SMOOTH AS SILK

SV, THE SILK VODKA, SOYUZ VICTAN'S MOST RECENT ENTRY INTO THE GROWING SUPER-PREMIUM VODKA CATEGORY, IS ON A QUEST TO BE AMERICA'S NEXT MILLION CASE BRAND.

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Does the U.S. consumer really need another super-premium vodka? The executive team at Soyuz Victan believes so, and they should know. As the world’s third largest vodka marketer, the Russian-based Soyuz Victan has mastered the science of consumer tastes and behavior when it comes to the famed clear spirit. “Americans want people to know they are drinking something with a premium image,” explains Mark McKethan, the company’s president and general director. “Category growth in the U.S. market is occurring at the high-end; Adams Research predicts that vodka will grow by 10 million cases by 2010 and most of that growth will come in the super-premium segment.”

Enter Silk Vodka, Soyuz Victan’s super-premium creation for the American market. With a price point “at or above Grey Goose in most markets,” according to McKethan, SV Silk Vodka aims to redefine the super-premium vodka category by introducing a Russian vodka that possesses an unparalleled degree of smoothness. “The typical Russian vodka would be considered harsh by the typical American consumer,” he says. “The only other Russian vodka as smooth as ours is Stoli’s Elit, which is twice the price.”

The Russian government—which is responsible for producing 80 percent of the country’s vodka—grades each spirit according to quality, and Silk Vodka is made from Luxe grade, the highest quality level. Filtered an astonishing 14 times through five different types of mountain crystals and minerals, Silk Vodka boasts contaminant-free, burn-free sipping with an unmatched silky-smooth mouthfeel.

But as anyone who has ever bought or sold a bottle of vodka knows, it’s not just about what’s in the bottle. Status and packaging play an enormous role in the category. “The U.S. vodka market boils down to image and on-premise popularity in a way that is unique from other countries,” says McKethan.

Silk Vodka’s market proposition is one-of-a-kind in this way, as well. “We are not just another vodka,” McKethan emphasizes. “We are hitting the market with an unmatched level of support. We spent $8 million last year, laying the foundation for long term success. We have committed revenues in advance of sales as well as a fully dedicated team of 17 market managers in key markets.” He makes no secret of the fact that he has been studying the Sidney Frank investment model. According to McKethan, while the Grey Goose advertising budget was about $500,000 in its first year, SV Silk Vodka spent approximately $2 million in two months. “We are on track to invest in our advertising at or above the Grey Goose level going forward,” he adds.

Yet plenty of heavily-funded brands have tanked, and McKethan—a 30-year industry veteran—is glad that he has been involved with some of them. “Our sales management team has over 100 years of combined experience in the alcohol industry. There is no rule book to follow; we are charting a new path enhancing the best practices of successful products and avoiding pitfalls from past failures. I don’t think most people realize how complex it is to take a brand from the beginning and get it to market.” Their plan is a well-researched and targeted one. William Mitchell, eastern division VP, explains: “The super-premium vodka demographic is between 25 and 45 years old, 50% male, 50% female with an income of over $75,000. The way to target this consumer is at upscale
‘hot spots’ where trend-setters and young, urban professionals spend time and money. That’s where the industry is headed.”

Fran Vivenzio, western division VP, explains the on-premise strategy as a two-fold approach of “high-end bottle service and martini bars as well as white tablecloth restaurants.” Due to the retail trade’s positive response to the company’s market managers (i.e. Silk Vodka managers who work directly with local retailers to stimulate brand sales in their account), they are increasing the number from 17 to 25 this year. “We’re also starting to expand into off-premise right now,” adds Vivenzio. “We see huge opportunity. Currently, 27% of all consumed spirits are vodka and that is projected to increase to a 30% share in the next few years.”

David Stringfellow, central division VP, believes on-premise presents the greatest opportunities for the brand. “Sampling, sampling, sampling!” says Stringfellow. “We just need to get people to taste what an excellent product Silk is.” He is also enthusiastic about the brand’s Internet campaign and very interactive website, www.silkvodka.com. “We have banner ads on key sites and are doing a lot with MySpace, which is designed to be more local than national. Our budgets are set up to advertise from the ground up.” Stringfellow emphasizes the importance of distributors’ involvement in local marketing decisions, which helps determine how to best reach the consumer in their markets.

And just what is the message? “Our unique selling proposition is that we are a naturally smooth Russian vodka,” says Yaroslav Bondarenko, VP of marketing. “But the most important part of that message is not ‘Russian.’ Our research indicates that ‘Russian’ doesn’t necessarily resonate with consumers; what they care about is smooth.” The concept of silk is the company’s way of conveying this, and the sensual print campaign seems to make this clear to consumers in a more dynamic way than merely using the word alone. “After all, every vodka says they are smooth,” Bondarenko points out.

LET IT ROLL
As of this writing, SV Silk Vodka is expanding beyond their successful launch markets into national distribution. But “not just for distribution’s sake,” McKethan stresses. “The worst thing we could do is put our vodka in an account where it isn’t going to sell. If we’re not stimulating enough activity in the market to drive pull, we have failed ourselves and the trade. We will only launch in a market when we are prepared to support the brand.”

Ironically, distribution has been the company’s greatest challenge so far. “Opportunity to bring new product to market is so difficult in today’s consolidated wholesale tier,” comments McKethan. He is convinced that a decade ago, his entire distribution network would have been in place by now, given Silk Vodka’s advertising budget and brand support. “Consolidation has really worked against new brands; if you look at the most successful new brands, they are coming from small, nimble companies,” continues McKethan. Still, Silk Vodka is appearing in more and more markets, and is on track to attain nationwide distribution by September. “We want partnerships with key distributors across the U.S.,” explains Stringfellow. The company is aligned with The Charmer Sunbelt Group and Glazer’s. By this spring, Silk Vodka will be in more than 20 markets with these key distributors. “The teams at Charmer and Glazer’s are extremely pleased about this relationship, and that is very important to us; we want partners who are as committed as us.”

SV Silk Vodka is launching into one of the most crowded and competitive spirits categories, and will certainly not be the only new vodka hitting the market this year. And while it is impossible to quantify or purchase that elusive element of magic, luck or timing that takes a brand from modest success to a market phenomenon, SV Silk Vodka has a solid foundation in place. “Launching as a super-premium vodka under the $30 price point with the Gold Medal we won at the Beverage Tasting Institute Competition in Chicago with a multi-million dollar advertising budget puts us in a really unique position to penetrate the market,” says Mitchell. “For a young product, we’re doing exceptionally well.”