

# Behind the Label

## Interview with Chester Brandes, CEO of Imperial Brands

By: Dana Slone

Sobieski is not the only vodka to come out of Eastern Europe, but it is the au courant, hot competitor for the hearts and minds of the U.S. market as a premium vodka at an under-premium price.

The man behind the brand, President and Chief Executive Officer, Imperial Brands, Inc. Chester Brandes, has big plans for reaching its one million cases sold goal.

Brandes (pronounced brandies, not brands) is a liquor industry veteran of 34 years after quitting law school. Amongst his career highlights: successfully introducing Stolichnaya Vodka into Ronald Reagan's heartland during the 80's. Brandes likes a challenge. He supported Cruzan Rums internationally and from there, hooked up with Belvedere's subsidiary to lead him to Sobieski.

When Brandes and his team started selling Sobieski in August 2007 he says, "I'll never forget...one month after we opened up this company, one of the principals called me and asked "How many cases do you think we're going to do this year and how many states are we going to be in?"

Brandes recalls saying, "Maybe we'll be in ten states by the end of the year, and maybe we'll sell ten thousand cases max. We've sold 70,000 cases between August and December and we were in about 23 states. In fact our first full calendar year of 2008, we did 265,000 cases. This year it looks like we'll do close to 600,000."

Fueled by its blithely hip "Truth in Vodka" campaign alongside an economic downturn, the vodka's suggested retail price of \$10.99 for a 750ml bottle and \$19.99 for a 1.75 liter bottle, hits a sweet spot where taste meets wallet for the American consumer. As Brandes says, "We weren't a brand that was created for the U.S. market. The U.S. market was created for Sobieski." Now, Sobieski is the largest selling Polish vodka in America, says Brandes.

**You're the CEO of Imperial Brands. You've got decades of working with a variety of brands. What really gets you going about your roles in the past and especially Sobieski?**

I think what gets me going is challenges - that's number one. I've never really gotten a lot of satisfaction out of maintaining big brands, volumes. To me the fun in this industry is creating them from case one. I've been fortunate enough to have that experience several times. Once with Stolichnaya vodka, cause I was involved from the inception of the launch of Stoli in the Midwest. That was a lot of fun - getting thrown out of as many accounts as we got into because obviously it was the height of the Cold War. Walking into bars in Nebraska, Kansas and places like that, relatively conservative states. "Take your commie vodka and get out of here." I heard that more than once. Slowly, slowly, slowly that brand took off. That was a very satisfying experience. So, it's all about building; whether it's about building a team, building brands. I love to build things and create things.

**Tell me how the U.S. introduction of Sobieski came to be.**

Belvedere is the parent company of Imperial Brands, which is our subsidiary in the U.S. It's a public company and it's a French listed company. There are two driving forces behind the company who I had gotten to know in my Cruzan Rum days, when I was running the international piece of the business. We had a common shareholder at Cruzan and Belvedere, a company

called CL Financial. I got to know the folks at Belvedere through various meetings that we had around the world. They were vodka people and I was the only vodka person at Cruzan. Everybody else more or less was coming from Bacardi. So, we kind of gravitated towards each other. When Cruzan was eventually sold to VNS, the parent company of Absolut, the Belvedere people approached me and said "Hey, we want you to set up a company for us in the U.S." Sobieski Vodka. Even though it is the 7th largest selling vodka in the world and the number one selling premium brand in Poland, we can never really consider ourselves a global brand unless we have presence in the U.S. market. We had no sales people, we had no distributors, we had no nothing: just an empty office.

**Back to the 600,000 cases by the end of 2008. Why do you think Sobieski took so well and so fast?**

This isn't the easiest category in the world to differentiate yourself in, the vodka category. When you think about the category of the 55 million cases of vodka that have sold in the U.S., more or less, most of them are not sold at Grey Goose or Absolut price points. Most of them are sold at Smirnoff price points. So, to me it was a lot less crowded going into that segment. We've got a real brand from a country with legitimate vodka heritage: Poland. Number one in its own country. Quality. I



always say the same thing: it's other people that ultimately tell you about the quality of your product through various taste tests, but we knew we had a great product to over-deliver on quality at an affordable price point. The next challenge was now we have to come up with a personality for this brand because price alone, package alone and quality alone is not going to do it. You have to have the right message. You have to have a complete package to enhance your chances of success.

