



World Scientific News

WSN 72 (2017) 319-328

EISSN 2392-2192

Luxury brand management using alcoholic beverages as an example

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ABSTRACT

Currently, the luxury alcohol market is becoming increasingly popular and gaining a huge amount of recognition. The most popular beverages are still undoubtedly Scotch whiskeys, which are known all over the world for its long lasting tradition. There are many new distilleries that are started producing whisky using the same techniques that were previously used in older distilleries. Karuizawa is the luxury whisky that manages to command very high prices on the alcohol market, since the place where it was produced no longer exists. Many customers treat the purchase of luxury alcohols not only as a hobby but also as a place to invest money as their price increases over the years. The best investment for a customers is to buy an old scotch whisky, which is very popular on the luxury beverages market. Buyers of luxury alcohols believe that the main principle is that the value of a beverage is not affected by the turmoil of the stock market or the economy of the country of its origin, as its price always increases over time. Time is not dependent. Customers prefer to buy beverages that come from the United Kingdom. Undoubtedly, this is due to the long tradition of producing luxury alcohols in these countries. The luxury goods and services market cannot exist without the significant contribution of income that is generated by the buyers of exclusive beverages. Luxury alcohols are sometimes a life-long passion for affluent people who see in it not only expensive hobbies, investment, but also a special lifestyle.

Keywords: Luxury beverages, Brand management, Luxury market, Luxury alcohols, Scotch whisky, Karuizawa whisky

1. INTRODUCTION

The purpose of this article is to present methods for managing a luxury brand on the example of luxury alcohols. The article is also to clarify what are a luxury beverages and what a superstition about their uniqueness. An additional aim is to present the results of the survey, which gives the answer on the effectiveness of brand management on the basis of brands producing a luxury alcohols.

2. WHISKY BRAND MANAGEMENT

Scotch whiskey is one of the most popular and most respected alcohol. It is connected to it not only a turbulent history, but also extremely refined taste. Formerly called the water of life, and used for medicinal purposes, today is a very noble drink. Connoisseurs appreciate its unique variety of flavor notes, and its rarest varieties can reach very high prices (Munshi 2006, p. 33-44).

The old of Scotch whiskey is one of the first information on what customers pays for when they buy it. In Scotland, the law requires a three-year aging of alcohol in a wooden barrel that distillate can be considered as true “scotch whiskey”. That is why all whiskeys have at least 3 years. Determination of higher vintages e.g. 12 years in the case of Black Label Johnnie Walker, means that the youngest distillate matured in barrels for at least 12 years. Age older alcohol is not recorded on the labels, which is why customers can never be sure how old are so-called whiskey NAS (No Age Statement). If the bottle is not given any age, customers can assume that they are dealing with a young whiskey, which has not yet reached the required age. Another criterion is the color. This noble alcohol during maturation in wooden barrels gets the color, so it can be assumed that the longer it matures darker its color. But this is not really truth. Scottish whiskey, which matured in sherry casks, has a much darker color from that for the same period matured in bourbon casks (Sloan-McIntosh 2004, p. 34-37).

It happens that a bottle of whiskey a string Extra Special, Deluxe or Premium, this means that the whiskey contains up to 35% of the distillate barley (single malt) and has been a long process of maturation. Single barrel /Case this designation indicates, however, that was manufactured exclusively from malted barley in one distillery and only in the single distillation (Jackson 2012, p. 635-658). Frequently on the bottle of whiskey appears on the date of spillage into the bottle, the number of barrels, where it comes from, and often is characterized by the higher alcohol content - 50 percent or more (standard is 40-45 percent). Among the wide range of Scottish spirits, customers comes across a whiskey cask strength, namely, that has not been diluted prior to filling in bottles. The content of the alcohol reaches 65 percent (Kummer 1999, p. 115-119).

