

# Situation analysis for 42below feijoa vodka marketing essay

Food & Diet



42 Below Vodka which is the worlds most awarded vodka according to its website is one of New Zealands most recognized alcohol exports to the world. 42 BELOW Limited, is a drinks manufacturing company based in downtown Auckland, New Zealand. Their foremost product is the vodka 42 BELOW, the gin South Gin, as well as 420 spring water (which is sparkling mineral water) and the cheaper brand of Stil Vodka (Wikipedia, 2012).

42 Below is made from genetic engineering-free wheat. The name also refers to the southern latitude where the product is manufactured just north of Wellington on New Zealand's 42nd parallel and it is also a reference to the 42% alcohol content of the beverage.

The specific product that will be the focus of this assignment is the 42 Below Feijoa Vodka which is made with the feijoa, a native New Zealand fruit, and has 42% alcohol content. It also has the hint of guavas and pineapple as well and is a relatively new product for the company.

Vodkas are considered to be spirits that are principally neutral that is, "without distinctive character, aroma, taste or colour" (MediaWiki, 2012). Nevertheless, buyers do distinguish between them according to taste, alcohol content, and most notably, price.

The target market for this product: 42 Below Feijoa (referred to in this report as Feijoa) will be the youth and this product will especially be marketed with a 'kiwi-culture' concept to those with a patriotic streak. A price of around \$37. 99- \$42. 99 puts this vodka in the mid-price range which will also be a plus.

42 Below undertook a preliminary public tender of shares and warrants in 2003. On 27 September 2006 the firm received a takeover offer of \$0.77/share from Bacardi Ltd , which expanded the value of the business to NZ\$138 million. Bacardi looked at 42Below as a fledgling company but with much long-term growth potential in the international market. The takeover was victorious and 42 BELOW Limited is now completely owned by the Bacardi group.

## **Market of interest, trends and size**

Market of interest: The New Zealand vodka market is currently saturated with a variety of products but 42 Below Vodka is a brand that has immense local brand awareness. In the language of Kiwidom, 42 Below is world famous in New Zealand. To capture market allocation, 42 Below Vodka has had to establish and cultivate a strong brand-name. This report discusses the introduction of Feijoa to Kiwis (here and abroad) and the best ways to achieve profitable sales. Feijoa is out to recapture Kiwis who are patriotic and always crave for a taste of New Zealand beginning with those who are in the country and continuing abroad.

Trends and size of the market: Statistics New Zealand records that the volume of spirits (containing more than 23 percent alcohol) increased 217,000 litres (1.7percent) to 13 million litres in 2011 and according to them vodka sales were up 9% in popularity. This shows that the market size for Vodka in New Zealand is substantial and that the trend of the spirit market, especially that of vodka, is that it has continually increased in size. This also

reiterates that the demand for vodka and vodka based products is going from strength to strength in New Zealand.

## **External environment impacts**

Analyzing the environmental aspects is advantageous for comprehending how the present trends and developments could influence the promotional plan of our product. It is very important to keep up with the trends in the market to gain a competitive edge over our rival companies. Some of the current trends in the external environment and how these could affect our marketing plan are listed below.

### **Social Networking**

One of the key trends in society today is the use of social networking. It is vital for our company to create and manage a Twitter Account as well as a Facebook page, which will permit current and potential consumers of our products to keep in touch with the company, ask questions and keep up-to-date on all our company and product promotions. A campaign that uses promotions, contests and other creative ideas on Facebook will allow Feijoa to have a higher level of input from and better communication with the consumer. These channels can also be used to maintain a high standard of our product with the consumers.

### **Online Websites**

Online Websites are also great place for buyers to gather information regarding products on sale. It is therefore essential that our company has a technologically advanced and informational website about our products and

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the company. Consumers should be able to query about our product, locate information and buy said items using our website. We will look at upgrading our current website to this level: [http://www. 42below. com/](http://www.42below.com/)

### Corporate Social Responsibility

“ Corporate Social Responsibility (CSR) is the responsibility of an organization for the impacts of its decisions and activities on society, the environment and its own prosperity.” (MPI, 2012) it is seen as trendy for alcohol-based companies to integrate CSR into its advertising. At present, companies try to communicate messages like: “ Drink responsibly” and “ You don’t want to spoil a great party”. A company “ sees it as its responsibility to inform consumers about responsible alcohol consumption”. (ECMAM, 2009). Feijoa has plans to incorporate CSR into our promotions activity because it is important for any alcohol selling company to notify customers that it is fundamental to drink responsibly.

