

ABSOLUT VODKA

Teaching Note

Synopsis

This case depicts the history of an unusual brand in the “super premium” segment of the vodka market. The top-of-the-line positioning is supported with creative and unique advertising, narrow distribution, point-of-purchase advertising, and very expensive advertising production. For the last two years Absolut has used very expensive inserts as advertisements in print vehicles during the Christmas season. The last insert cost approximately \$1 each to manufacture and distribute via the media vehicle (*The New Yorker*). The case asks students to decide whether such expensive advertising should be continued and, if so, how. The societal effects of advertising alcoholic beverages and the implications of pursuing such exclusive positioning strategies may also be explored.

Objectives

1. To afford an opportunity for students to discuss the societal trends and attitudes which underlie the success of “exclusive” marketing strategies.
2. To discuss the trade-offs between “high-impact” media devices and/or expensive production versus using the money for increased reach and frequency.
3. To give students an opportunity to discuss the importance of creativity in media selection and advertising production.
4. To reinforce the importance of having all elements of the marketing mix support the chosen positioning concept and show the difficulty of managing a position which is evolving from a niche to a broader segment.

Teaching Suggestions

There are several potential parts to this case discussion: (1) the societal impact of alcohol and the implications of advertising alcoholic beverages, (2) the social and economic implications of such extreme pricing/exclusive positioning, (3) the trade-offs between spending advertising dollars on expensive advertising production versus increased reach and frequency of exposures, and (4) the managing of Absolut's evolving positioning in the market.

The issue of regulation can be approached from the perspective of whether society should control advertising of alcoholic beverages and/or whether such control is *likely* and what the implications are for marketing brands such as Absolut.

At least half of class time should be spent discussing the reasons for Absolut's success, trying to differentiate between what Absolut has done that is really different and the trends in the market that happened to benefit Absolut. Once students understand the initial appeal of Absolut to a narrow group of "ferociously hip" consumers, they will appreciate the difficulty in maintaining this kind of positioning while expanding the target group, distribution, and advertising vehicles.

A special assignment question for this case is to ask students to develop some original ideas for continuing the Christmas special ads. These ideas can be used to develop a list of criteria that the future "specials" should meet.

Questions

1. How much of Absolut's success was due to market trends favoring Absolut, and how much to Roux's marketing acumen?
2. How do you explain the success of Absolut's campaign in terms of attitudes and consumer behavior? Explain the "big idea" behind the Absolut campaign.
3. How can Absolut justify such expensive advertising production?
4. What are some examples of the Christmas specials that might be considered for next year? What are some criteria that might be used to screen these ads?
5. What do you think of the "gift delivery" tag line on the advertisements?
6. Is Absolut's positioning changing? If so, how will this be reflected in the advertising messages and media selection?
7. What are the broad social and economic implications of Absolut's campaign and positioning?

Analysis

1. *How much of Absolut's success was due to market trends, and how much was due to Roux's marketing acumen?*

- Trends favoring Absolut include the growth in white goods and vodka versus brown goods and the increased shares of imported products in all categories. Absolut's growth rate for the previous three years is well above the industry average and is also above other premium imported vodkas (Case Exhibit 3). Interestingly, one of the few other vodkas to show a positive growth rate is a low-priced brand, Popov (however, the three-year trend is down for that brand).
- It is harder to pin down the source of Absolut's marketing advantage. Several other vodkas are also high-priced imports and probably enjoy an even broader distribution. Is the higher price an advantage? Absolut's usage seems confined to younger, higher-income groups and is consumed mainly on the East Coast (Case Exhibit 4). Absolut users are also more likely to be single, unlike other vodka drinkers (including Stolichnaya). Was it the bottle shape, the brand name, or something else? While the bottle shape is somewhat distinctive, it was the advertising that made it recognizable. The brand name may be argued to be superior but certainly lacks some of the appeal that Russian names have. It probably meant more after the advertising exposure, which added shades of meaning to the play on the word "absolute." All of this leads to Absolut's advertising as the critical element of the marketing mix. Some may argue that the product tastes different, or better (even before flavors were introduced), but this begs the question of why taste was not mentioned in the advertising.