When planning the purchase of whiskey, it is worth paying attention to the region of origin. Basically, distinguished by its six districts of production: Lowlands, Highlands, Islay, Campbeltown, Speyside and the islands of Jura, Mull, Skye and Orkney. Persons not having a lot of experience, should begin testing these alcohols of wines from the region Lowlands. Whiskey made there do not have in them sharp flavors of peat, sea salt and seaweed, while the predominant aromas are delicate and floral. Another popular region is the Speyside - the north-eastern part of Scotland, known for the largest number of distilleries (Glenk 2012,

p. 719). Among the dozens of companies located in a small area customers can find here other famous companies Aberlour, Cardhu and Glenlivet - the oldest legal distillery operating in this part of Scotland. Regions that experienced fond admirers of whiskey are Isley and Highlands - rustic alcohols are known for its full and distinct flavors that combine notes of peat, smoke and iodine (McKendrick 2014, p. 1272-1286).

Companies That offers the most well known whiskey:

The Glenlivet (price: 920 PLN / 0.7 liters) of whiskey with an exceptionally light, floral taste, which owes its unique distillation alembics very high, slender neck and a characteristic bulbous shape. The Glenlivet is the best-selling single malt Scotch whiskey in the world. In this case, it is worth paying attention to the limited edition Single Cask. Each country once a year gets a possibility for bottling their own numbered edition of a single barrel. This unique product, with a capacity of barrels reaching up to 61 percent, without cold filtration and definitely worth attention because of its collector attributes (Pacult 2005, p. 120-121).

Aberlour (price: 410 PLN / 0,7 l), very mild whiskey from the heart of Scotland, Speyside region. Whisky has a high fruitiness and complexity of flavors, because it matures in two types of barrels: bourbon and sherry olorosso. On a noteworthy deserves variant Aberlour A'bunadh, which is held only in Spanish sherry casks for a period of 9 to 15 years and then bottled with the power of the barrel, which owes its unique power (about 60 percent - regardless of the spill) and deep amber color. At the outset sense accents of orange and raisins in chocolate. The taste is even more show notes of raisins with the addition of spicy ginger, dark chocolate and juicy cherries (Lerner 1997, p. 57).

Longmorn (price: 240 PLN / 07 l), a little-known whiskey from the center of Scotland. Mainly used for the production of whiskey blended bottling but also its own exclusive single malt whiskey, which is an opportunity for gourmet and aware clients. Currently available new variant Disiller's Choice is very well balanced and elegant single malt, which is smooth, creamy, but it also has a subtle flavor of spices and molasses. A unique product that matured in three oust types of barrels (Design Week 22 (9), p. 5).

Scapa (price: 190 PLN / 07 liters) this is the whisky from the very north region of Scotland, the Orkney Islands. Recommended especially the latest variant Scapa Skiren. The smell can be felt delicate floral notes with a hint of fresh pears and sweet aroma of pineapple and citrus. The taste is balanced with a hint of sweetness (Management Today 2016, p. 34).

3. THE MARKET OF LUXURY ALCOHOLS

Karuizawa is a legendary Japanese distillery, which has already completed its activities. Today, left after it only the barrel full of drink, which each year wanes. Its quality is widely appreciated, and the demand for it is very high. For these reasons, a bottle of Karuizawa on the auction market is currently pending bidding war. Karuizawa from the year 1960 costs about 100 thousands of pounds. Three years ago the fortunate ones who have purchased one bottle of this drink, had to allocate for this purpose an amount ten times small.

On 18th of November 2016 at the auction house Bonhams in HongKong sold by auction 48 years old whiskey Karuizawa 1964. It was sold for 208,000 local dollars, what is nearly 22,000 British pounds. Three years earlier, exactly 143 bottles of liquor hit the market at a price of 4.7 thousand pounds for the one bottle. Now, if a customer wants to manage to get one of them to buy must allocate the amount of at least four, and sometimes five times price.

