

clear differences

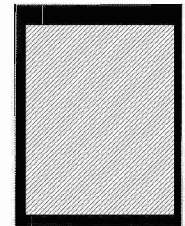
IN A MATURING MARKET, CONSIDER BALANCE WHEN BUILDING YOUR VODKA SELECTION

BY JEFFERY LINDENMUTH

Rumors of the death of vodka have been greatly exaggerated. In an April 23rd story in the *Wall St. Journal*, Eric Felton dubbed vodka as passé, citing the decline of vodka cocktails in *Food & Wine* magazine's latest cocktail recipe edition, *Cocktails '09*. Indeed, many cocktail cognoscenti have been attempting to vanquish vodka for years, berating it as overpriced, flavorless and a backbar bully to their preferred spirits. However, not everyone got the memo. Vodka remains the most consumed spirit in America, with 28% of total spirits sales by volume in 2008 according to the Distilled Spirits Council of the United States (DISCUS).

The landscape of this monolithic white spirit has changed dramatically over the past decade. After making significant gains across all price points for five years in a row, vodka stumbled slightly in 2008. According to DISCUS, sales of high-end premium and super-premium vodka, where 750 ML of this odorless, colorless and flavorless spirit can fetch as much as \$70, actually dipped. While the lucrative super-premium segment grew in excess of 27% just two years earlier, achieving a five-year growth of 138.9%, it turned negative in 2008. Value- and premium-priced vodka posted modest growth.

1 differences that matter
No, vodka is not dead, but it has matured. Fortunately it's also left some childish ways behind. While marketers once focused on numbers of distillations and filtrations, points that were sometimes difficult to quantify, the good news is that many vodkas now have differences worth talking about. Because vodka can be produced so quickly and affordably, it is in a unique position to respond to current market trends faster than any other spirit.





With its narrow flavor profile, the growing diversity among vodka brands means new opportunities for smart retailers. The key to selling vodka is not to carry every brand, but to assemble a manageable collection of quality products with meaningful differences that you can relate to customers.

"I think that consumers are starting to expect more diversity in the vodka category," says Gus McShane, bar manager at Copa d'Oro, in Santa Monica, which specializes in market fresh cocktails. While Copa d'Oro limits their selection to just 10 vodkas, McShane says, "I was quite surprised that you don't have to do a lot of explaining to encourage people to try a new brand, or to trade them up. They want to be the ones who discover something new, and there are a lot of opportunities to do so with vodka."

So forgetting about fancy filtration and dozens of distillations, what are some of the attributes that motivate consumers in purchasing a vodka?

the icons

With years of consistency and effective brand development, a few vodkas enjoy the privilege of being asked for by name. Depending on the type of establishment you operate, it may be necessary to stock one—or all—of the vodkas that are common call brands. "We're a great bar on top of a great restaurant, and we host hundreds of people every weekend. So, Grey Goose, Belvedere, Stolichnaya, Absolut and Ketel One are necessities for us," says Adam Hodak, bartender at Osteria Marco in Denver. "They all get requested and having them is part of good hospitality," he adds. Hodak says he has no difficulty introducing bar customers to vodkas outside of his top call brands, and therefore adds a good variety of boutique brands and micro-distillers to the mix.

According to Andrey Skurikhin, co-owner and shareholder in Stolichnaya, the proliferation of brands and category growth in vodka has been a good thing for his iconic brand: "Stoli has been in the U.S. since 1946, and it's seen all the storms of the markets and of politics. It has a resilient character. Competition makes us more creative and forces us to be more relevant and not to age with our old drinkers. Competition is a very positive thing."

"When we first opened we did not have any of the major brands, but after people asked for Grey Goose and Ketel

the producers of Blue Ice Vodka, have just introduced their USDA-certified Blue Ice Organic Wheat Vodka, made from Idaho winter wheat. "Our first inclination was to go with an organic potato distillate," says Kevin Egan, vice president of sales and marketing for 21st Century Spirits. "However, there are nearly 400,000 acres of Russet potatoes in Idaho, and of those, about 400 are organic. There are just not enough organic potatoes." In order to retain their Idaho heritage 21st Century decided on certified organic Idaho wheat.