#### **How hands-on are you in the creative development of your brands?**

I love brilliant creative. To me, the most important thing, was Sobieski was not even exposed to a distributor, we didn't show the concept to anybody until we had the complete package done on this brand. We had answered every question a distributor or a retailer, or objection, could possibly muster about our launch plan and that included having the creative and the positioning in place.

Fortunately for us, for me, it rarely happens, but it happened that the agency got it on the first go around. You tend to get by far the best advertising if the agency gets it early. The longer they tend to noodle around with creative, the more watered down and the more confusing it tends to be. They had five campaigns that they showed us. I'll never forget, I walked in a room and I said "Thanks - you nailed it". The owner of the agency looked at me and he said "Wait a minute. How do you know?" I said "I know. This is it. This is the right positioning for this brand." Because we can't be attacked on heritage, we can't be attacked on any of those fronts, because we are a real brand.

So, we came up with the whole

"Truth in Vodka" concept. Kind of debunking and making fun of a lot of the myths and nonsense in the category. Nonsensical claims that a lot of brands make. They've resonated extraordinarily well amongst not only the trade, but we know to our distributors and consumers. We know that from blogs, etc. People love it. It's like there's so much confusion in the category and what does all this mean? How many times distilled? Does it really mean anything? And are you buying the bottle or are you buying the liquid inside? And so on and so forth; just so much fun. Every crazy claim that a new vodka makes it's just fodder for us to create new executions.

#### **You mentioned the economy and Sobieski's launch timing to the economic downturn as something being taken advantage of by critics.**

Needless to say, there is no question that people are trading down and they are entertaining more at home and they want quality but they also want value. They don't want to have to overpay for it. I think what's happening is brands like Sobieski are obviously benefiting. Again, we launched when there was no meltdown in the economy.

We were confident of this positioning no matter what the economy was - good, bad or indifferent. I don't know how much of our growth can be attributed to what's happened. It's hard to say. I don't think it really matters, but we get accused of taking advantage of a bad economic situation. Excuse me? We didn't create it. Do we take advantage of it from an advertising standpoint, from a marketing standpoint? "Are you overspending on your Vodka? That's so 2008." You bet we are. That's one of my favorite ads.

#### **So, it looks like as far as challenges - you've launched two flavors and that's also a very crowded field.**

We felt it was very, very important to establish the base brand before we even contemplated doing anything with flavors. I've been involved in a situation before where you try to create a core brand from line extensions. That's an issue that Cruzan Rum had. They led with their flavors and it's much harder to establish your core brand when your base customer is basically a flavor customer. To us it was really important to establish Sobieski as a quality vodka and then for people by extension - the consumer and the retailer - to believe that their vodka is so good, likely their line extensions, their flavors, are going to be good. 18% of the volume in the category is now flavors. We can't ignore flavor customers. So, aside from the obvious impact on the shelf with more facings and more opportunities on the back bar, more opportunities on drink lists, if you have flavors available, you'll see us coming out with more flavors as well. Not so much esoteric type flavors where you have to educate the consumer as to what the flavor is. We want to go after more of that volume segment because what's happening is in the on premise accounts. If we've got a great quality citron or a great quality raspberry or a great quality vanilla, why do you want to use as an ingredient, another

flavored vodka that could cost 50% or 100% more when the operator could basically charge the same price for the cocktail and enhance his margin and still offer the consumer great quality. So, that's the flavor story in a nutshell.

#### **Will you be coming out with a 'nutshell' flavor soon?**

No, I don't think anytime soon. I don't know that you'll see us do bison grass either anytime soon, even though there are a lot of Polish vodkas that have it. You know, that's another thing. The Polish ethnic market is one that we've attacked very strongly. We have a separate PR agency just for your information in Chicago, a Polish PR agency that just handles the Polish market. Well, it works. It really works. We've made a major impact. I mean it's huge for us. People think because you're a Polish vodka, the Poles are going to buy your brand. That's nonsense. You really have to make an effort to get involved in the community, and talk the language that the people understand and what they want to hear. It's been a very interesting learning experience for us and very rewarding to see that when you make the effort, when you spend the money, when you do the right things, and when you care, there is response from that consumer. It's sort of like how can you ignore Poles? There are how many millions in the U.S.? I don't remember, 12 million?