### Green Image

The idea of ‘ going green’ is very popular in today’s society. The ‘ buzz’ today is to try and protect our planet and her resources. Integrating the idea of ‘ being green’ in our marketing can be very advantageous in getting customers to buy our product. For our company to exploit this trend, we will advertise about the green aspects of our manufacturing and bottling process. Our company can also donate funds to green causes for every bottle of Feijoa bought.

## **Competition Analysis**

An analysis of the current competition for 42 Below Feijoa Vodka, centered on the 3 most popular vodkas sold in New Zealand today, is presented. Using SWOT analyses, the identifiable weaknesses and strengths of Feijoa in the light of this competition has been examined. Key threats and key opportunities have also been identified.

## **Current Situation**

42 Below Vodka is a well known brand in New Zealand. It is, as they say, 'world famous' in New Zealand. Made in the Wellington using the pure softness of New Zealand sparkling water, 42 Below Vodka has fashioned itself as a popular brand of vodka in New Zealand and abroad. 42 Below Vodka's current goal is to expand its vodka range and offering customers first-rate feijoa based vodka at an affordable price.

Feijoa plans to target the higher class youth market consisting of high-end nightclubs, hotels, and restaurants plus the demographic that frequents these enterprises: youthful professionals, younger professional people, and others with an prosperous standard of living.

## **Problem Identification**

The fundamental problem that Feijoa faces is entering into an already overcrowded New Zealand market with absolutely no taste awareness for a feijoa based alcoholic beverage. A strategic plan for acquiring considerable market share is crucial.

## **Opportunity**

Because 42 Below Feijoa is entering an entirely innovative niche in the market, it has the prospect of building everything from square one including: image, a name for the product, and strategies to market the product.

The first thing we need to do is create a brand image for Feijoa whereby it will begin to establish a connection with its target audience. The branding aim is to position Feijoa foremost in the minds of its target consumers whenever they think of buying highest quality pure vodka for their businesses, special events, parties and getaways.

Feijoa will also need to develop an exceptional and continuing image of this vodka for targeted consumers. For example, another vodka distributed in New Zealand, Absolut Vodka, has a website that can attract and grip the attention of even a teetotaler, because the imagery and list of possibilities on their website are so compelling. Feijoa needs to develop an image that will boost our product's status value and impression and enthralls its target market.

Feijoa will have to implement clever marketing strategies in order to activate and propagate such a mesmerizing image for its product,

## **Situation Analysis**

42 Below Feijoa Vodka is entering into a completely new market segment under flavored vodkas where the targeted consumers already have preferences when it comes to buying vodka. Thus, it is necessary to carry out a SWOT analysis of both 42 Below Feijoa and the competition so that the

company can obtain a lucid view of this new environment. An industry analysis will help Feijoa to create the precise brand awareness for its own vodka and to understand the nature of its competing products.

There are currently many brands of flavoured vodka in New Zealand liquor stores. Its popularity can be attributed mainly to its neutral flavour and adaptability as a mixer. Many vodkas are reasonably priced and are intended to be mixed with other drinks like orange juice or apple cider or mixed in Bloody Marys, martinis and other cocktails. Other brands of vodka are dearer and drunk ice-cold, either straight-up (neat) or on-the-rocks (on ice).

Flavoured vodkas are well liked. 42 Below Feijoa Vodka has impending competition from a wide range of pre-existing flavoured vodka products in its selected environment. Feijoa will understand how to best penetrate its new market after carrying out a full examination of its competitors.

## **Competitor Analysis**

Vodka is usually distilled from rye and wheat grains or from beets or potatoes. After distillation, charcoal is usually used to filter the vodka. The more one distils and filters vodka, the clearer and purer its taste becomes. Therefore, the expensive vodkas are usually those that have been distilled and filtered numerous times. Vodka needs to be diluted before it is packaged as it has a very high percentage of ethanol, usually 95-96% (Wikipedia, 2012).

Vodkas are considered to be spirits that are principally neutral that is, “without distinctive character, aroma, taste or colour” (MediaWiki, 2012).

Nevertheless, buyers do distinguish between them according to taste,

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alcohol content, and most notably, price. There are three broad categories of flavoured vodka in relation to cost and it is useful to 42 Below Vodka to see where its product is positioned.

Feijoa has completed an environmental scan of three price ranges of flavoured vodka in Auckland – lower range, mid range and premium priced. To best understand the competitive environment, three of the most popular flavoured vodkas from different price categories have been identified for SWOT analysis.

Lower cost range: Vodka Cruiser

Mid cost range: Absolut

Premium cost range: Grey Goose

The subsequent discussion and charts discuss the results of this analysis for Cruiser, Absolut and Grey Goose.

