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New Organic Vodka Wants Market Share

By Lena Smirnova

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Organic grain is part of the recipe.

A new entrant to the Vodka market will invest 217 million euros ($310 million) and plans to take 20 percent of the Russian premium vodka market by the end of 2013 by promoting itself as an exclusively organic brand.

The Organic Vodka Group plans to reach 62 Russian regions and up to 50 percent of the points of sale in each region, the company announced at a news conference Wednesday.

The company is a subsidiary of Finland's Saimaa Beverages and will make its local debut in September with Drova, a low premium Russian-made vodka, and the premium Finnish-made Suomi.

The pilot brand Grelochka, whose bottle comes wrapped in a mitten, will also be test marketed in the fall.

All of the vodkas will be organic, said Oleg Kraizmer, Saimaa's acting director. He explained

that this means organic grains and water from the bottom of Lake Saimaa are used in the manufacturing. The vodka sits in special reservoirs for a month before bottling.

Alcohol industry analyst Vadim Drobiz predicted that vodka prices in the economy segment will rise up to 170 rubles ($6.10) and premium vodka will cost more than 300 rubles based on government plans to increase excise taxes.

The Organic Vodka Group plans to sell Suomi for 270 rubles. Despite the challenging market, the company is counting on its clean label and curious customers to achieve its sales goal.

"The number of customers who are ready to try something new if it is interesting to them is greater," said Sergei Kleshukov, the company's general director.

Drobiz said the organic production idea will be useful for the company's advertising campaigns, but added that experienced buyers will pay more attention to the popularity of the premium brand and the status it incurs.

"Nobody will be looking into it as an organic project," Drobiz said. "People will see the marketing behind it, see the lake as a story."

Premium vodka takes up 1.7 percent of the vodka market, but many premium brands went out of business after 2008 and the market has seen few newcomers since. Russky Standart vodka leads the market with 30 percent of the sales. Belaya Beryozka follows with 20 percent.

"The company's decision to come to the market now is unique in such a difficult period," Drobiz said. "It is remarkable that the company has found the courage to come to the market now."

The company is not deterred by naysayers. "We have already reached similar targets in other markets. I don't see why we can't reach them here," said Dmitry Bogatov, commercial director of Organic Vodka Group.

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