Analysis of Global Marketing Strategies in Distilled Spirits Industry: Absolut Vodka

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ABSTRACT

The vodka industry is in a revitalized phase despite the assertions by most analysts that it is in the mature phase of its product life cycle. The focus of this study is to evaluate global marketing strategies in distilled spirits industry, and our analysis will concentrate on four issues that seem to delineate the conventional vodka marketing landscape. They are Mature Industry, High Brand Loyalty, Too Many Competitors, and Limited Marketing Opportunities. 

Keywords: Vodka, Competitive Marketing Strategies, Spirit Industry

INTRODUCTION

Despite whom you might ask, the origins of Vodka (Slavic for “little water”) come from either Poland or Russia. But the 500+ years of development have created one of the most competitive brand battles in the distilled spirits industry. Vodka accounts for nearly one-quarter of all distilled spirit sales, and continues to show annual growth despite the assertion by many marketers that the product itself is in the mature phase of its life cycle. Vodka can be classified three ways: premium, super premium and ultra premium. These designations relate to the vodka’s quality, which is attributed to the number of times the vodka is distilled and what type of filtration process is employed. The vodka goes through this process several times to remove the impurities in the solution. The more times the process is employed the higher the status of premium placed upon the vodka. This in turn affects the consistency and taste of the vodka (which characteristically has no definitive taste). As a result, the quality and taste of vodka become important selling points to the marketers. Normally these constructs, which are used in defining the value of what is being exchanged, are untenable due to their unambiguous nature. Yet the positioning placement of relevant competitors in the industry will indicate the import of these constructs, with the usage of two baseline variables consistent across the entire industry. There are many issues facing the vodka companies today. The focus of this study will concentrate on four issues that seem to delineate the conventional vodka marketing landscape. They are Mature Industry, High Brand Loyalty, Too Many Competitors, and Limited Marketing Opportunities.

Mature Industry

Most marketers tend to agree that the vodka industry can be characterized as being in the mature phase. In defining the product and market portfolio, the Boston Consulting Group Matrix defines the mature industries (or “Cash
Spirits with new, others use urban legends (Skyy 3 Vodka has—on or a status attached to it. 

growth potential is low and presently all competitors are at the harvest stage, 
to denote 

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by 

alcoholic content by volume.  This is starting to change with the introduction of the Light segment.  Light Vodkas, like 

flavored vodkas, but rarely venture out of the family line.  In fact, because of the considerable amount of competitors in 

industry, consumers tend to actively seek out a product that has name recognition or a status attached to it. The argument here is that to an extent the consumer forms a bond with a specific vodka brand and this bond is hard to 

self-concept.  Also, young women (18-24 age range) have been recently categorized as spirits drinkers that 

would seek out new brands and new venues, more so that men in the same age demographic.  These women are 

considered “highly impulsive” with regards to drink experimentation as opposed to the “pack mentality” characteristically found in men (Mason, 2000).

High Brand Loyalty

Vodka experiences high brand loyalty owing to the fact that users in this segment rarely experiment with new 

products.  The consumers may experiment with product line extensions of their favorite name brand, like the new 

flavored vodkas, but rarely venture out of the family line.  In fact, because of the considerable amount of competitors in 

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considered “highly impulsive” with regards to drink experimentation as opposed to the “pack mentality” characteristically found in men (Mason, 2000).

Too Many Competitors

With several hundred different choices of flavored/non-flavored, domestic/imported, and super-/ultra-premium 

Vodkas out in the marketplace, the need to differentiate becomes vital to the survival of these brands.  Some brands may 

differentiate in quality (Grey Goose, Ketel One), others use urban legends (Skyy doesn’t cause hangovers) and Country 

of Origin Image (Stolichnaya—Russia) to raise their profile in very competitive Vodka market.

