smirnoff	2	Heublein	5,900	5,510	6,100	(0.7)
Popov	5	Heublein	3,250	3,060	3,410	1.6
Gordon's	18	Schenley	1,650	1,610	1,650	(1.7)
Kamchatka	21	Jim Beam	1,490	1,600	1,570	(3.1)
Absolut	22	Carillon	1,410	1,110	900	25.1**
Skol	27	Glenmore	1,170	1,070	1,030	7.9
Gilbey's	28	Jim Beam	1,160	1,130	1,130	(2.3)
Stolichnaya	38	Monsieur Henri	900	790	740	14.7
Wolfschmidt	39	Seagram	890	890	870	(1.4)
Fleischmann's	43	Glenmore	800	850	1,000	(4.4)
Barton	50	Barton Brands	660	600	610	1.0
McCormick	51	McCormick	630	590	610	13.7
Relska	58	Heublein	590	600	690	(2.8)
Blended/Canadian Whiskey						
Seagram's 7-Crown	3	Seagram	3,840	3,900	3,950	(4.5)
Canadian Mist	4	Brown-Forman	3,370	3,410	3,560	0.0
Canadian Club	10	Hiram Walker	2,350	2,300	2,250	(1.8)
Seagram's VO	11	Seagram	2,200	2,230	2,250	(5.5)
Windsor Supreme	13	Jim Beam	1,900	1,920	1,990	(2.2)
Black Velvet	16	Heublein	1,730	1,690	1,740	(1.9)
Crown Royal	23	Seagram	1,310	1,220	1,200	5.0
Kessler	32	Seagram	1,090	1,090	1,140	(4.6)
Lord Calvert	34	Seagram	1,030	1,020	1,070	(0.9)
Canadian Ltd.	54	Glenmore	600	670	720	(0.8)
Calvert Extra	59	Seagram	570	620	710	(8.9)
Bourbon/Tennessee						
Jim Beam	6	Jim Beam	3,200	3,250	3,240	(0.3)
Jack Daniel	7	Brown-Forman	3,180	3,030	2,960	0.2
Early Times	29	Brown-Forman	1,150	1,200	1,330	(4.8)
		Age				
Ancient Age	35	International	960	900	930	1.9
Ten High	40	Hiram Walker	880	1,030	1,000	(4.0)
Old Crow	52	Jim Beam	620	520	480	(5.6)
Evan Williams	56	Heaven Hill	600	580	590	(1.7)

(Continued)

EXHIBIT 2 (Continued)

	1988 Rank	Marketer	Sales (thousands of cases)			Five-Year Growth Rate
			1988	1987	1986	
Gin						
Seagram's	8	Seagram	3,150	2,970	2,920	3.9
Gordon's	15	Schenley	1,740	1,650	1,750	(3.9)
Tanqueray	26	Schieffelin/ Somerset	1,180	1,150	1,100	4.9
Gilbey's	31	Jim Beam	1,130	1,190	1,150	(8.7)
Beefeater	37	Buckingham Wile	930	950	980	(4.5)
Fleischmann's	53	Glenmore	610	700	680	(2.0)
Cordial/Brandy/Cocktail						
DeKuyper Cordials	9	Jim Beam	2,550	3,100	3,370	(13.0)**
E&J	14	E&J Gallo	1,850	1,790	1,670	9.1
Hiram Walker	17	Hiram Walker	1,690	1,680	1,650	7.5
Kahlua	19	Maidstone	1,550	1,580	1,470	2.4
Southern Comfort	25	Brown-Forman	1,190	1,150	1,100	3.5
Christian Brothers	30	Christian Bros.	1,150	1,190	1,160	(2.2)
Bailey's	36	Paddington	950	920	890	4.8
Golden Spirits	41	Seagram	850	1,350	910	(3.2)**
Club Cocktails	42	Heublein	840	930	880	(2.2)**
Arrow Cordials	44	Heublein	750	850	1,000	(8.6)
Leroux Cordials	45	Seagram	750	810	950	(1.3)
Hennessy Cognac	47	Schieffelin/ Somerset	740	730	750	3.5
Courvoisier Cognac	60	W.A. Taylor	550	580	540	6.1
Scotch						
Dewar's	12	Schenley	2,100	2,070	2,160	(0.9)
J&B	24	Paddington	1,260	1,320	1,300	(5.3)
Johnnie Walker Red	33	Schieffelin/ Smt.	1,060	1,120	1,150	(1.2)
Chivas Regal	46	Seagram	740	750	750	(2.2)
Cutty Sark	48	Buckingham Wile	730	760	770	(7.0)
Old Smuggler	55	W.A. Taylor	600	730	750	(3.7)
Scoresby	57	Glenmore	600	630	590	8.4
Tequila						
Jose Cuervo	20	Heublein	1,500	1,250	1,150	12.0

*Estimates of retail volume only.

*Estimates of retail sales, rounded to nearest 10,000 mixed cases, from Jobson Beverage Alcohol Group.