Such stories can encourage lovers of rare alcohols, to invest capital in unique bottles of whiskey, rum or brandy. Interestingly, among of the people who decides on such an investment, it is also many Poles (Suchodolski 2017, p. 65-70).

Karuizawa 1964 is obviously a case of quite spectacular, and not every bottle of good whiskey can repeat its success. However, this is not the case completely isolated. As it is clear from recent data developed by Rare Whisky 101 (the company in charge of monitoring the auction market for whisky), the index RWIcon100 - taking into account the prices of 100 different editions whisky- since the beginning of 2009 increased by nearly 350 percent. Of course, this market, as in any other, customer can make both successful and less accurate investment. How it looks in practice, shows two other indices prepared by the same company. The first indicates is the price of the 100 best-paid whisky bottles on the auction market, and the other 100 bottles that copy badly. It follows from this statement that the fastest rising prices editions have gained in the last 12 months 47 %, and the worst have lost only 0.76 %. Such information coming from the market strongly encourage to invest (Official Rare Whisky 101 page).

The potential profits are not the only reason for a rare bottle of whisky, cognac and rum are used also very often as an investment capital. Many people connected in this way, their passion for making money. Often for such a solutions by up to lovers of exclusive wines and its collectors, who enjoy having unique bottles that decorate their homes and offices. This feeling is called emotional dividend, and it is well known for an art, classic cars or watches collectors. Will not find it among the investors in the financial markets. Very often with the collecting of alcohol is also connected many tax benefits vary by country. In Poland, the profits on the sale of such items are exempt from income tax (provided that their sale will not happen earlier than after six months). Investing capital on the alcohol market is also a great way to increase the independence of the investment portfolio from the turmoil on the financial markets (Cnossen 2007, p. 699).

Investment potential has, however, only a small percentage of the alcohols available in the market. These are mostly rare beverages coming out on the market under limited editions, from the oldest available vintages, aged for decades and distilled in renowned distilleries, the quality of which must be confirmed by independent experts. Editions especially desired by collectors are those that have specific characteristics and are marketed in a unique setting. Making the right choice requires expertise and market knowledge. It is better to take help from an expert if the customer is not a connoisseur of a strong drinks or its collector (Beverland 2004, p. 446-466).

Circle of collectors of beverages in Poland from year to year increases. Until recently, the world premieres of new alcohols in limited and special editions were held mainly in Scotland, London, Paris and the very Far East. For some time similar events has also occurred in Warsaw. Premieres of rare beverages in the capital of Poland are organized by: Distillery Glenfarclas entering to take this opportunity to market the oldest whiskey in its history, the company Gordon and MacPhail, who presented the oldest whiskey distilleries the Glen Grant, the company Number One Drinks, that showed in the capital of Poland the oldest Japanese single cask whiskey. In their footsteps followed also the houses of cognacs like Tiffon whether Bache Gabrielsen, presenting rare cognacs from the turn of the eighteenth and nineteenth century, from private "paradis", the vaults of an owners. These events are confirmation that Poland is appreciated as the recipient of rare alcohols, and the rich Poles more often build collections of such extremely unique and luxury beverages (Bernhard 2004).

4. DATA ANALYSIS

The survey is focused on selected by interviewer persons that represent interesting and tested qualities. The survey omits persons that do not have features which are being studied. An example is the study of the phenomenon of luxury beverages, while respondents are the only owners, collectors or lovers and observers of those products or the supporters of the company that produces such luxury alcohols. Individuals who for various reasons are not interested in it, were excluded from the study because they do not have the relevant experience and a clear opinion about the exclusive beverages, that market of it is analyzed.

The survey was sent by email to people who are actively participating in the life of luxury alcohols market, owners of the exclusive alcohols, as well as fans of the expensive beverages. In a survey 121 people participated. The survey was conducted in December 2016 and January 2017. Respondents had a very high degree of freedom of expression, because they could modify the questions and add their own observations and comments. Subjects were men and women, diverse in age, as the youngest tested person was 29 years old and the oldest 82. Age and gender had little significance as a major determinant. The main factor was the wealth of a person who can afford to be an owner of luxury beverages like exclusive whisky. The following tables show the results of the survey.