Product Base: Whereas most vodka products are made either from potatoes, wheat or rice, these products are 

effectively using the unique product bases in their marketing campaigns.  Vermont Spirits White Vodka is made from a 

process that employs milk as a substitute to the water found in most Vodka brands.  3 Vodka has the distinction of 

producing Vodka from soy.  Although most consumers will make the assumption there are health benefits to partaking 
in a glass of 3 Vodka.  Finally, Blavod Vodka, a product from the UK, has the distinction of being made from an east 

African root called Catechu.  The addition of this root provides another distinction for Blavod—the only black-colored 

Vodka drink.

Alcoholic Content: Standard vodkas all have one element in common: they all are 80-100 proof, or have 40-50%

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Dimitroff Light, have less alcoholic content by volume, usually hovering in the 24% range.

Packaging: Packaging remains the most curious nature of this industry.  In some cases, vodka manufacturers 
attempt to create an image of quality in the packaging of their product.  Finlandia uses Austrian Glass in order to denote 
an appearance of class in their vodka.  Grey Goose, from the Cognac region in France, distributes their bottles with a 

long thick neck.  Initially, merchandisers placed Grey Goose on the top shelves because their bottles could not fit side- 

by-side with their competitors.  The marketers had distinctively created these bottles so that they could be seen at bars, 
towering over the rest of their competitors (Estes, 2000).  The reasoning is that many marketers believed that 

consumers’ preferences were established at nightclubs and bars, where a pack mentality (everyone ordering the same 
drink) occurs.  Finally, Jazz Vodka has probably created the most distinctive bottle.  Using a form of reinforcement, or 
the concept of “packaging as art” the makers of the Polish-based Vodka have created a bottle in the shape of a trumpet.
Limited Marketing Opportunities

The voluntary ban of hard liquor advertisements on television has made mass marketing difficult for vodka companies. As a result, vodka companies have sought innovative avenues of marketing in order to effectively promote their products. Absolut, one of the manufacturer’s under analysis, has created the seventh most successful marketing campaign in the 20th Century, according to Advertising Age (Garfield, 2001). The print ads used taglines like “Absolut Perfection” and had respected artists (like Andy Warhol and Keith Haring) creatively interpret Absolut’s medicine bottle. Michel Roux implemented this merger of marketing and artistic expression in 1978 with help from the advertising agency TBWA. Even the collection of print ads that have been exhibited in world famous museums reflects the notion of Absolut’s subversive advertising campaign.

SIGNIFICANT MARKETING STRATEGIES OF THE INDUSTRY

Although Absolut has primarily cornered the print ad market with their innovative approach to “marketing as art” other competitors have sought out ways to create public awareness of their products. Four of these approaches will be discussed:

Brand Extensions

The appeal of flavored vodkas is definitely adding considerable recognition to the family’s anchor brand name. As vodka companies start experimenting with new flavors (chocolate, pepper) consumers are willing to sample them. The consideration of these “repertoire drinkers,” or those who enjoy many different types of alcohol but don’t decide what to drink until the last minute, is the focus of many marketing strategies (Mason, 2000). By becoming a spirits-friendly environment, bars and nightclubs in tandem with vodka companies can promote the appeal of these FABs (flavored alcoholic beverages).

Mass Marketing Mediums

Absolut Vodka has taken a unique approach in the Latin American markets. Owing to the ineffectual use of the print campaign, Absolut has constructed two movie promotional advertisements that are running in cinemas throughout Mexico and Venezuela. The advertisements for Hey Stranger and BeatCrazy come complete with movie posters and special websites devoted to the promotion of these pseudo films. The subtle-somewhat subliminal BeatCrazy movie poster contains the silhouette of the Absolut Bottle in lieu of a record stylus. The subliminal aspect of these ads is actually taken one step further in Smirnoff’s recent television ads for their product Smirnoff Ice. This approach is somewhat controversial in nature because Smirnoff is implying that their product has vodka in it, which would remove these commercial spots from television. The truth is that the US-version of Smirnoff Ice (also known as a “Malternative” or “Alcopop”) is actually a malt-based beverage (similar to Zima) that is characteristically known for its citrusy flavor. In markets outside of the US, this product does contain vodka. The effect of these commercials is interesting. According to BrandEra, a marketing consultant group, the marketing campaign has increased sales for the anchor product, owing to Smirnoff sales moving in sympathy with Smirnoff Ice. More importantly, BrandEra believes that although the marketing campaign is counter-intuitive (malt beverage sales driving vodka volumes) the end result reaffirms the importance of name recognition and constant brand reinforcement (BrandEra, 2001). Yet this confusion will continue with the recent introduction of Skyy Blue, a malternative with vodka content. There is no doubt Skyy feels that they can profit from the confusion of the young consumers in a similar manner that Smirnoff does.