## **Internal environment impacts**

### **Financial Analysis**

In 2003 42 Below vodka was being distilled in a garage in Wellington. Now the spirits firm is New Zealand's most exponentially growing listed company and has just been taken over by U. S. alcoholic beverage giants, Bacardi who paid NZ\$138m (US\$91m) for it.

“ Just as impressive as the growth in revenue, which increased

by 2, 116% over the last two years, is where 42 Below vodka

is being sold. The company's markets are the US, the UK, Australia, and New Zealand – in that order. (iStart, 2007).

## **Internal Organisation and Structure**

Bacardi Limited is the company that has bought out 42 Below in 2006 and has made 42 Below its irreverent completely out there vodka for those who want to do things differently. The board of Bacardi Limited consists of 14 members of the Bacardi kin and four autonomous directors. Bacardi Limited runs its empire with the presence of an International Leadership Team that looks after the main decisions of all its brands, 42 Below being one of these.

The Leadership team is made up of the chief executives based all over the world:

The Chairman of the Board of Bacardi Limited since 2005 is Facundo L. Bacardi who is also the great-great grandson of Company founder Don Facundo Bacardí Massó and a fifth generation family member.

President and Chief Executive Officer of the company is Ed Shirley who was elected a Director by the Board in March 2012.

Ron Anderson is the Senior Vice President and Chief Commercial Officer and is responsible for “ commercial capabilities of the internationally known portfolio of premium spirits with focus on enhancing sales force capabilities, commercial effectiveness and implementing robust go-to-market programs” (Bacardi, 2012).

Scott M Northcutt is Senior Vice President of Human Resources of Bacardi Limited and is responsible for all everything to do with employee career improvement, employee pay schemes, progression planning, as well as management and organisation advancement.

Silvia Lagnado, Jacques Croisetière, Stefan Bomhard, Caroline Basyn, Robert Furniss-Roe, Jon Grey, Paolo Perego, Eduardo Sánchez, Siddik Tetík and Atul Vora make up the rest of the members of Bacardi's Leadership Team.

42 Below has acquired its own Managing Director, Paul Dibbayawan, who was headhunted by Bacardi to manage 42 Below and joined this iconic NZ brand last year.

## **Manufacturing Processes**

42 Below Feijoa Vodka is made from genetic engineering-free wheat from the Canterbury Plains and pure New Zealand still and sparkling mineral water. And, because 42Below is truly obsessed with creating great vodka, it uses a "high saturation" distillation process with the vodka distilled 4 times and filtered through 35 separate filters (Bacardi, 2012).

The result is distilled twice, prior to being 'rinsed' in spring water, achieving a saturation point that brings a high level of purity and freshness to the vodka. 42 Below then faces distillation a third time. It is then 'charged' with charcoal to eliminate any final contaminations before being filtered. It is then diluted with local sparkling spring water (DrinkSupermarket, 2012). 42 Below is diluted with water from the mineral springs from deep underneath the volcanic highland in the heart of New Zealand's North Island. This spring has

been graded ‘ AA’ by World Health Organisation indicating water of supreme ‘ cleanliness and purity’ (DrinkSupermarket, 2012).

## **Human Resources**

The person in-charge of Bacardi Limited’s HR activities is Scott M Northcutt but 42 Below is a Kiwi company with its own Managing Director Paul Dibbayawan. When Bacardi Limited took over 42 Below, the entire staff was retained and the production remained in New Zealand to keep the identity of this iconic Kiwi brand. 42 Below has a very relaxed HR management style. The company’s headquarters has been famous for announcing (on their walls) that they cull their staff once every six weeks so that their ‘ vodka secrets’ do not leak out.

## **Management**

As discussed above Bacardi Limited has its own Leadership Team that functions as its International Management system as well but 42Below is also a Kiwi company with its own Managing Director Paul Dibbayawan who is now settled in Takapuna. 42Below is run like a publicly listed company.

“ Whilst we are not a publicly listed company, the Bacardi CEO is really setting the direction for us to be governed in the same way. We are putting a lot of the systems in place as if we were. It just makes perfect sense. The regulations and transparency are there for a reason so it is only sensible to follow that best practice.” Stated Dibbayawan in an interview (The Director, 2008).

## Research and Development

42 Below has hired “ the vodka professor” and his job involves going around the world running sessions called “ vodka university” (The Director, 2008). They mix and match all vodkas and mixers from all over the world with bar-people and this process is what they classify as research.

