Svedka Vodka

- Devyani Mishra
- Nandini Ramakrishnan
- Saloni Nitin Bonde
- Subbareddy Bhumireddy
- Vishesh Jaiprakash Shukla

Svedka Part A

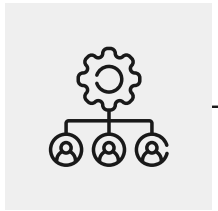
What gave Cuvelier the idea that there was a market for $10.00 vodka?

Market Analysis:
Cuvelier noted a gap between
super-premium brands and lower-priced, generic vodkas

Consumer Trends:
There was a growing trend of consumers seeking premium
lifestyle products without the high price tag

Competitive Success Stories:
The success of Absolut Vodka, which redefined vodka as a lifestyle and premium drink, likely served as a key reference

Are there brands you can point to that have used strategies similar to SVEDKA?



Absolut

capitalized unique bottle design and art-inspired advertising to create a premium image

Grey Goose

utilized its French heritage, using high-quality ingredients to justify higher price, targeting consumers looking for luxury & exclusivity

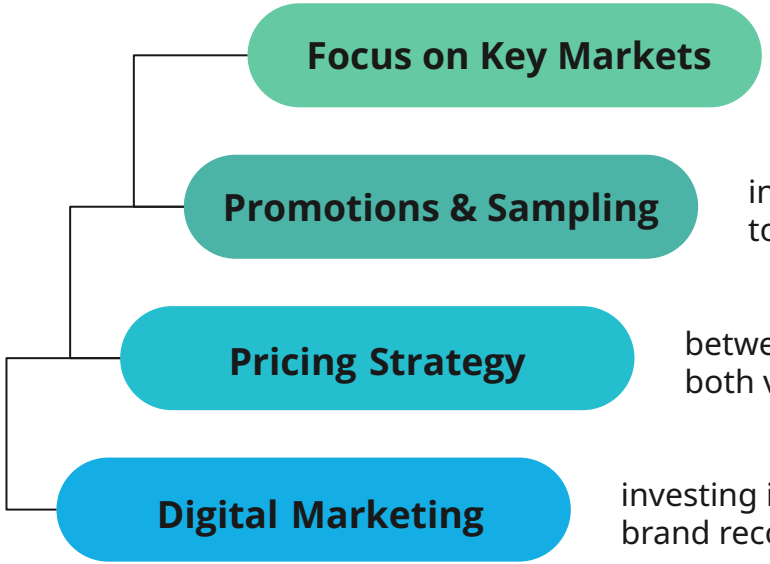
Skyy Vodka

marketed itself on the basis of purity and a proprietary quadruple-distillation process, appealing to health-conscious consumers with a mid-premium price

What is the brand positioning statement that might guide integrated marketing communications?

"SVEDKA Vodka provides the modern, sophisticated vodka drinker with a premium, smooth taste at an accessible price, combining Swedish tradition and the most advanced distillation technology."

What advice would you give Cuvelier for SVEDKA's roll-out strategy?



Focus on Key Markets

target urban markets with a higher propensity for trying new spirits - young, upwardly mobile professionals

Promotions & Sampling

in-store promotions and organized sampling events to introduce consumers to the brand

Pricing Strategy

between the standard and premium categories to attract both value-seeking and quality-conscious consumers

Digital Marketing

investing in online marketing could be a cost-effective way to build brand recognition and engage directly with potential customers

Which elements of his total marketing strategy is he relying on for success?

Product Quality

Emphasizing the high-quality production standards and unique Swedish origin

Strategic Pricing

Setting the price point to capture the gap between low-cost and premium vodkas

Trade Relations

Building strong relationships with distributors and retailers to ensure widespread availability and visibility

Distribution Strategy

Targeting off-premise locations where the brand can control its presentation and messaging more directly, before scaling up to on-premise venues

Promotions

Utilizing a mix of traditional advertising, digital marketing, and public relations to build brand awareness

Svedka Part B

How has the positioning evolved? Where is it headed?

01

SVEDKA evolved from being merely an affordable vodka to becoming a trendy and innovative brand, gaining recognition for its quality.

02

The brand shifted towards a lifestyle-oriented approach, using bold and edgy marketing strategies.

03

SVEDKA's marketing featured futuristic elements, including campaigns with the iconic SVEDKA_Grl.

04

The focus expanded to flavor innovations, aiming to attract a younger, socially active consumer base.

What are the elements Cuvelier has used to communicate the brand and what was the role of each in the communications strategy?

Product Quality and Reviews

Leveraging high-quality product ratings to establish credibility.

Innovative Advertising

Using creative, attention-grabbing campaigns to increase brand visibility and appeal to a younger demographic.

Public Relations and Events

Engaging in events and PR stunts to keep the brand in public conversation and media coverage.

Flavor Innovations

Introducing new flavors to keep the product lineup fresh and appealing, catering to evolving consumer tastes.

Are there brands you can point to that have used strategies similar to those SVEDKA employed?