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**It's a great example of how segment marketing is effective. How are you finding your social media efforts? I know you've got your Twitter and Facebook accounts.**

It's hard to measure. The only way we measure is by comments that we get and blogs and responses, which seem to be ever, ever increasing. It's hard to really measure that, I think. Definitely we know there are people that don't read newspapers and magazines anymore, meaning physical newspapers and magazines. They are doing everything online, so if you're not there, I think you are potentially missing a big segment of the population at any given time. It is an important part of our advertising mix and spend, and we are going to continue to support it. You'll see some things next year that we have not done before. I can't get into them now but we have some big plans in that area.

**Going back to off-premise sales and your work with distributors, wholesalers then down to the local package store. Talk a little bit about some of the support and reaction to the brand.**

I think one of the things that we did was that we ingratiated ourselves with the trade from a margin standpoint. They tend to be making more margin on a brand like Sobieski than some other brands. We purposely did that as part of the incentive to get the retail trade behind us, to push the brand. The fact that a brand in our price point is spending the kind of money that we are spending on advertising is unheard of.

**You don't have to spend a king's ransom to get a great bottle of vodka. If you want to you can, but you don't have to, to get the quality.**

Nobody does that. It's obvious that it's out there and retailers see it and consumers see it. The quality - we do a lot of tastings too. It's much easier. I'd much rather spend money on tastings than fool around with coupons as an incentive to get people to buy. Of course you can't taste everywhere but we think the key to this product is to get it in peoples' mouths when they don't believe the quality of the brand. I think you're aware of some of the awards that Sobieski has won?

**Yes. Do you find your rating from BTI helpful?**

Well, I'll tell you, the one taste test that probably everybody in this industry knows as a result of Grey Goose winning the Chicago Beverage Testing Institute Gold Medal in 1995 and beating it to death advertising for ten years with that one ad. I think it was very clever that they were one of the first spirit brands to treat spirit ratings like wine ratings in a sense. Normally people weren't thinking about rating spirit brands like wine brands and I think the Grey Goose people were very clever when they brought that to the forefront. When we came in "First" in the premium segment and Second overall in 2007, there were 108 vodkas in the tasting. The only vodka that scored higher than us was a brand that costs \$60 a bottle. It just kind of validated

our whole position that you don't have to spend a king's ransom to get a great bottle of vodka. If you want to you can, but you don't have to, to get the quality.



Imperial Brands is not stopping with growing Sobieski. In 2005, the group bought the Marie Brizard line of premium, imported cordials. Much work is to be done, according Brandes, after years of neglect. "The next generation doesn't know the Marie Brizard story so it's a huge public relations challenge to tell the story and give the grand old dame a face lift. So, we are working hard on that. We're making some head roads and it's not the easiest thing to do in this economy."

Additionally, Imperial Brands will be launching a new vodka product, called 4 Orange Vodka distilled from Florida oranges. The company has a plant which supplies citrus material to brands like Southern Comfort and other spirit makers in the U.S. and will be capitalizing on its position in the heart of orange country.

Brandes says, "The CEO of our company in Poland had the idea, I think brilliant idea, he said, 'You know, Florida is a brand. It's a brand in Europe and it's a brand to a lot of people.' And so, 4 Oranges Vodka will begin its roll out first quarter next year. Calling the product "very original" he says, "This is one that retails for \$25.00 a bottle. But it takes twenty oranges to make one bottle of 4 Orange Vodka so I think it's a bargain if you look at it that way. You don't have to get all your vitamin C from orange juice anymore."

With Sobieski continuing to forge ahead to its sales goal in the U.S., the re-introduction of Marie Brizard and launch of 4 Oranges Vodka, it's easy to see why for Chester Brandes, law school never had a chance.

