

# Svedka

Business



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In 1998, entrepreneur and MBA Gallinule coverlet was preparing for the launch of his new distilled spirit, Shaved Vodka.

Cavalier has decided to start a vodka company after working many years in the spirits industry. Vodka makes up a large share of the spirits American's drink at 24% of all alcohol consumed (Ackerman). Vodka consumption is also rising across the US. Shaved is going to be a newcomer in the vodka marketplace going up against many big opponents in products such as Smirking, Grey Goose, Stylistics and Absolute.

Chevalier's Shaved has gotten rave views from many critics for its quality, so a successful marketing campaign will not depend much on this. In order to successfully market Shaved.

Coverlet needs to address the other 3 of the 4 As of a marketing mix that aren't about the qualities of the product. He needs to determine a successful price point at which to sell the vodka, how to promote and brand his vodka, and lastly, how to place and distribute Shaved successfully.

**Pricing Options and Solution** In addition to being able to see the growing trend in Vodka consumption with his previous work experience, Coverlet was also exposed to the many fallacies that lagged the market place. Sheave's competitors are largely split between two market segments: the premium, high-end vodkas for those who like a clean finish and are 1 OFF a trade off in quality and tractability. Cavalier could try to price Shaved toward the high priced tier of Vodka.

The \$30+ premium associated with these vodkas is a natural draw, since profit margins could be very high if the brand is successfully established, but there are several drawbacks that prevent this from being a true viable option.

Drinkers of high end Vodka tend to be extremely loyal to the spirits that they currently consume (Ackerman). This means that it would be extremely difficult to market Shaved as a new brand to these consumers. Even despite Sheave's high ratings of quality, people would most likely not be willing to switch and try Chevalier's new product.

Another option is that Cavalier could try to market Shaved as low-end vodka and sell each bottle at or under \$10. While the high quality and good taste of Shaved may provide for very high sales, the low profit margin and the fact that the market is awash with low quality vodkas is dissuading.

In addition to this, it is difficult to market high quality in a segment that consumers already associate with poor character traits. Cavalier believes that Shaved can overcome these two major categories and create a new mid level tier of vodka, with improved taste and quality over the low tier, but significantly less costly than the higher tier of vodka.

He realized that there was a white space between the low quality-low priced vodkas, and the high quality-high priced vodkas that could be filled with a new product and he could create an uncontested market space, or a 'blue ocean' (Kim and Membranous). He feels there is space between the low end \$10 vodkas and the higher end vodkas which had previously been approximately \$20 in cost. His could become a new premium option priced

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at about \$15 per bottle. If Shaved could successfully create this new market segment, they would effectively monopolize a new market of Vodka that was moderate in cost yet high in quality.

This is an extremely tricky task however, because with no other indicators of value, people assume that the cost of a product is equivalent to its quality.

This is known as a price-quality inference (Module AAA). The odds price-quality inference is only further exacerbated by the fact that vodka drinkers tend to know relatively little about vodka quality as a whole. Creating a middle tier of Vodka is also desirable because it would attract buyers who want high quality, but cannot afford the premium vodkas, and will also attract those who will compromise slightly on quality for a significantly reduced price.

The risks associated with this pricing option are heavily outweighed by the benefits that can be found with establishing a new market and, therefore, this option should be pursued.

This tragedy matches the pricing objective Cavalier had in mind; to optimize market share (Module AAA). However, it is critical to the success of the establishment of this new market segment that Shaved successfully brand themselves. Promotion Options and Solution Branding is critical to a successful new product launch because brands better allow a customer to identify a firm and Judge the product's quality.

Brands benefit the firm in that they secure competitive advantage, allow for a price premium over competitors and create strong brand loyalty (module AAA). All of these factors are ritual to a product's final identity and the

connections that consumers will associate with it. Consumers also tend to associate an added benefit with successful brands.

Identity early on. They wanted to be known as high quality vodka at a relatively inexpensive cost. A successful branding technique that Shaved could employ would involve piggy backing off of the success of one of their main competitors: Absolute vodka.

