

MARKETING VODKA

Trying to make selling spirits seriously easy

John Thornhill explains how a Swedish drinks company is offering bar owners share options in return for promoting its vodka

BUY Philip Diklev is a gangling, punctilious Swedish wine taster with a goatee beard and a three-piece suit and an ambition to revolutionise the global spirits business.

"There is an enormous amount of waste in the industry," he grimaces, as if sampling a corked Beaujolais. "We are trying to do everything differently."

Mr Diklev is the executive chairman of Facile, a start-up Swedish drinks company, which floated on the Stockholm stock market in April. Today, the company launches an innovative scheme in London to market its vodka, which trades under the brand name seriously (with a lower-case s). "We have the enormous advantage of being able to start from scratch. But our intention is to be one of the vodka brand leaders in the world," he says.

Facile is betting its business on the belief that it is the bar owners in the UK's 112,000 licensed outlets who make or break a new brand. It has set up a novel options scheme that will give the bar owners equity in the drinks company in proportion to the number of bottles they sell. The options, which are exercisable in five years' time, could eventually give bar owners up to 16.7 per cent of the company's entire equity.

"Bar owners will become our biggest shareholders," Mr Diklev says. "We are paying them a lot of money in the faith that they are brand-builders. We are paying them for the job that they have done for the past

1,000 years and never been paid for."

Facile's thinking is based on research showing that 43 per cent of drinkers do not know what they are going to buy when they approach a bar. This gives bar owners enormous influence on purchasing decisions. Facile hopes bar owners will recommend the vodka and create a "buzz" around the brand before it is launched in retail outlets next April.

Other drinks companies are well aware of the importance of opinion formers and

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have been seducing bar owners for years by paying for refurbishments or providing free refrigerators. But Facile is perhaps the first company to give them such a direct financial incentive in the brand's success.

Rita Clifton, chief executive officer of Interbrand, the brands consultancy, says this options scheme is potentially interesting for several reasons. First, it is a relatively cheap and risk-free way for a small company to launch a brand, because it relies on deferred incentives rather than up-front payments. Second, it conforms to textbook models of "warm" ownership, which suggest that the best shareholders are those who have a

direct and sympathetic involvement with its brands.

"When you are launching a new brand you cannot boil the ocean. Therefore the choice of bar owners to spread your message is a very good one. Viral marketing or word-of-mouth advertising can get a brand off to a fast and authentic start," says Ms Clifton.

However, the giant multinational drinks companies still adhere to the faith that you have to create mass appeal among your customers if you are ever to create a truly successful brand.

"You have to come up with the right consumer proposition," says Paul Walsh, chief executive of Diageo, the British drinks group which markets Smirnoff vodka. "If the consumer does not like what you are offering all incentives to the bar staff will come to nothing. I am a firm believer in pull marketing."

Facile spent more than three years developing its seriously vodka and claims its unique non-bitter taste has proved extremely popular in blind tastings. The company is also trying to create a "pull" element to its marketing by spending £4m on a quirky - but relatively conventional - advertising campaign.

Mr Diklev says that, if successful, Facile could extend its options scheme to other spirits and to other markets. "London has been the centre of the spirits world for 200 years and the UK is an amazingly trend-setting market. If it works here then it will be understood in every other part of the world," he says.



Seriously ambitious: Facile wants its Swedish premium vodka to be a global brand leader
Peretti Communications

Vodka: top six brands worldwide

Nine-litre case depletions (m)

Rank	Brand**	Owner	1996	1997	1998	1999	Percentage change*		
							1996-97	1997-98	1998-99
1	Stolichnaya	VAO Sojuzplodoimport	57.0	57.0	55.0	55.0	-	-3.5	-
2	Moskovskaya	VAO Sojuzplodoimport	34.0	33.5	32.5	33.0	-1.5	-3.0	1.5
3	Russkaya	VAO Sojuzplodoimport	19.0	17.0	17.0	17.8	-10.5	-	3.5
4	Smirnoff***	The Pierre Smirnoff Co (UDV/Diageo)	15.0	15.3	15.9	16.3	2.0	3.5	2.5
5	Wyborowa	Polmos/Agros Trading	15.0	11.0	7.0	7.0	-28.5	-36.5	-
6	Absolut	The Absolut Co (V&S Vin & Sprit AB)	5.4	5.5	5.9	6.7	1.9	6.5	13.8
UK total (all brands; rounded data)			4.8	5.1	5.5	5.9	12.6	6.5	7.5

Source: Impact Databank

* Based on unrounded data ** Includes Flavours *** Includes Mule and Black