Absolut Vodka

Absolut is recognized for its innovative advertising and distinctive bottle design, using bold marketing campaigns to build a strong brand identity.

Dove

Dove's Real Beauty campaign used provocative ads to redefine beauty standards and build an authentic, empowering brand identity, similar to SVEDKA's use of controversy.

RedBull

SVEDKA utilizes adventurous marketing, sponsorships of extreme sports, and targeted events to promote an energetic, youthful lifestyle, similar to how it strategically aligns with specific lifestyles.

GoPro

GoPro aligns with adventure and action sports, cultivating a dynamic brand image through user-generated content and visual storytelling, similar to SVEDKA's visually striking ads.

Svedka Part C

1. Run a regression of the natural logarithm of sales on all the following: price, print marketing expenditure, outdoor marketing expenditure, broadcast marketing expenditure, and previous year's sales

```
Call:
lm(formula = LnSales ~ LnPrice + LnPrint + LnOut + LnBroad +
    LagTotalSales, data = data)

Residuals:
     Min       1Q   Median       3Q      Max
-1.60112 -0.23955  0.08595  0.35981  1.67156

Coefficients:
              Estimate Std. Error t value Pr(>|t|)
(Intercept)  9.5822829  0.3846785  24.910  < 2e-16 ***
LnPrice     -0.9050628  0.0957254  -9.455  < 2e-16 ***
LnPrint      0.0852179  0.0159799   5.333 2.12e-07 ***
LnOut       -0.0349900  0.0206048  -1.698   0.0907 .
LnBroad      0.0487228  0.0201193   2.422   0.0161 *
LagTotalSales 0.0004885  0.0000326  14.984  < 2e-16 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.5683 on 257 degrees of freedom
Multiple R-squared:  0.7425, Adjusted R-squared:  0.7375
F-statistic: 148.2 on 5 and 257 DF,  p-value: < 2.2e-16
```

- Adj R2 (Coefficient of Determination): Approximately 73.75% of the variability in the natural logarithm of sales is explained by the model.
- F-statistic: The F-statistic value is 148.2, indicating high statistical significance of the overall regression model (p-value < 2.2e-16)
- Pricing, print and broadcast marketing expenditures, and past sales are significant factors influencing current sales. Adjustments in these areas can potentially improve sales performance.

2. Run a regression of the natural logarithm of change in sales on the natural logarithm of previous period's prices, and the natural log of marketing expenditures on print, outdoor, and broadcasting.

```
Call:
lm(formula = LnDiff ~ LnLPrice + LnPrint + LnOut + LnBroad, data = data)

Residuals:
     Min       1Q   Median       3Q      Max
-0.73782 -0.06344 -0.00561  0.04027  1.12993

Coefficients:
             Estimate Std. Error t value Pr(>|t|)
(Intercept)  0.023675   0.068308   0.347   0.7292
LnLPrice    -0.001598   0.017507  -0.091   0.9274
LnPrint      0.017522   0.004179   4.193 3.85e-05 ***
LnOut       -0.011209   0.005899  -1.900   0.0586 .
LnBroad     -0.003839   0.005260  -0.730   0.4661
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.1674 on 245 degrees of freedom
  (13 observations deleted due to missingness)
Multiple R-squared:  0.1005, Adjusted R-squared:  0.0858
F-statistic: 6.843 on 4 and 245 DF,  p-value: 3.09e-05
```

- The regression model explains approximately (adj R2)08.58% of the variability in the natural logarithm of change in sales.
- The F-statistic value is 6.843, indicating statistical significance of the overall regression model ($p < 0.0001$).
- Print marketing expenditure has a significant positive impact on sales change, while outdoor marketing and broadcasting marketing expenditures do not show significant effects. Previous period's prices also do not significantly affect sales change.

3. To understand the influence of vodka quality, run a regression by adding the tier 1 and tier 2 dummy variables (that indicate whether a vodka brand belongs to first- or second-quality tiers) to the set of independent variables in question 2.

```
Call:
lm(formula = LnDiff ~ LnLPrice + LnPrint + LnOut + LnBroad +
    Tier1 + Tier2, data = data)

Residuals:
     Min       1Q   Median       3Q      Max
-0.74956 -0.05876 -0.00335  0.04323  1.03341

Coefficients:
             Estimate Std. Error t value Pr(>|t|)
(Intercept)  0.142982   0.082782   1.727  0.08540 .
LnLPrice    -0.037669   0.022229  -1.695  0.09144 .
LnPrint      0.009304   0.005070   1.835  0.06769 .
LnOut       -0.012798   0.006078  -2.106  0.03626 *
LnBroad     -0.004939   0.005350  -0.923  0.35676
Tier1        0.145045   0.057519   2.522  0.01232 *
Tier2        0.130454   0.043547   2.996  0.00302 **
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.1651 on 243 degrees of freedom
  (13 observations deleted due to missingness)
Multiple R-squared:  0.1329, Adjusted R-squared:  0.1115
F-statistic: 6.207 on 6 and 243 DF,  p-value: 4.441e-06
```

- The regression model explains approximately (adj R2) 11.15% of the variability in the natural logarithm of change in sales.
- The F-statistic value is 6.207, indicating statistical significance of the overall regression model ($p < 0.0001$).
- Print marketing expenditure has a marginally significant positive impact on sales change, while outdoor marketing expenditure has a significant negative impact. Broadcasting marketing and previous period's prices do not significantly affect sales change. Brands belonging to Tier 1 and Tier 2 have significant positive effects on sales change.