Priced \$29.99 at retail, Blue Ice Organic Wheat Vodka carries a premium price over the origi-



nal Blue Ice, which retails around \$19.99. "I think the consumer is very aware of organic and keyed into the price difference. They are accustomed to seeing an organic avocado priced at \$2.50 instead of 89¢. However, I am not so sure the retailers are aware. Ironically, it's actually a harder sell to the trade, than it is to the consumer," says Egan.

Prairie Organic Vodka, from Ed Phillips & Sons Co., is made from organic Minnesota corn and also certified kosher, but according to Dean Phillips, president and CEO of Phillips Distilling Company, the story is deeper than a few keywords can relate.



going green

With a rapid turnaround for product creation, vodka has reacted quickly to the sudden passion for all things green. Among several new organic products and line extensions, 21st Century Spirits,



Above: 360 Vodka's eco advertisement
 Below: Prairie Vodka's approach to organics is modern



"To say 'organic' speaks to a small subset of consumers right now. Incredibly, we are shipping as much Prairie overseas as we are in the U.S., because in Europe they are much more progressive in regards to community and sustainability. It is going to take some time here," says Phillips.

While not organic, 360 Vodka from McCormick takes the green message even further, with an aggressive recycling program, a commitment to purchase renewable energy credits to offset their carbon footprint and an effort to plant trees in the 40 acres of land surrounding the distillery. The vodka's entire package is produced from recycled material, and all the paper is chlorine-free. These are all things that matter to consumers, as their impressive growth illustrates.

And, proof that organic can be stylishly sexy, is the Russian organic brand, Snow Queen Vodka. Picking up steam in the U.S. after winning big at the San Francisco World Spirits Competition, Snow Queen is made with organic wheat and pure spring water from the foothills of the Himalayas.

3 look locally

Some of the most buzzed about vodka brands of the moment are smaller local brands, and the forefather of the movement in terms of vodka is Tito Beveridge, who created Texas' first legal distillery, producers of Tito's Handmade Vodka, in 1997.

"With regards to being from Texas, being a pot still vodka and being made from corn, Tito's has a lot of points of difference that are easy to explain to people," says McShane. "I think other spirits companies and brands have done a very good job of educating consumers, so they know what a pot still is and that it makes a difference. Customers are very receptive to a vodka from a small company." In addition to Tito's, McShane offers Hangar One made in Alameda, CA.

While Tito's enjoys almost honorary local status at small bars across the U.S., this entrepreneurial vodka has also inspired other backyard brands that are successfully cultivating similar local allegiance. "We



wanted to create a great vodka locally and we are very much following the Tito playbook, focusing on our local market and keeping the brand authentic and fun," says Andrew Auwerda, president of Philadelphia Distilling, which has introduced Penn 1681 Rye Vodka in its home state of Pennsylvania, as well as nearby New Jersey and Delaware.

While Penn uses organic rye grain, the core message is that of a local product, with a front label that states, "Handcrafted in Pennsylvania." "The rye comes from four different farms within 200 miles of our distillery, and the fact that we use a locally grown crop is intended as our biggest point of difference," says Auwerda.

At Osteria Marco, in Denver, bartender Adam Hodak does his finest hand-sell on Silver Tree Vodka, made in nearby Commerce City, CO, while also offering Goat Vodka, made by Peach Street Distillery in Palisade, CO. "This has resulted in converting many of our guests into purely Silver Tree drinkers. Small distilleries and many local producers can't afford to advertise, so they rely on the strength of the product and establishing advocates, like informed bartenders," he says.

From Long Island's LiV, (rhymes with "five") to Maine's Cold River vodka, the ease of producing vodka makes it a favorite entry product for a growing number of small distillers.

4 raw materials

Vodka can be made from almost anything: wheat, rye, corn, even grapes (used for Citroc Vodka), have been distilled into vodka, so it's a good idea to add variety of raw materials to your vodka line-up. Ironically, a very traditional material is the most often overlooked in many vodka selections: potatoes. "Right now we have 217 vodkas from around the world, and only four are made from potatoes. My favorite is Christiania, a potato vodka out of Norway," says Aaron Harmych, bar manager of Red Square at Mandalay Bay in Las Vegas. While only about 3% of vodkas are made from potatoes, many bartenders, including McShane, say potato vodka is the type most often requested by customers, possibly because many want to avoid the gluten that they associate with wheat products.