Sponsorship of Lifestyle Events

Many vodka companies strategically create cross-promotional activities in order to establish a subconscious association with regards to a specific lifestyle. Absolut has always been associated with fashion due to its continuous sponsorship of key Fashion Shows in New York City. A recent cross-promotion with Revlon emphasizes this emphatically. In their Absolutely Fabolous Lip Cream campaign, Revlon hosted a series of upscale parties in order to promote a new line of lip colors. Using Absolut to create cocktails entitled “Absolut Temptress” and “Absolut Vixen”
reflected a marketing program that synergetically combined elements of product, indulgence and fashion (Bittar, 2001). Skyy Vodka has also been a key supporter of cinema as well. Skyy Cinema represents its overall marketing approach in creating an identity with independent filmmakers and film companies. Its sponsorship of the famous Sundance Film Festival and the recent cross-promotion for the motion picture Zoolander (which has actor Ben Stiller portraying a male fashion model in a pose that recreates a famous Skyy Vodka poster for the movie ad) illustrates Skyy’s dalliance in cinema. The commonality of these lifestyle elements (fashion and cinema) becomes universal themes for several of these vodka companies. Because of the implicit ban of vodka ads on television, cinema becomes a global medium in which the message can be adapted for the local market and delivered. Building a secondary relationship upon fashion, vodka companies create an association in the minds of the consumer that vodka is indicative of a fashion accessory. Kenichi Ohmae (1989) reflects the importance of high-quality fashion-based items, where the price is high comparatively speaking and the purchase frequency is low. Vodka by definition is not a commodity product, but rather is representative of luxury items in which consumers pull the product. This notion of global standardization of a product serves these vodka manufacturers well around the world.

Websites

Many of the well-known vodka brands have constructed websites in order to provide product information to their target audience. Absolut’s website includes the aforementioned pseudo motion picture promos as well as an imbedded web program that allows the viewer to create their own “mini-movies.” Grey Goose has a website that allows the viewer to change the songs playing in the background. Whereas Absolut websites are considered slick and directed at the youth segment of this market, Grey Goose and Rain Vodka websites are targeted to the more sophisticated consumers. On several websites purchases can be made directly to the company. This represents a dangerous proposition for vodka companies. Although each website asks whether the individual is 21 years of age or over (since most websites are in English and targeted at US-based consumers) the website primarily relies upon the honor system in its usage. Both Diageo and Vin & Sprit, the parent companies for Absolut acknowledge the import of social governance. Their corporate responsibility focuses on the issue of product abuse and its ramifications as well as the issue of underage drinking. This becomes a greater concern owing to the fact that both Diageo and Vin & Sprit’s product portfolios are replete with examples from all distilled spirits categories (cognac, rum, whiskey, etc.).

**STUDY APPROACH FOR EVALUATION**

In developing this analysis, one has to consider various approaches in doing a comparative analysis of two market leaders (Most Relevant Vodka Competitors: Domestic vs. Imported). The following illustrate the focus analyses in this comparative study: competitive, strategic and demo-/psychographic analysis.