**1986-1988.

EXHIBIT 3 ABSOLUT VODKA Vodkas and Media-Use Profiles (base: 172,957,000 adults; index: all adults = 100)

A. Vodka Consumption

		Percentage of all	Share of users	Share of volume
Total drunk in last six months		13.8		
Vodka brands: Absolut		1.2	6.4	5.6
Crown Russe		0.2	0.8	0.6
Finlandia		0.4	1.9	0.6
Fleischmann's		0.5	2.8	1.5
Gilbey's		1.0	5.0	5.5
Gordon's		1.3	7.1	3.6
Hiram Walker		0.3	1.4	0.6
Mr. Boston		0.3	1.8	1.6
Nikolai		0.3	1.7	1.9
Popov		1.9	10.2	19.8
Relska		0.2	0.9	1.2
Schenley		0.2	0.9	1.6
Seagrams Imported		0.6	2.9	1.7
Smirnoff		6.3	33.2	30.9
Stolichnaya		1.0	5.5	3.0
Vikin Fjord		—	0.2	0.2
Wolfschmidt		0.7	3.7	4.3
Unspecified brand @ bar/restaurant		1.8	9.5	8.5
Other		0.8	4.3	7.5
Drinks or glasses in last 30 days:				
Light:	none	4.4	41.7	1.7
	1	1.3		
	2	1.6		
Medium:	3	0.9	31.0	17.9
	4	1.0		
	5	0.8		
Heavy:	6	0.6	27.4	80.4
	7	0.3		
	8	0.3		
	9 or more	2.7		

B. Total and Selected Brands

	All vodka All Drinkers Index	Brand not specified Heavy Drinkers* Index	Absolut All Drinkers Index	Popov All Drinkers Index	Smirnoff All Drinkers Index	Stolichnaya All Drinkers Index	At Bar/ Restau- rant All Drinkers Index
Men	109	114**	111**	122	118	139	83
Women	92	87	90	80	84	65	116
Graduated college	140	128	182	180	116	215	171
Attended college	127	116	164	132	124	143	154
Graduated high school	95	98	75	78	102	76	82

(Continued)

EXHIBIT 3 (Continued)

	All vodka All Drinkers Index	Brand not specified Heavy Drinkers* Index	Absolut All Drinkers Index	Popov All Drinkers Index	Smirnoff All Drinkers Index	Stolichnaya All Drinkers Index	At Bar/ Restau- rant All Drinkers Index
Ages 18-24	116	122	189	138	137	135	142
Ages 25-34	109	96	152	76	117	149	116
Ages 35-44	109	77	89	88	101	125	113
Ages 45-54	105	124	64	102	106	73	71
Ages 55-64	92	108	32	128	76	58	97
Ages 65 or over	62	84	30	88	51	20	45
House.hc.\$50,000 or more	137	134	179	135	126	161	121
\$40,000-49,999	123	126	120	146	124	158	130
\$35,000-39,999	98	109	100	72	93	124	79
\$25,000-34,999	98	92	92	109	104	76	125
\$15,000-24,999	80	94	48	75	83	53	77
Marketing reg.: N. England	145	161	155	111	129	171	151
Middle Atlantic	130	132	237	64	125	134	132
East Central	72	57	67	147	70	48	52
West Central	94	98	38	85	97	76	139
South East	84	82	60	74	83	69	65
South West	93	90	69	81	113	101	57
Pacific	105	110	87	150	102	140	120
Single	121	120	195	115	131	146	130
Married	97	94	75	97	94	81	90
Other	86	97	72	91	82	109	97
White	101	104	102	111	99	103	111
Black	89	63	87	17	108	59	22
Home owned	100	100	81	96	95	85	97
Daily newspapers: Read any	109	112					
Read one daily	104	105					
Read two or more dailies	128	135					
Sunday newspapers: Read any	114	110					
Read one Sunday	114	112					
Read two or more Sundays	116	97					
Heavy magazines/heavy TV	100	109					
Heavy magazines/light TV	120	104					
Light magazines/heavy TV	85	94					
Light magazines/light TV	95	93					

(Continued)

EXHIBIT 3 (Continued)**C. Magazine Use of Heavy Vodka Drinkers (selected magazines only)**

Travel & Leisure	270
Wall Street Journal	219
Nation's Business	210
Golf Digest	206
Guns & Ammo.	206
Scientific American	198
PC World	194
Fortune	193
Inc.	190
Penthouse	184
Vogue	157
The New Yorker	110
Sports Illustrated	109
Rolling Stone	106
Newsweek	99
Ms.	85
Esquire	80
New York Magazine	68
Home	60
Runner's World	60
Barron's	56
Colonial Homes	56
Health	56
Mother Earth News	51
Byte	48
Seventeen	48
True Story	43
Working Woman	35

*More than 5 drinks or glasses in last 30 days.

**To be read: men are 14% more likely than women to be heavy users of vodka; 11% more likely to drink Absolut Vodka

Source: Adapted from Mediamark Research, Inc.

