Absolut on the Rocks

It used to be the king of cool. But new brands are winning over upscale drinkers, including James Bond.

BY KEITH NAUGHTON

For the past few years, Teresa Duke ordered her martinis with Absolut vodka and plenty of olive juice to make them “dirty.” “I like them so dirty they’re almost kinky,” says the 38-year-old physician’s assistant from Cleveland. Lately, though, Duke’s drinks have a new ingredient—Grey Goose vodka from France. At $10 a pop in her local tavern, a Grey Goose martini is twice the price of the Absolut version. But Duke says she can taste the difference and feels “cool and a little edgy” ordering the priciest vodka. “If you have a chance to drive a Porsche,” she says, “you’re not going to say, ‘Ok, no, give me the Chevette’?”

It seems like everybody is switching vodkas these days. Even James Bond is now ordering his shaken, not stirred, martinis with Finlandia instead of his old cold-war favorite, Smirnoff. More than 100 new vodkas have hit the market in the past four years and the tasteless alcohol is expected to surpass whisky this year to become America’s hard liquor of choice. But there’s a generational changing of the bottle going on in the $8.6 billion vodka business. For two decades trendy tipplers have called out for Absolut, with its stylish Swedish medicine bottle and clever ads. Now, upscale upstarts like Grey Goose, Ketel One and Belvedere are showing Absolut off the top shelf and into the anonymity of the “well” beneath the bar.

At $30 a bottle, these new foreign elixirs don’t come cheap, especially compared with Absolut at $18. But the martini crowd can’t seem to spend enough on its favorite alcoholic indulgence, which drove up the high-end imported-vodka market nearly 50 percent in the past year, according to Information Resources Inc. “New drinkers are looking for a vodka they can call their own,” says Havis Dawson, editor of Beverage World magazine. “Absolut has become their father’s vodka.”

The impact on Absolut has been sobering. Its share of the U.S. vodka market fell for the first time last year, to 11.7 percent from 12.2 percent in 2000. “There’s a war going on,” says Carl Horton, president of Absolut Spirits Co. “And when you’re No. 1, people take shots at you.” To battle back, Absolut is coming out with its own higher-priced hooch early next year. But Horton hasn’t decided if it will carry the Absolut brand. The most remarkable change is a reformulation of Absolut’s classic ads. New spots launching this week will tout Absolut’s taste and quality, rather than just slyly working its distinctive bottle into objects like cars and baseball bats. “We’re not just a pretty bottle,” says Horton.

But Absolut is late to the party with its new pitch. Ketel One, Grey Goose and others have already built a following by convincing people that straight vodka can have a taste—and a good one. Absolut has struggled with the recipe for ultra-premium vodka. Its upscale Sundsvall vodka, launched in 1997, flopped and was pulled from the market three years later. Before that, the Swedish distiller didn’t see the need to go after big spenders. Michel Roux, who built the Absolut brand in America, couldn’t persuade his Swedish bosses to introduce a “super-premium Absolut” in 1993. “They didn’t believe anything could beat Absolut,” recalls Roux, now chief of Crillon Importers, an upscale distiller. “But if you don’t protect yourself at the top, other people will take away your prestige.”

Discriminating swizzle-stickers know that image is as important as taste. That’s why Grey Goose fashioned its soaring frosted-and-clear glass bottle on a Cézanne painting. And it’s why Finlandia is spending untold millions to mix medium-dry martinis for 007. Bond doesn’t actually order a Finlandia in his new movie, “Die Another Day.” Instead, the tuxedoed secret agent sips martinis with his love interest Jinx (Halle Berry) in an ice palace. Behind them, the shelves of a sculpted ice bar are stocked only with Finlandia. Even 007 is giving Absolut the cold shoulder.

The Shaken and Stirred Vodka Market

With vodka’s soaring popularity, more than 100 new brands have hit the market in the past four years. And some are managing to cut into Absolut’s dominant market position.

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<th>Year</th>
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<tr>
<td>1980</td>
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<td>2000</td>
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Absolut 15% market share

Ketel One 2.5%

Grey Goose 1.5%

2000 Year 8 million

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With DANIEL MCGINN, SUZANNE SMALLEY and JOAN RAYMONDS