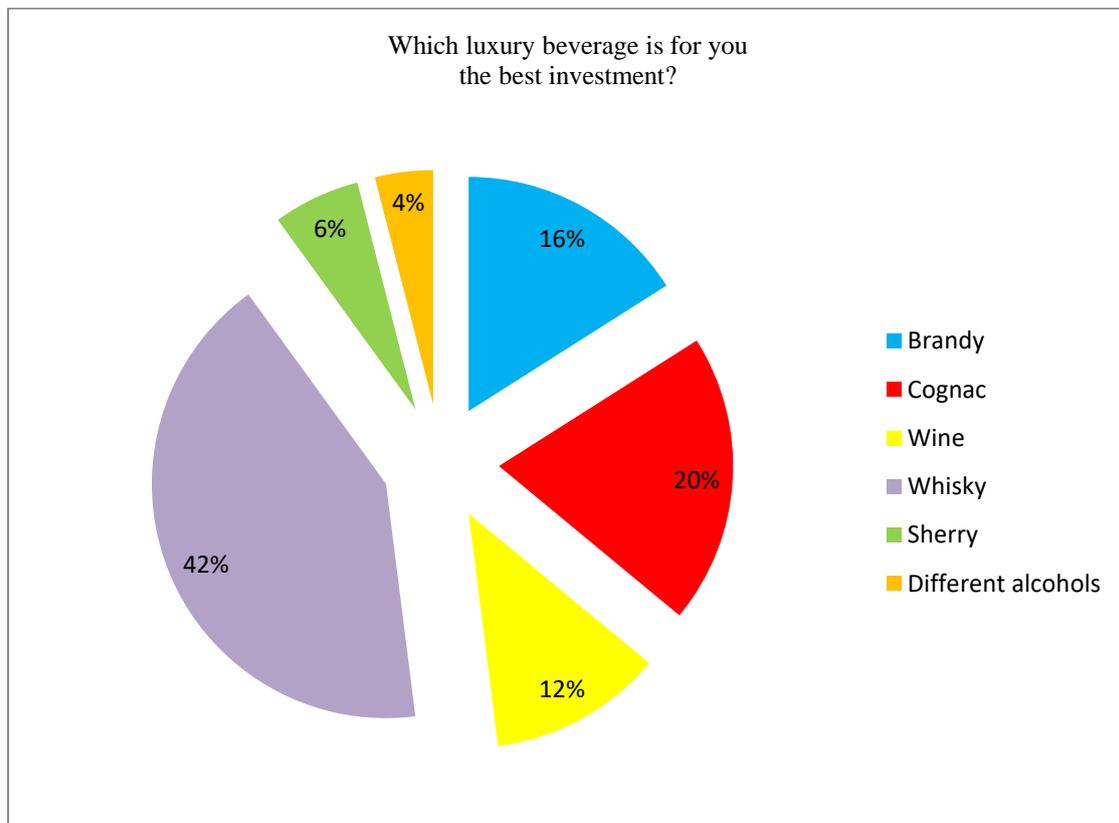


Table 1. Preferences of the selection of a luxury beverages.

Source: Own adaptation based upon data from the survey.

The most respondents chose whiskey (42%) as beverages, which for them is the best investment. About half of the previous group were people who chose Cognac (20%). Slightly fewer people chose Brandy (16%). Wine (12%) proved to be less popular beverages as a source of investment. Few people pointed at sherry (6%). Some people point to the other alcohols (4%), understanding as a special local spirits from distant parts of the world.