**Competitive Analysis**

Due to the hyperkinetic nature of this industry, competitive pressures continuously drive all relevant competitors to create innovative campaigns. The pursuance of ever-evolving marketing programs allows the vodka companies to experiment with new approaches in hopes of raising brand awareness above the cacophony of competitor voices. Absolut Vodka has created unique campaigns to solidify the dominance in global sales. The resulting analysis will define each market leader (or in Philip Kotler parlance, “Market Leader” and “Market Challenger”) with respect to the industry as a whole, and how their placement impacts their marketing programs.

| Absolut Vodka Top Ten Markets 2007 (in millions of liters) |
|---------------------------------|----------------------|---------------------|
| 1. United States                | 45.2                 | 6. Mexico           | 2.8 |
| 2. Canada                       | 3.4                  | 7. Greece           | 2.4 |
| 3. Spain                        | 3.1                  | 8. Poland           | 2.4 |
| 4. United Kingdom               | 2.9                  | 9. Israel           | 2.0 |
| 5. Germany                      | 2.9                  | 10. Sweden          | 1.5 |

Source: www.vsgroup.com
Strategic Analysis

The strategic analysis will focus on two problematic areas that Absolut has to deal with while battling with relevant competitors. Absolut’s primary problem is two-fold: how to address the key Latin American segments where successful global marketing scheme is inefficient and more importantly, how to segue from complete reliance of this successful marketing scheme. Most marketing programs have a definitive life cycle, and it would be prudent for Absolut to be proactive in developing strategies that limit reliance on their “Absolut _____” print ad scheme.

Demo-/Psychographic Analysis

Absolut focuses its efforts on the upscale consumer, one who values fashion and art among the finer things in life. The approach of targeting specific consumer demographics and psychographics is the evident in the aspect of cross-national segmentation, most notably the Europeanization of America. This conceptually underlies the emphasis of fashion and art in Absolut’s marketing program (not coincidental since Absolut is Swedish-based). Although many may argue that the marketing campaign is all-American (owing to TBWA’s handling of advertising duties) the impetus for this marketing direction primarily remains Absolut’s domain.

STUDY APPROACH FOR RATIONALE

To an extent the following aspects play an important part in the global marketing strategy of Absolut: global branding, strategic alternatives in product market portfolios, and finally, cultural influences on product management. Each will be expounded upon in the following section:

Global Branding

When evaluating the performance of Absolut, one notices the immediate import of its brand name. With this acknowledgement comes the understanding that brands themselves are associated with a set of values (Chevron, 2000). In both instances, the brand denotes an immediate association with vodka, but also reflects the characteristics of adventure, danger, sophistication, and artistic appreciation. In the paper entitled Brand Leverage, the authors David C. Court, Mark G. Leiter, and Mark A. Loch researched the impact of branding on focused and differentiated product lines.
In polling individuals for their research, the authors submitted a survey that had participants rate the characteristics of 130 brand names. The most cited characteristics in the survey include "youthful," "fun," "adventurous," and "exclusive." These are characteristics that are definitive of Absolut marketing campaigns. More importantly the research gleaned two successful strategies for focused brands. First, the researchers concluded that “Owning and Broadening the Category” is important in brand leveraging. The authors are convinced that making a brand’s personality distinct is imperative and the company should constantly seek ways to broaden how consumers think about the category and the brand.

**Strategic Alternatives in Product Market Portfolios**

Vodka has increased its product lines to accommodate potential consumers. Smirnoff, in hopes of capturing the youth segment, has introduced Smirnoff Ice to considerable success, while Absolut’s introduction of several flavored vodkas has also met with success. Absolut Mandarin is the number one flavored vodka in the US (Howard, 2000). Although Vodka product line extensions represent an attempt to capture a specific demographic (18-24 year olds), both Smirnoff and Absolut will need to pursue newly developed segments in order to insure survival in the industry.

**Cultural Influences on Product Management**

Both Smirnoff and Absolut, in developing a global penetration strategy, are forced to not only deal with competition from other vodka companies, they are also forced to deal with the prospect of substitute products. These products also are definitive of relevant competitors. The strategies employed have to deal with products that are not only cheaper locally but also to a greater extent ingrained in the local culture. These products include Soju in the South Korean market, Caipirinhas in the Brazilian market, Sake in the Japanese market and Tequila in the Mexican market. The marketer’s dilemma is how to create an effective globalization strategy where these competitive products exist. Some may believe that the antithesis of Cultural Relativism is at work here, where stereotypical judgments are placated upon specific nationalities based upon drink preferential. However, a recent Financial Times article indicates in one instance that a local drink manufacturer, South Korea’s Jinro Soju leads the spirits brand industry for the entire Global Market in 2001 with 55.7 million 9-liter cases sold. The second leading global spirits brand, Stolichnaya, sold only 54.5 million globally (Ward, 2002).

