

SCHOOL OF MANAGEMENT: CORPORATE CHALLENGE 2012

Sidney Frank Importing Company (SFIC)



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SIDNEY FRANKS IMPORTING COMPANY



On a damp and chilly February weekend in New Rochelle, N.Y., Julie Byrne was working tirelessly to complete the preparation for the 2012 Sidney Frank Importing Company (SFIC) national sales meeting in Arizona. Julie, the brand manager for Bärenjäger, had seen a slight depletion in the sales of the honey liqueur in 2011. In order to counter this depletion and to take advantage of the opportunity presented by the successful experience of the competition in selling Bourbon mixed with honey, SFIC management had decided on a strategy of product line extension

within this brand and to launch Bärenjäger Honey Et Bourbon in April 2012. Julie was going to introduce this exciting new product to the national sales force and the major distributors. The target audience, the key attributes, the benefits, promotional materials, and selling strategies for this new product were going to be presented in this meeting by Julie.

Steve Bellini, the national sales manager for SFIC, had lot more on his plate during this national sales meeting. His goal is to ensure success of all the brands sold by SFIC. However, developing the Bärenjäger brand in 2012 is one of his major goals. Both Julie and Steve are extremely interested in creating strategies for the success of this brand by enhancing traditional distribution channels and by using social media. SFIC's website, www.sidneyfrank.com, has links to and is engaged in numerous social networking activities.

SFIC, based in New Rochelle, N.Y., has more than 200 full-time employees and a network of distributors and brokers throughout the United States. The company prides itself on being a creative and effective beverage alcohol company known for its continuous introduction of innovative products and initiatives. Privately held and family owned, the company operates in a highly entrepreneurial and flexible environment and culture, and values simplicity, effectiveness, and a high regard for its people and community.

All State Promotions, Inc. is the exclusive promotions company for all SFIC products and boasts more than 2,000 models dedicated to the SFIC portfolio, including the Jägerettes, the industry's first models. The unique and revolutionary Jägermeister Tap Machines, developed by SFIC, are sold by Tap Machine, Inc.

SFIC has positioned its brands as spirits of superior taste and distinction. Its brands do not compete in the marketplace on price, but rather on differentiation and by encouraging "high involvement" of customers, bartenders, and retailers. The immediate objectives of Julie and Steve are to significantly increase the share of the Bärenjäger brand in the United States through affective marketing and promotion.

Sidney Frank Importing Company Products

Brand Name	Description
Jägermeister Herbal Liqueur	the No. 1 selling imported liqueur and shot brand in the United States
Gekkeikan Saké	the world's best-selling sake, with sales of over 400,000 cases a year
Michael Collins Irish Whiskey	double-distilled single malt and blended whiskies named for a legendary Irish hero and produced at Ireland's last independent distillery
American Harvest	the revolutionary organic vodka with a proprietary blend of organic ingredients, resulting in a distinctive, smooth, clean, and crisp taste
JC Cognac	the VSOP known for unmatched quality, with a unique flavor of apple and jasmine
Bärenjäger Honey Liqueur	the German imported honey liqueur made with generous amounts of premium natural honey
Jacques Cardin Brandy	the French brandy of uncommon distinction defined by its rich color and superior flavor
Hudson's Bay Scotch	a smooth blend of 100% Scotch Whiskies distilled and blended in Scotland
St. Vivant Armagnac	the premium French brandy steeped in tradition, dating back to 1559



History

1972 - SFIC opens in Manhattan by former President of Schenley Distillers, Sidney Frank, with a staff of four; begins importing Gekkeikan Sake – The World's Best-Selling Sake!

1974 - Mast Jagermeister grants SFIC import rights for Jagermeister

1975-1980 - Expansion of portfolio, including Barenjager Honey Liqueur, Jacques Cardin Brandy, Hudson's Bay Scotch, Henri Savard Sparkling Wine, and St. Vivant Armanac.

1985 - The Ice Cold Jagermeister Shot is discovered and the brand begins rapid ascension to no. 1 U.S. shot!

1986 - Jagerette program is introduced.

1987 - With business booming, SFIC relocates to New Rochelle, N.Y.

1993 - The first Jagermeister Tap Machine is introduced.

1997 - Grey Goose Vodka is introduced.

1999 - Jagermeister sales top a half-million cases! Grey Goose sales: nearly 200,000 cases!

2000 - Grey Goose L'Orange is introduced.

2004 - Grey Goose Brand is sold to Bacardi for more than \$2 billion.

2006 - Introduction of Jacques Cardin VSOP Cognac and Michael Collins Irish Whiskey.

2007 - Tommy Bahama Ultra-Premium Rums are introduced.

2009 - Gekkeikan Sales top 400,000 cases!

2010 - Michael Collins Irish Whiskey re-packaged and 10-year-old single malt introduction.

2011 - New product launch: American Harvest Organic Spirit. Barenjager re-packaged.

2012 - Barenjager Honey and Bourbon launch.