2. *How do you explain the success of Absolut's campaign in terms of attitudes and consumer behavior? Explain the "big idea" behind the Absolut campaign.*

- Although Absolut has an appeal of exclusivity, the advertising focuses on the product. The snob appeal is achieved through the execution and the media, and some might argue, the subtle nature of the message. The play on words was certainly not difficult to "get," but as the campaign evolves, the executions demand more of the reader in terms of involvement. In the case of the campaign using famous artists, the general public might not be able to make all of the right connections, but the audiences of the publications in which the ads were placed were more likely to recognize the names of artists and designers.
- The campaign focused on the product but did not really say anything about Absolut, at least directly. The advertisements did not really even address the taste; they just implied the product was "good" in a very general way. This suggests that it would be very difficult to decompose the general attitude toward Absolut into "beliefs" about the product's attributes. Yet the appeal was not directly to the types of people who drank the product or the experience of drinking it. Some may argue that the attitude toward the advertisement is a strong (perhaps, the only) influence on the attitude toward the product.

In this case, we would expect consumers to have strong preferences for Absolut, yet not to have any specific beliefs about the product that would differentiate it from the competition.

3. *How can Absolut justify such expensive advertising production expenses?*

- The expensive production costs of Absolut advertising are not confined to the Christmas specials. All of the advertising seems very well done and much involves creative graphics and a high ratio of production/media costs. If the target group is very narrow, then expensive production costs may be a way of increasing the advertising impact without resorting to saturation levels of advertising frequency, which would probably not be consistent with an exclusive image. Also, given that attitude toward the advertisement may translate into attitude toward the product, the quality of the advertisement may be essential to creating the proper positioning of the brand.

4. *What are some examples of the Christmas specials that might be considered for next year? What are some criteria that might be used to screen these ads?*

- Because of the many holiday parties and the custom of gift-giving, it is understandable that Absolut would spend much of its budget during this period. In 1989, Absolut continued to use inserts with “play value.” One introduced the new flavors (lemon and pepper) with a device that resembled a stereoscope. Some possible criteria include the following:
 - a. Cost of production and insertion (what limit?)
 - b. Holiday theme (necessary?)
 - c. Focus on the product or brand name
 - d. “Play value”
 - e. Durability
 - f. Fit with previous campaign’s play on “absolute”
 - g. Reinforcement of premium brand image

5. *What do you think of the “gift delivery” tag line on the advertisements?*

- This appears to be a relatively new part of the advertising but has obvious potential both to allow readers to order the product for delivery and to simply remind them of Absolut’s potential as a gift. While one can imagine some retailers objecting to the competition represented by phone orders, it is not likely to be of much concern.

6. *Is Absolut's positioning changing? If so, how will this be reflected in the advertising messages and media selection?*

- As Absolut becomes more popular and as the user group expands, there is bound to be some lessening of the “exclusive” image. One way of stimulating this discussion is to ask students how the original user group will feel about the product when a cross-section of airport travelers begin to order it at airport bars. In fact, Absolut spent quite a bit of promotional effort in obtaining point-of-purchase support at bars and restaurants (including those at airports). Point-of-purchase promotion probably makes sense for this brand because of the likelihood that Absolut's volume may come disproportionately from on-premise consumption. Even though it is a prestige brand, the user group is growing, and there is at least some question on how the broader user group will justify the premium price they pay for Absolut. Will the advertising give them something to say about the product, or will they be able to come up with something on their own?
- Ask students whether they are tired of the Absolut campaign, and whether they see a change needed to keep it fresh and interesting for the future. The question of whether copywriters will be able to keep it interesting is an empirical one, and the question of managing their creative process may be relevant. How do they like working for Roux? Do they appreciate his retrieving ads from their discards? Unlikely, but this may be their way of managing him. If the message becomes more traditional, the media and the rest of the mix may also change. This may be a good opportunity to review the importance of consistency among the “five M's” (market, message, media, money, measurement).

7. *What are the broad social and economic implications of Absolut's campaign and positioning?*

- The image of underpaid Asians manufacturing inserts for *The New Yorker* to help an imported vodka command a price premium should strike at least two or three ethical nerves. Issues of advertising's affect on primary demand for alcohol, the contribution of advertising to higher consumer prices, and the total absence of product “information” in this campaign are almost too obvious in this case. For a discussion of advertising's effect on primary demand, the market may be variously defined as imported vodka, premium-priced vodka, vodka, white goods, hard liquor, alcoholic beverages, and beverages. The discussion of the prices should be kept relative and absolute prices separate. You might ask your students whether Popov would change its prices if Absolut and the other premium vodkas suddenly disappeared from the market. Finally, if students object to the lack of information in the campaign, the difficulty of defining information in an operational manner can be pursued.