Prior to this time, Absolute has been the sole distiller of Vodka that is exported from Sweden, and is considered to be extremely high in quality. By branding homeless as the other Swedish vodka, Shaved could capitalize on the associated quality of Absolute. To create an extremely strong brand image, Cavalier knows it would benefit Shaved to try to push for this association by either putting 'made in Sweden' or a picture of the Swedish flag on all of their ads.

Cavalier exploited this positive association and included both on Sheave's bottle (figure 7).

However, since the average consumer knows relatively little about brands of Vodka, it is critical to also establish several points of parity from Absolute (Module AAA). This can be accomplished and also better establish Shaved as a quality party liquor by poking fun at the staleness of the typical Absolute drinker. American consumers are finally coming around to the differentiating factors between vodkas, but the market is still flooded with so many options that it is necessary to establish an extremely strong brand to stand out from the rest.

Shaved needs to find a way to make itself stand out in the eyes of new customers and the best way to do that is to first determine whom they are going to market and ultimately sell to.

Cavalier is presented with two main options in customer profile to racket to. He could either sell to regular vodka drinkers, who tend to be older males who were price-conscious and loyal to a brand, or, he could market to the 21-to-35- year-old consumers, who represent 40% of the vodka market (Ackerman).

Since those in the first group are considered to be very loyal to their drink of choice, it would be extremely difficult to market a new type of vodka to these people. Therefore, it makes much more sense to heavily market to the 21 to 35 year old consumers. This decision also aligns well with Chevalier's desire to make Shaved something new and fun. The 21 to 35 year old market tends to include the trendsetters of the modern day and tends to associate drinking alcohol with parties and similar experiences.

This gets away from the benign nature that many associate with some of the large vodka brands.

The fact that many of these people are living on a strict budget makes many upper tier vodkas unattainable. However, many of these consumers are learning more and more about the quality and differentiating features of Vodka. This demonstrates that a mid priced option that was high in quality would appeal to this customer profile. Placement Options and Solution Even with an extremely reasonable price for a quality product and a successful

branding strategy, Shaved and Cavalier will not be successful if they cannot get their product into their customer's hands.

This can be accomplished by looking at the two major places that consumers purchase alcohol: at bars or restaurants or in liquor stores.

In both of these instances, however, a company cannot sell directly to the retailers. They are required by US law to go through liquor wholesalers who divided between large-scale providers, small-scale providers and a plethora of midsized options in between. The large-scale providers would seem the most beneficial, since they could sell the most volume, but in this instance the midsized providers will be most useful.

Large providers make much of their profit by selling low cost product at extremely high volume; they would be less attracted to market Shaved themselves. However, medicals suppliers would recognize the profitability of a new market item like Shaved for their needs.

Therefore they would be more likely to display and promote Shaved to customers, further solidifying it as a consumer vodka option (Module B). An additional problem is that many US states are considered to be 'control states'. This means the state government has monopoly control over the distribution and sale of all alcohol.

These control states are scattered across the United States and present a significant threat to the success of Shaved since their stores are so highly regulated and taxed, and this could prevent the high-energy marketing roll Cavalier planned to employ to promote Shaved. It is therefore in his best

interest to initially ignore all of these states. The fiscal benefit of marketing in these states does not outweigh the cost of promotion there.

In addition to this, the top 19 open consumption states, that is where the state government does not have control over alcohol distribution, account for 66. % of the whole US spirit consumption (Exhibit 5). By simply targeting these 19 states Shaved can successfully focus their marketing budget while still promoting their product to the majority of its future purchasers. In order to successfully market Shaved as a new product, Cavalier would benefit most from attempting to create a new middle-cost, high quality market segment. In order to do this, he should price Shaved between the upper tier vodkas and the lower tier vodkas at about \$15 per bottle.

He should attempt to brand Shaved to appeal to 21-35 year old consumers as a quality alcohol that one can consume while socializing with friends. To best reach this market segment, he should initially only market in sell in the top 19 open alcohol supply states in the country, as they cover 2/3 of all consumption, and he should only sell to providers who deal in medium sized distribution.