36 Foreign vodkas' 22 percent growth attracted a rush of new imports. Seagram introduced a Polish vodka, Wybrowa; brands called Elduris and Denaka appeared. Elduris was Icelandic vodka going for \$12 to \$14 a bottle. Brown-Forman spent \$15 million to launch Icy (from Iceland) and planned on 4.5 million cases by 1992. They opened its advertising with an ad featuring the bottle and the words, "Absolute Improvement." Carillon got a court order to stop the ad, and Roux said "There is room for people who don't try to imitate others. They have to create their own image and quality."⁶ In August 1989, the Denaka vodka ad (in *Business Week*, for example) featured a woman with flowing red-brown locks leaning

⁶"What Stirs the Spirit Makers: Vodka, Vodka, Vodka," *Business Week* (June 12, 1989).

on a pool table by a bottle and glass. She was saying, "When I said vodka, I meant Denaka," and the caption read, "In a world of absolutes, Denaka excels."

- 37 Within vodka products at the end of the decade, one trend was toward flavors, particularly pepper. The trend appeared to have started when a marketer (reportedly, Carillon) noted that restaurant managers marinated peppercorns in vodka for drinks such as Bloody Mary's, although the tradition of peppered vodka was centuries old in Europe. Many believed the niche would grow because of a perceived trend toward spicy foods and full-tasting drinks. The demand was said to be coming from upscale, 25-to-50-year-old, metropolitan types. One of Carillon's competitors said, however, that the pepper-drinkers were minimum-age consumers who downed them in shot glasses at nightclubs but that marketers didn't want to focus on this fact: "Vodka marketers don't want to admit that people are doing shots any more than the cognac marketers advertise that a lot of people drink cognac with Coke, because it's looked to be downscale."⁷
- 38 Stolichnaya introduced Zubrowka, a musky-tasting vodka with north European buffalo grass that never caught on and was dropped; Pertsovka with pepper (in 1985), Ohkotnichya with ginger, cloves, juniper, anise, and lemon peel; and Limonnaya in 1986. Carillon's Absolut Pepper ad in 1987 showed the bottle, with just the brand name, in a jungle of peppers hanging from vines. The brand grew slowly to 20,000 cases by the end of 1988, with plans by Roux for it to grow to 500,000 by the end of 1989. Citron Absolut in early 1989 was selling 10,000 cases a month.
- 39 Adding flavors to vodka raised the long-standing issue of whether vodkas varied by taste or quality. The U.S. Bureau of Alcohol, Tobacco, and Firearms had always maintained that it did not, by definition. The bureau had always objected to use of the word "taste" in advertising. Many people, however, maintained that the premium imported vodkas did, in fact, have a distinctive taste. Smirnoff tested the bureau's stance in 1989 with an ad claiming it was "so superior, you can taste it." The marketers claimed their labs had confirmed a taste difference in vodkas. The bureau ruled that it would look at the context of the word's use: that vodka has no distinctive taste but one vodka "can taste different from another vodka."⁸ Carillon and TBWA planned to avoid the question altogether.
- 40 A more publicized issue facing the alcoholic-beverages industry was the question of alcohol's effects on society. U.S. Surgeon General, in 1988, C. Everett Koop had called together a workshop on drunken driving, the report of which was released in late 1988. The workshop called for restrictions on advertising and promotion and the raising of excise taxes that were primarily directed at the beer and wine segments. It also, however, called for higher excise taxes on liquor, a decrease in tax deductions allowable for alcohol ads, and the placement of warnings on print advertising. (Warnings on bottle labels had already been mandated by Congress.) Reaction from the alcoholic-beverage industry and broadcasters was swift, vocal, and highly critical.
- 41 The workshop and ensuing flap focused attention on a fundamental, long-standing issue of the role of advertising in consumption—its influence in general, through the advertising of adults-only products, and the influence of advertising on "abuse" versus "use." Critics of the report noted that it was based on conjecture and anecdotal evidence and that it assumed a causal link between advertising and alcohol abuse (drunk driving) that had never been established by research. A 1987 study in the *Journal of Advertising*, for example, summarized

⁷Patricia Winters, "New Flavors Spice Up Vodka Category," *Advertising Age* (February 16, 1987).

⁸"U.S. May Let Vodka Advertisers Use 'Taste' but in a Limited Way," *Wall Street Journal*, June 28, 1989.

findings as follows: "Advertising has not generally been shown to *substantially* affect primary demand, relative to other influences."

- 42 Nevertheless, in June 1989, Anheuser-Busch announced increased spending on its "Know when to say when" campaign. Expenditures were to be approximately \$30 million a year, equivalent to its brand advertising, up from a \$22 million average in recent years. Coors and Philip Morris's Miller Beer announced similar increases to responsible drinking programs. The Beer Institute, the industry trade group, planned to spend \$2.5 million to publicize the programs already in place.

NEW DIRECTIONS

- 43 In October 1989, the holiday season and the possibility for another "blockbuster" advertising execution were drawing nearer. Recent ads included a tag-line, "For gift delivery of Absolut Vodka (except where prohibited by law) call 1-800-243-3787," a reminder that the holiday party season would involve the giving, receiving, and consumption of spirits.