## Marketing Function

When it comes to 42Below, they don’t sell a product; they sell an idea, an experience even. 42Below doesn’t have sales reps, it has “ ambassadors”. Nobody has titles, except for “ kind of nickname titles”. The creator and ‘ boss’ of 42Below had the title of Chief Vodka Bloke. The marketing and promotions output from 42Below is distributed under the title of propaganda (42Below, 2012). When one goes through each of the propaganda material, you’d notice that none of the twelve current marketing posters sell 42Below as a product; they all sell the experience of purity, kiwiness, uniqueness, perfection, irreverence, everything that 42Below is famous for.

An innovative orientation for the intuitive sensing of what the market needs involves an entrepreneur who can come up with a new idea first and then think about how and where he will sell the product (Stokes, 2000). This opportunity-focused posture was adopted by 42Below and allowed strategies to emerge over time (Rahoi-Gilchrest, 2007). Instead of selling vodka, they sold stories and experiences that are unique from branding to production; a positioning that gave them an exceptional competitive advantage (Morrish HYPERLINK “#idb19”et al. HYPERLINK “#idb19”, 2010).

## **Location**

42 Below vodka is headquartered in the Britomart area where a large poster announces that “ We have to kill all our staff every six weeks”. The company recently had to move into bigger premises from its Penrose location, and has taken over a building in the Britomart complex in the Auckland CBD.

## **External Relationships**

As a company that believes in marketing dreams, visions and experiences in contrast to products, 42Below has created and nurtured many external relationships to help it achieve its aims.

42Below has long supported Hollywood by supporting our own Wellywood greats like Peter Jackson and hopefuls like Mark Albiston and Louis Sutherland. The Lord of the Rings Oscar party included goody bags to the VIP's that included 42Below products amongst other things. Albiston and Sutherland's participation and win at the Aspen Shortfest was made possible by 42BELOW's sponsorship.

42BELOW has also been one of the principal sponsors at the New York Film Society's event honouring Michael Douglas in 2010.

42BELOW has also supported NZ Music Month. '42 At The Zoo' was seen as a celebration of New Zealand Music Month's success for a decade.

42BELOW also hosts a Cocktail World Cup in New Zealand every year since 2004. Vodka cocktail making or mixology, as 42Below calls it has become a world renowned skill for bar managers everywhere. 42Below flies in the

proven mixology team from all over the world to New Zealand annually to participate in this competition.

42Below has also co-sponsored events like Hilarity For Charity 2012 in support of the Alzheimers Association in Los Angeles in January this year.

42Below has many other external relationships that helps it market dreams, visions and experiences.

## **High Quality**

## **Competitive Positioning**

## **Perceptual Map**

## **High Price**

## **Low Price**

## **Low Quality**

## **Ethical standing**

For Paul Dibbayawan the four elements of social responsibility for drinking is a very important factor when it comes to marketing the drink. He has strict guidelines that stop the company from participating in any marketing propaganda that could involve minors, drink driving, binge drinking or being sexually liberal.

“ We don’t want to be appealing to minors – we don’t want minors to drink. We don’t want drink driving – that’s a big problem in New Zealand. We don’t want excessive binge drinking. And we don’t want people to think that if they drink the brand, they’ll immediately be sexually successful.” (The Director, 2008)

Another important thing about the socially responsible marketing strategies of 42Below is that they do not participate in mass marketing like billboards, newspapers or magazines as these according to Dibbayawan do not actually reach the target audience and may lead to minors buying the product instead.

### **Other (A Culture of Excellence)**

42Below has a culture of excellence when it comes to its products and this is illustrated by the list of awards that the different flavours and the original vodka have won over the years. The original vodka has won gold for 7 years straight and silver the year it was introduced to the world competitions. 42Below currently has the reputation of winning more vodka awards than any other brand in the world.

This culture of excellence is a huge marketing advantage for 42Below especially when launching a new product like Feijoa Vodka since this excellence can be used to catapult Feijoa above its competitors.

### **Situational Analysis Summary**

42Below Feijoa Vodka's environmental scan has determined that Feijoa has a number of competitive advantages over brands in the NZ flavoured vodka market. As a quality brand, it surpasses vodka in the lower and mid price ranges. Its major competition in the mid price category is Absolut but Feijoa has a unique filtering process with distinctive and pure NZ ingredients and it has 2% more alcohol content than Absolut.



Based on the SWOT analysis (please refer to diagram) of other well-known vodka brands in NZ plus 42Below, we are able to create a perceptual/positioning map (please refer to diagram) that indicates the market positions of assorted vodka competitors and how competitive Feijoa can be. Moreover, this analysis will give me leeway to suitably adapt the brand and its marketing campaign.

According to the positioning map, Feijoa holds a spot at the top end of high quality however is positioned with an unexpectedly reasonable price that does not correspond with its excellent quality. In other words, compared to its competition, 42Below Feijoa Vodka is a high quality product at a relatively low price.