In developing a new super-premium potato vodka, Karlsson's Gold from Sweden, Peter Ekelund, CEO and chairman, decided to treat the potatoes more like wine grapes, focusing on separate distillates from 20 different potato varieties. "Fifteen tasted about the same, two tasted awful and the



remaining three were interesting, with different characters, so that is where we concentrated our effort," says Ekelund.

Ekelund is seeking to carve a unique niche, even among a small handful of potato vodkas, including larger brands like Poland's Chopin and 42Below from New Zealand. "The vodka market has an advantage in that it is so big and offers many choices. There is a trend where all the big city bars have the same products. Vodka provides an area for restaurants and retailers who want to differentiate. There is a new type of consumer, and

whether they are seeking a microbrew, or a biodynamic wine or unique vodka, they are in search of brands that are not in every airport lounge. There is an opportunity there," says Ekelund.

Other producers are starting to promote the value of their base ingredients. Finlandia swears by the purity of their "six row" barley, which is pesticide-free, thanks to Finland's phenomenally cold winters which kills all bugs, and Russian Standard's Imperia—the number one super-premium vodka in its native Russia—adver-



tises the superiority of its "winter wheat" a heartier, more flavorful variety. Russian Standard Gold uses carefully selected Siberian ginseng extract, while Russian Standard Platinum uses silver filters to further refine the purity of the product, and the specially treated smoky bottle helps keep the vodka cool.

It is wheat from Northern France that yields the finest vodka, according to the team behind Emperor vodkas—a lineup which includes distinct bottlings: Emperor, Winter Palace, Versailles and Imperial Collection.

The renewed interest in rye—which is happening in the world of brown spirits as well—is fueling growth for several new-ish brands, such as Poland's Select Vodka. Created by Daniel Olech with the aim of offering "a superior vodka at a non-luxurious price" it is one of the fastest-growing imported vodkas, according to Nielsen. Sobieski Vodka—which proudly shuns marketing gimmicks or fancy packaging—is another well-priced rye from Poland. Diamond Standard Vodka is Polish rye, though at a considerably higher price point—an ultra-luxury offering, owing to its unique production and filtration system.

Others are adamant the secret lies in blending. Ultimat Vodka from Poland, now under the helm of Patrón Spirits Company, uses a combination of wheat, rye and potato to craft their spirit, a process which they believe creates a vodka with greater flavor complexity.



the flavor edge



Ginger, Chocolate and Wild Cherry. Van Gogh Vodka, known for its diversity of flavors, aims for the sweet tooth with the release of its Dutch Caramel flavor.



These unique introductions aside, the fruit flavors still dominate the flavor segment, as many recent line extensions attest: Absolut unveiled Mango, Pinnacle premiered Root Beer; SKYY Infusions just released Pineapple; Seagrams came out with Wild Grape; and Three Olives added Three-O Bubble, a dynamic fusion of classic fruit flavors, to their line of 16 flavors that includes Three-O Cherry, Three-O Grape and Three-O Triple Shot Espresso. For summer sipping, UV Vodka has created a citrus trio of UV Blue Raspberry Lemonade, UV Cherry Lemonade and UV Lemonade flavors. Belvedere Vodka launched its newest, Black Raspberry, in May; while Smirnoff recently expanded with Pomegranate and Melon and is launching Smirnoff Pear and Pineapple this summer. Burnett's, one of the larger players in the flavor category, recently added Pink Lemonade as its 19th flavor, proving that the flavor category is keeping pace with the curious consumer.