**INDUSTRY TRENDS**

**Demographic Environment**

**Population Growth and Aging:** The world’s population is expected to grow to 7.47 billion by 2015, compared to 5.63 billion in 1994 and 2.52 billion in 1950. Some 80 percent of the world’s population lives in the less-developed countries, where 95 percent of the increase in population takes place. Africa and Asia account for 90 percent of the increase. While Asia is expected to grow 40%, China and India will contribute to most of this increase. European population, however, is expected to decline over the next 30 years. The United States is the only major developed country projected for population increase. A common major trend is the aging of the world’s population caused primarily by declining mortality rate. The population of over-65 age group will increase substantially in the next 30 years. Households age 45 to 54 are the single most affluent segment. Another important global trend is the rapid shift in the populations of the less-developed countries from rural to urban. What this population trend implies is the future spirits market attractiveness in the segments of young to middle-class urban people and Asian and African regions.

**Growing Young Drinking Population:** As the world population is growing, young consumers are considered the major segment for all the alcoholic companies. The young generation tends to be more independent in valuing the benefits of product consumption. Most young people have been exposed to either alcoholic beverages or hard liquor ads in their teens. The impact of the alcoholic products and advertising messages has indirectly promoted young drinking, and, in turn, caused a few social and legal issues.
Socio-cultural and Psychographic Environment

The Evolution of Individual Values: The traditional society has been characterized by the values of hard work, thriftiness, and faith in others and institutions. However, a new social value has emerged. Instead of leaving the destiny of their countries in the hands of the elders and institutions, the young, particularly college students, collectively fought for what they perceived to be good causes. More recently, the younger generation (20 – 29 years of age), often referred to as Generation X, are concerned with simplifying their lives, with obtaining a college education, with their relations with their families and the opposite sex, and with the financial security. Some of their new values (especially in the Western societies) are: self-fulfillment ethic, better quality of life, blurring of sex roles, individualized definition of success, alternative families, self-reliance, growing sense of limits, and technology orientation. In this context, the alcohol product-delivering mood effects may include: “carefree and gaining”, “increased enjoyment”, “self-confidence”, “sexual/relationship success”, and “social success”.

The Evolution of Family Structure: The traditional husband-dominated, closely structured family becomes less noticeable worldwide. Children are becoming more autonomous and participate at an earlier age in many family decisions. Many women are more independently economically. There are some new lifestyles and new family values implied by single individuals, adults of the same sex living together, unmarried couples living together, single parent families, and married couples with children from the past marriage. The vodka industry has recognized this trend and focused on the marketing strategy for the fragmented segments.

Economic Environment

Drinking Option Diversification: The world economy is expanding and the average personal wealth is increasing worldwide. With the booming economy and increasing consumption capability, there seems a clear trend that people prefer to drink better rather than to drink more. An individual consumer now tends to choose a price, a color, a bottle, and a flavor of liquor to match his or her mood. The trend of consumers’ preferences may imply a need of consumer-oriented marketing strategy for the vodka industry.

International Trade Liberalization: Increasingly countries around the world have become more economically interdependent. Free-trade agreements have made the international trade in a more direct and easier fashion, such as European Union (EU), North American Free Trade Agreement (NAFTA), and World Trade Organization (WTO). Even China has to open its “virgin” alcohol market to the importers from all over the world.