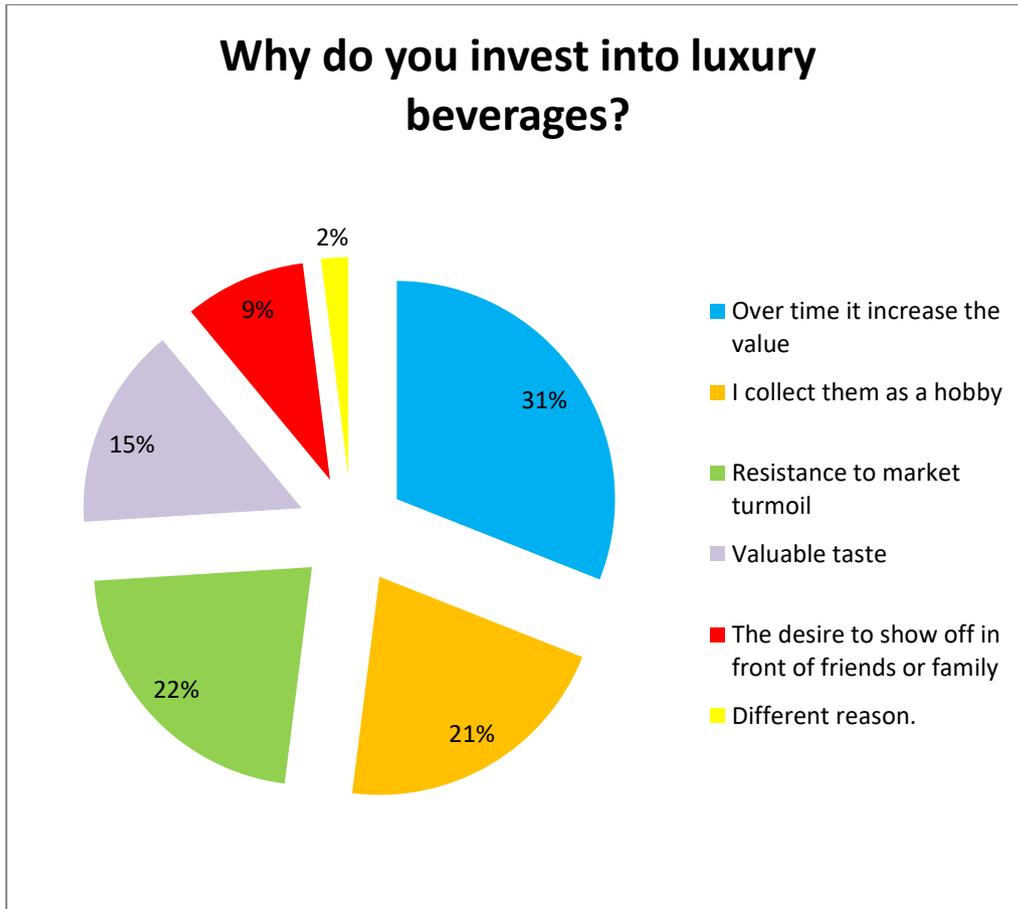


Table 2. Determinants of the choice of a luxury alcohol as a means of investment.

Source: Own adaptation based upon data from the survey.

Most respondents indicated an increasing value of the alcohol (31%) as determinant of the choice of luxury beverages as an investment. Slightly fewer people drew attention to the alcohol resistance to the turbulence on the market (22%). In almost equally respondents drew attention to the collectable factor (21%). Several people pointed to the unique and sublime taste (15%) of luxury alcohols. A very small group of respondents want to impress family and friends (9%). Some people pointed to other reasons (2%), meaning e.g. the purchase of spontaneous or associated with an important event in their life such as child’s wedding.

Table 3. Preferences about concerning the country of origin of a luxury beverage.