4. To understand the influence of competition and brand power, run a regression by adding the sum of sales of all the competing brands in the previous year ("lag total minus sales") to the independent variables in question 3.

```
Call:
lm(formula = LnDiff ~ LnLPrice + LnPrint + LnOut + LnBroad +
    Tier1 + Tier2 + LagTotalMinusSales, data = data)

Residuals:
     Min       1Q   Median       3Q      Max
-0.76515 -0.05951 -0.00818  0.04514  1.01927

Coefficients:
                   Estimate Std. Error t value Pr(>|t|)
(Intercept)       -1.788e+00  5.410e-01  -3.305 0.001096 **
LnLPrice          -5.719e-02  2.236e-02  -2.557 0.011155 *
LnPrint            1.150e-02  4.986e-03   2.306 0.021931 *
LnOut             -5.990e-03  6.225e-03  -0.962 0.336880
LnBroad            3.560e-03  5.728e-03   0.621 0.534867
Tier1              1.293e-01  5.632e-02   2.296 0.022557 *
Tier2              1.211e-01  4.259e-02   2.843 0.004851 **
LagTotalMinusSales 3.183e-05  8.818e-06   3.609 0.000373 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.1611 on 242 degrees of freedom
  (13 observations deleted due to missingness)
Multiple R-squared:  0.1772, Adjusted R-squared:  0.1534
F-statistic: 7.445 on 7 and 242 DF,  p-value: 4.119e-08
```

- The regression model explains approximately 15.32% of the variability in the natural logarithm of change in sales.
- The F-statistic value is 7.445, indicating statistical significance of the overall regression model ($p < 0.0001$).
- Previous period's prices, print marketing expenditure, and brand tiers (both Tier 1 and Tier 2) significantly influence the change in sales. However, outdoor marketing expenditure and broadcast marketing expenditure do not significantly affect sales change in this model.

5. To measure the sales growth of new brands compared to the existent ones, include the variable“first intro” to the independent variable set in question 4. First intro is equal to one in the first three years after a brand is introduced and is zero elsewhere.

```
Call:
lm(formula = LnDiff ~ LnLPrice + LnPrint + LnOut + LnBroad +
    Tier1 + Tier2 + LagTotalMinusSales + Firstintro, data = data)

Residuals:
     Min       1Q   Median       3Q      Max
-0.73740 -0.05241 -0.00542  0.04732  0.87169

Coefficients:
                    Estimate Std. Error t value Pr(>|t|)
(Intercept)       -1.624e+00  4.954e-01  -3.279 0.001197 **
LnLPrice          -8.645e-02  2.089e-02  -4.139 4.82e-05 ***
LnPrint            1.289e-02  4.565e-03   2.824 0.005134 **
LnOut             -7.868e-03  5.701e-03  -1.380 0.168835
LnBroad            7.590e-03  5.272e-03   1.440 0.151247
Tier1              1.273e-01  5.152e-02   2.471 0.014147 *
Tier2              1.287e-01  3.897e-02   3.303 0.001102 **
LagTotalMinusSales 3.093e-05  8.067e-06   3.835 0.000161 ***
Firstintro         5.427e-01  7.816e-02   6.943 3.53e-11 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 0.1474 on 241 degrees of freedom
  (13 observations deleted due to missingness)
Multiple R-squared:  0.3143, Adjusted R-squared:  0.2916
F-statistic: 13.81 on 8 and 241 DF,  p-value: < 2.2e-16
```

- The adjusted R-squared is 0.2916, indicating that 29.16% of the variability in sales change is explained by the included variables.
- The F-statistic is 13.81, with a p-value < 2.2e-16, indicating a statistically significant model.
- Previous period’s prices, print marketing expenditure, brand tiers (both Tier 1 and Tier 2), the sum of sales of all competing brands in the previous year, and being a new brand in the first three years after introduction significantly influence the change in sales.

6. Why does the coefficient of price and advertising change in the above regression?

The changes in coefficients across models indicate the influence of additional variables like tier dummy variables, sales of competing brands, and brand introduction timing on the relationship between price, advertising, and sales change. These findings highlight the complexity of factors affecting sales dynamics

Model

1. Price has significant negative effect, indicating higher prices lead to lower sales
   Print has positive effect, correlating with higher sales.
2. Price effect on sales change becomes statistically insignificant.
   Print maintains a positive and significant effect on sales change.
3. Price shows a stronger negative effect on sales change.
   Print remains positive, influencing sales change.
4. Price's negative impact on sales change strengthens.
   Print still positively influences sales change.
5. Price's negative effect on sales change intensifies.
   Print continues to positively impact sales change.

Thank You!