Political/Legal Environment

Shaky TV Commercial Ban: Until now, the major TV networks, while happy to air million dollars’ worth of beer ads each year, have refused to air ads for presumably more dangerous hard liquor. The Distilled Spirits Council of the United States claimed the credit for keeping gin, scotch, vodka, and other products off TV by its self-imposed ban on TV advertising during the past five decades. However, what really kept the distilled products off most of TV is that very few broadcast stations, mostly weak stations in small markets, would accept such commercials. Following distillers’ intensive lobbying, both in Washington and with the networks, Diageo (the Smirnoff parent company) was able to buy airtime on NBC, promising four months of “drink responsibility” messages before moving on to product ads. Assuming that the other networks follow NBC’s lead, a sweeping shift of media dollars into TV commercials can be predicted. As a result, government leaders, regulators, and some public interest groups have proposed possible regulatory actions, placing all alcohol beverages under scrutiny and even threatening the broadcasters with possible loss of beer and wine advertising.

Concern of Drunk Driving: Drinking is part of our culture and responsible consumption of alcoholic beverages is socially accepted. However, alcoholic abuse can have negative consequences for both the personal health and the society as a whole. The serious problem being discussed nowadays is automobile accidents caused by drunken driving. The advocate groups, like Mother against Drunk Driving (MADD), have been lobbying to legislate stricter laws to prevent this problem. In turn, they advocate to putting more restrictions on the liquor companies and their products. This social-responsible movement will change the marketing strategies made by vodka makers.
Technological Environment

**Trends in Electronics/Telecommunications**: Electronics has played an important role in our society since 1950s. Probably nothing has changed our daily life more in recent years than the personal computer and the Internet. The developments of fiber-optic cables, storage devices, wireless transmission, and multimedia chips (microprocessors), are also changing the nature and scope of the telecommunication industry. These changes are revolutionizing how businesses operate, how goods and services as well as ideas are exchanged, and how individuals learn as well as interact with one another. Technological developments are having profound impact on all aspects of the marketing practice, including marketing communication (spirits ads on the Net or via e-mail), distribution (alcoholic products bought or sold on the Web), and marketing research (monitoring supermarket purchasing with scanners or Internet activity with digital “cookies”). It implies that vodka manufacturers need to catch up the e-commerce development.

Physical Environment

**Concern of Environmental Pollution**: Pollution problems exist throughout the world, especially in Eastern Europe, China, and the developing countries. A number of environment-conscious groups have advocated for manufacturing the “green” products and recyclable packages. The traditional glass bottles used in the spirits industry are under discussion for the replacement of alternative materials.

**Social Responsibility**: The world has put more social responsibility to the alcoholic firms. Several social and environmental organizations have advocated consumers to use the products caring for the environment and minimizing the impact on the environment. Vodka manufacturers, in this context, are required to deliver their marketing strategies and products reflecting this global environmental trend. Some companies have communicated in their ads about the negative effects of drinking abuse and young drinking.

**COMMON STRATEGIC DRIVERS**

Challenges in Mature Markets

Vodka industry is in the mature stage of the product life cycle where the market volume is fairly stabilized. The primary marketing objective of most competitors is simply to hold their existing customers – to sustain a meaningful competitive advantage that will ensure the customer satisfaction and brand loyalty – the means to maximize the product’s lifetime value. Thus, the financial success in the vodka industry depends heavily on the firm’s ability to achieve and sustain the lower cost manufacturing and better-perceived product quality.

Maintaining Competitive Advantage

Vodka defenders may initiate some product improvements or line extensions to protect and strengthen their position of existing markets, but they spend very little on new product R&D. They attempt to sustain a competitive advantage in establishing product markets through differentiation of their product offerings or maintaining a low-cost position.

**SOURCE OF COMPETITIVE ADVANTAGE**

Product Differentiation

Most vodka manufacturers attempt to differentiate their product offerings by line extensions and superior product quality. Through the improvements of product quality and a wide variety of flavors, the competitors try to increase their brand’s quality reputation – the perceived value that customers associate with a particular brand name or a logo.

Low-Cost Position

The most common strategy to maintain a competitive advantage sought by vodka makers is achieving and sustaining a low-cost position. A firm does not necessarily need a large market share to implement a low-cost strategy. Among others, some of the common cost-cutting methods are cheaper raw materials, innovative production processes, low-cost distribution, and reductions in overhead.
International Strategic Alliance

Consolidation within the international alcohol industry has become a common trend. Medium-sized companies are seeking collaboration to be able to compete for sales with large chains with the leading companies. The major vodka companies often gain influence and control over distribution as well.