Just as the vodka market has matured, so has its flavor segment, with an array of intriguing new offerings that are anything but ordinary. Sonnema VodkaHerb, the herb-infused grain vodka from Holland, is inspired by the gin recipe from the 1800s (Holland, incidentally, is the birthplace of gin) and is aimed at a more sophisticated palate. Nemiroff Premium, the Ukrainian vodka, brought their Honey Pepper flavor to the U.S. market; it is an unusually delicious vodka infused with flower-flavored buckwheat honey, herbs and chili pepper. The Polish brand, Alchemia, has built its identity around its distinctive flavor lineup, which includes



5 packaging and marketing still matter

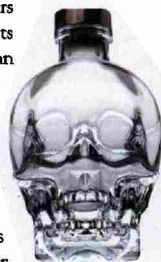
While quality of what's in the bottle may matter more than ever, there is no getting around the fact that the vodka category is still very driven by marketing creativity. For years running, Svedka remains the fastest-growing vodka in the world, due in no small part to their innovative futuristic advertising campaign, recently complemented by a cyber campaign. McCormick Distilling Company has focused on design

and convenience for its McCormick Vodka, offering the market's first lightweight plastic bottle with a built-in handle. Likewise, Iceberg Vodka's bottles were custom-made, designed and shaped to look like a piece of a North Atlantic iceberg. Its flat side makes it simple to store in a refrigerator or freezer.

Then there is the category's most talked-about newcomer, Crystal Head Vodka, the latest project from Dan Aykroyd. With an appealing flavor profile, thanks to Newfoundland's pure water, and an intriguing story (it was inspired by 13 mysterious crystal heads found around the planet throughout history) what catches the con-

sumer eye is the stunning package: an accurate glass rendering of the human skull.

The hundreds of vodka brands of the gold rush years may have seemed overwhelming to many restaurants and retailers already short on shelf space, but this spirits category is more dynamic and diverse than ever. Consider how each brand you embrace fits into your overall picture in terms of price and quality, as well as distinct attributes that hold appeal for your customers. With so much variety available, today's bounty of interesting vodkas is a great way to customize your spirits selection, increasing customer interaction and sales in the process. ■



Crystal Head Vodka



something sweet from down south

One of the newest vodka trends hails from down South. Sweet Tea, brewed iced black tea with liberal amounts of sugar, has long been part of the region's identity and is quickly becoming one of the hottest new flavors in vodka, both above and below the Mason-Dixon Line.

"It's a simple idea for the South," explains Scott Newitt, one of the founders of **FireFly Sweet Tea Vodka**. "Sweet tea has been around in the South since the 1860s and is probably the largest selling beverage in the region." Growing up in Louisiana, Newitt was raised sipping the region's signature drink. Years later, while producing vodka on Wadmalaw Island in South Carolina, he saw its potential as a flavor for vodka. "We had the only tea plantation in



North America just down the road from our distillery, so it seemed like an obvious choice," he says. A few years later, on tax day 2008, Newitt and his partner, Jim Irvin, launched FireFly, the first sweet tea vodka on the American market.

Another newcomer in the growing category is Jeremiah Weed. Known historically for its bourbon liqueur produced in Weed, KY, the group decided that sweet tea vodka would be a perfect fit for the brand. In May, the group launched its 70-proof **Jeremiah Weed Southern Style Sweet Tea Vodka**. "We saw the interest coming from the on-premise with people drinking cocktails like the "Ice

Pick" which is vodka and sweet tea," explains Judd Zusel, innovation director for Jeremiah Weed. "Now consumers can enjoy these drinks at home."

As a beverage, sweet tea expanded nationally thanks to brands such as Arizona Beverage Company and McDonalds, who now offers the drink nationally. The popularity of the drink is being reflected in bar menus across the country. Many people enjoy sweet tea vodkas on the rocks, with lemonade or with other flavored iced teas. Most of the brands have added flavors to replicate these cocktails. **Hound Dog Sweet Tea Vodka** offers raspberry, peach and

lemonade flavors, while **Sweet Carolina Sweet Tea Vodka** offers a mint flavor. Jeremiah Weed has expanded its offerings with Country Peach Sweet Tea, Sweet Tea with a Hint of Real Bourbon, and most recently, a ready-to-drink cocktail that combines sweet tea vodka and lemonade.

Other brands on the market include **Low Country Sweet Tea Vodka**, **Dukes**, **Teaka Sweet Tea Vodka** and **Burnett's** from Heaven Hill Distilleries, which recently added its Sweet Tea Vodka as its 18th flavor.

Mix 1 1/2 oz. Jeremiah Weed Sweet Tea Flavored Vodka with lemonade over ice. Garnish with lemon.