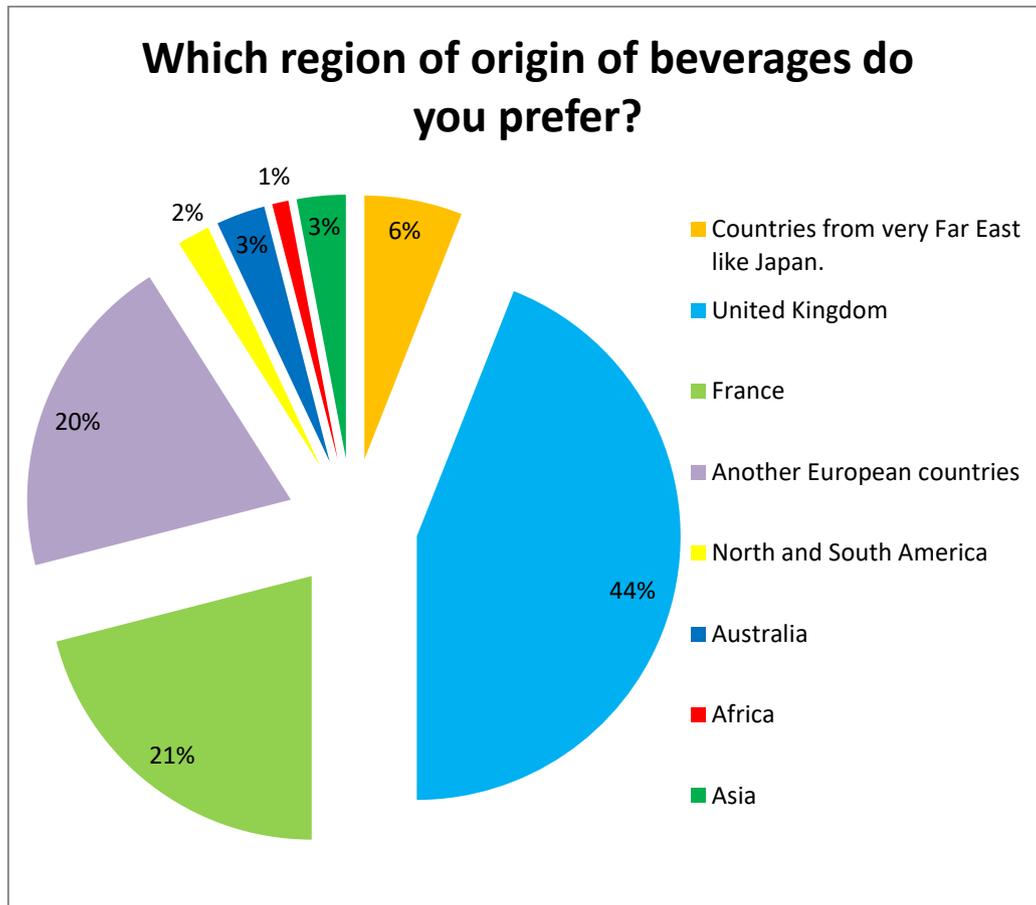


Table 3. Preferences about concerning the country of origin of a luxury beverage.

Source: Own adaptation based upon data from the survey.

Customers preferences regarding the origin of the beverages are connected closely to the UK (44%). Half fewer respondents chose France (21%). Almost as many people pointed to other European countries (20%). A few customers indicated that prefer alcohol from the Far East (6%). Equally popular are beverages from Australia (3%) and Asia (3%). The least popular are alcohols from North and South America (2%) and Africa (1%).

5. CONCLUSIONS

Clients most often choose Whisky as a source of investment. This may be the result of a long tradition of making this beverages, as well as the relatively easy availability. Another factor is the fact of a huge popularizing of this alcohol. Scotch whisky is almost a national product of Scotland. Customers choose this type of alcohol also because in their minds it is associated with being wealthy and with sophisticated taste. Cognac, that comes

from France is also considered as a very good source of investment. It is directly connected to the high prices of this beverage. Brandy enjoys little less popular because it has not been disseminated in popular culture. Moreover, it is connected with the culture of the south countries (Italy, Portugal and Spain), where it is produced. This creates a natural geographical and cultural barriers for buyers from the northern areas of Europe such as the Polish.