TYPICAL COMPETITIVE BATTLE

Maintaining Current Market Share

The vodka companies always strive to maximize the flow of profits over the remaining life of the product-market. Thus, the most critical marketing objective is to maintain and protect the current market share. The defense strategy involves two sets of marketing actions: those aimed at improving customer satisfaction and brand loyalty, and those intended to encourage repeat purchasing. Also, as the spirits markets become more fragmented nowadays, share leaders tend to have to expand their product lines to protect their positions against competitive forces. Small-share competitors, on the other hand, often avoid prolonged direct confrontations with large-share leaders and focus on a niche market, such as Smirnoff Ice offering a different flavor in the segment.

Extending Volume Growth

The vodka makers might employ several different marketing strategies, either singly or in combination, to squeeze additional sales volume: 1) The increased penetration strategy intends to increase the proportion of vodka drinkers by converting current nondrinkers of their products. 2) The extended use strategy tends to increase the amount of vodka consumed by the average consumers by increasing the drinking frequency or developing varied ways to easily access to the products. 3) The market expansion strategy will expand the number of potential customers by targeting underdeveloped geographic segments.

GLOBALIZATION POTENTIAL

Clear Expansion Path

For firms like vodka companies, with leading positions in mature domestic markets, less-developed markets in foreign countries often present the most viable opportunities for geographic expansion. A variety of ways, from relying on import agents to developing joint ventures to establishing wholly owned subsidiaries, are prevalingly applied by vodka makers. There is a common expansion path followed by most successful vodka companies – moving from home countries to developed countries to less-developed nations. This routing enables them to reduce manufacturing costs and gain marketing experience. In penetrating the U.S. market, the foreign vodka firms obtain further economies of scale and gained recognition for their products, which in turn will make penetration in other regions easier.

Prospective Global Markets

As disposable incomes and discretionary expenditures are growing in the countries of Latin America, Asia, and Africa, their markets appear promising future growth opportunities. With the success in the developed markets, such as the U.S. and Western Europe, vodka firms are fairly easier to establish their “world brands” in the developing and less-developed countries. With a globalization strategy in product standardization, vodka producers need to conduct broad market research of local preferences and establish appropriate product/country portfolios.

CONCLUSION

The vodka industry is in a revitalized phase despite the assertions by most analysts that it is in the mature phase of its product life cycle. The fact that Alcopops and FABs are bringing younger consumers into an industry that has long been defined as one serving an older sophisticated clientele base indicates how dynamic this industry has become within the last several years. Vodka still remains the number one selling distilled spirit accounting for one-quarter of the sales
in the industry and despite the pressures from substitute products, including beer and local (cultural) drink specialties, and competitive pressures from within the industry, vodka manufacturers continue to serve the needs of its consumers. In order to maintain its exiting dominance, vodka companies must persevere in further fragmenting the market in order to meet the needs of all of its consumers. There are visible gaps where these focuses are not being addressed, as mentioned in the previous section. More importantly, defining new niche segments, like Health and Energy-based vodkas, creates segments where these weaknesses in coverage can be minimized. Finally, the impact of cocooning (“a phenomenon where consumers who normally would have gone out for a night on the town decide to stay at home, where it’s safer and cheaper-to drink”) is evident in the industry (Hein, 2001). The future for the industry represents golden opportunities for those firms that can effectively maintain market share in this vastly competitive environment. The basic philosophy for the brand has been consistent throughout decades. Absolut still maintains the same business concept it held in the past: To offer the consumers a Swedish produced vodka of highest quality with high level of communication at a premium price. Today, Absolut vodka is still distilled and bottled in Ahus, a small southern town of Sweden. Future competitive prospects and expectations encourage the firms through extrapolation to focus on developing segments and markets in order to establish new niche products.

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