It is surprising that wine is so little popular beverage treated as a capital investment. This is because it is very difficult to select a good wine, because there are a lot of different wine strains. A person who is just beginning to invest in luxury alcohols can easily get very confused. Sherry was very little popular beverages, although in England culture of drinking this kind of an alcohol is very old. Polish customers has in general a very little knowledge of this drink, so they do not treat it as a good investment. Some clients are interested in local, created manually alcohols, which may be the beginning of further research. In the era of globalization, local beverages may become alcohols worldwide. At the beginning whisky was only a beverage popular in Scotland, now according to many people it is the best alcohol for investment. Prices oldest whiskey dynamically grows from year to year. A typical Scotch whisky is one of the most popular and most respected spirits. It is because not only a long, interesting and turbulent history, but also extremely sophisticated taste. Connoisseurs appreciate his unique variety of flavor notes, and its rarest species can achieve considerable prices.

Buyers for a various of reasons decides to invest in a luxury beverages. The most common reason is the awareness of the fact of increasing prices of an alcohol. Beverages become over time more and more valuable. It is affected by a decreasing amount of available bottles on the market, because of being in progresses the process of their consumption. Refined taste of alcohol such as whisky with time it gets deeper and more expressive, which also affects the increase of a price. Investment in beverages is a relatively safe investment, because it is not influenced by the market turmoil. This is because the alcohol prices are rising regardless of the market. The value of the alcohol does not depend on the exchange rate or the economic situation of the country of origin. Determinant of their value is the time, so the factor that of no one is dependent.

Luxury beverages is also a value in itself. It is a beautiful object with a valuable history. It is also something that can be collected in many ways, such as country of origin, vintage, taste or color. Very few people invest in alcohol to then consume it. The taste does not play a key role here. This is the secondary provider of an advanced marketing techniques, which made the taste of a food product almost completely lost of meaning. The most important is the value added. This may be the beginning of further research, which will focus on changing the perception of the customer who often buys the product for its added value, and the value in use has ceased to be relevant. Customers buy luxury spirits more as an investment rather than something they are able to show to family or friends. This may be because of the small knowledge of the subject matter of luxury beverages by persons who are not interested into this market. The value of the alcohol knows only the connoisseur, because it is not obvious like it is in the case of luxury cars and jewelry. The interesting phenomenon is the purchase of beverages under the spur of the moment. This can be directly connect with added value by a desire to create a suitable self-image by the purchase exclusive beverage. A new phenomenon is the purchase of expensive alcohol as a gift connected with some kind of form of investment for the future. This is due to the growing popularity of luxury beverages market and a growing awareness of prices which over time it can achieve.

The most popular are alcohols from the United Kingdom, because it is connected directly to the popularity of Scotch whisky. Then the beverages from France are very popular, which can be directly combined with cognac and wine. Third desired place of origin of luxury alcohols are other countries in Europe, for example Spain, Portugal and Eastern Europe. This is due to the fact that the most of the popular and valuable in terms of investment, alcohols are produced in Europe. A significant popular has beverages from the Far East. This may be directly related to the Japanese oldest whiskey Karuizawa. Very few customers are interested in the alcohols from Asian countries, it may be because of the small knowledge about the more specialized varieties of beverages. Buyer of luxury spirits show little interest in Australia and North and South America, because these countries do not have a popular and globally well-known alcohol products. Little interest in them may be the result of the experience of the local wines such as sweet and desert wine strains located in Australia. There is a very little interest about beverages from Africa, what is the result of a lack of commercially valuable alcohol products from Africa. A further direction of research can be a relationship between the place of production of an alcohol and its market position. Country of origin of the alcohol has a dominant influence on its perception on the market and thus its price.

There is no doubt that buying alcohol for tens of thousands of pounds is a reasonable expense, because it is an investment that generates huge profits for its buyer.

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(Received 24 March 2017; accepted 18 April 2017)