Mission and Values

Sidney Frank Importing Company is the most creative, quickest reacting, and best executing supplier of distilled spirits in the United States. The stated mission of SFIC is as follows:

We strive to be the best "value-added" supplier with our ground-breaking, creative marketing strategies. We are driven to be the first in everything we do and we possess the resources to do so. As a family-owned business, we partner with our customers and react thoughtfully and swiftly to changes in the market better and faster than our competitors. Sidney Frank Importing Company distinguishes itself from the competition with people who are creative, forward-thinking, and carefully chosen to join our team

SFIC Values:

- Customer Focus
- Self-reliance
- Flexibility
- Effectiveness
- Responsibility
- Teamwork
- Community Support

Demographics SFIC and ASPI Combined	
Total Employees	211
Female	127
Male	84
Average Years of Employment	8.54

Sidney Frank products are defined by their high quality, distinctive taste, unique blend and origin, based on well-known historical regions of the world. The company has a passion for importing high-priced spirits and building valuable brands within the United States.



Marketing

SFIC has been extremely successful in marketing since its inception. The ability of SFIC to import uniquely distinctive products, to position itself in a clearly defined and targeted market segment, to build the brand by using the proven principles of branding, to set upscale yet accessible prices for its products, to execute a diversified promotion strategy, and to manage the distribution channels is the envy of the industry. Even in the midst of the economic crisis over the past four years, SFIC has maintained its revenue stream without any significant decline.

The typical business model of an importer is based on the "frictional" theory of profits, where the importer acquires a product at lower price and then delivers it to distribution channels. The focus is on the efficiency of the supply chain, and the major promotion effort remains the responsibility of the original manufacturer. SFIC is totally different from a typical importer, since it gets involved in completely changing the marketing landscape of the product embraced by its marketing team.

Turning Water into \$2 Billion in 7 Years

Sidney Frank (the owner) entered the imported vodka category at a time when the consumer was ready to step up from Absolut, which was already a step up from Smirnoff. The Grey Goose packaging was outstanding, which helped the consumer rationalize the higher price as did its French heritage. Sales started slowly and were almost immediately bolstered by the "world's best tasting vodka" campaign, which broke in the Wall Street Journal. This was another genius idea of Sidney Frank. Despite the competition in the super premium imported Vodka market, the excellent execution by SFIC and its distributors helped rocket the brand and differentiate it from the others. In just about seven years after the Goose introduction, the brand was sold to Bacardi for more than \$2 billion. The sale sparked an onslaught of entrepreneurs trying to replicate the creative genius of turning water into \$2 billion in just seven years.

The major strength of SFIC is to recognize the opportunity to build a brand based on a product. SFIC emphasizes the positioning of its products in the hearts and minds of its customers. The marketing team at SFIC understands that "brands that do one thing better than anyone else and deliver on promises are unstoppable." SFIC's team also understands that a brand must have touchpoints* that spark recognition, amplify differentiation, and arouse emotions. These touch points invoke emotions and perceptions that control the customer behavior and eventually lead to desired outcomes. Any organization involved in building a brand needs to

Sales for year ending 2011	
Brand	Cases
Jagermeister	2.5 M
Bärenjäger	15 K
Gekkeikan	400 K
Michael Collins	10 K
Jacques Cardin	44 K
American Harvest	7 K

Cases represent equivalent quantity in 9-liter cases. The cases sold are 750 ml x 12 or 375 ml x 24 or 1 L x 12 or 50 ml x 120.

carefully develop a strategy and then make significant investment. The amount of investment depends upon the potential of the brand rather than the current revenue. SFIC makes significant investment in supporting the current brands and in introducing new brands that have potential to grow in the future.

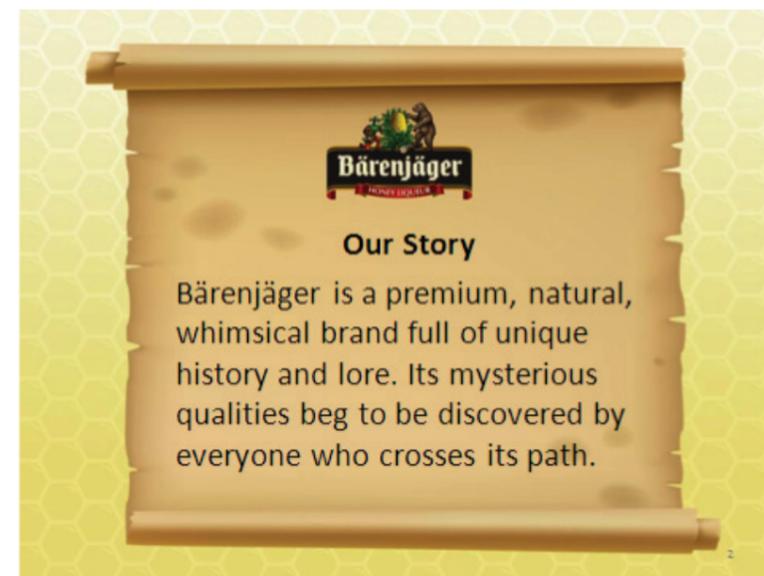
A table showing sales volume in nine-liter cases for the year ending 2011 for six SFIC brands is shown. SFIC's marketing team carefully evaluates the current market, target and positioning, and future potential for each brand and then develops annual budget for each. The brand management budget includes advertising, public relations, promotional items, product samples, store and bar displays, and the cost of sponsored and special events. This case study focuses on the Bärenjäger brand, which had only one product, Honey Liqueur, in its portfolio. SFIC is now introducing Bärenjäger Honey and Bourbon as the second product in this portfolio.

Bärenjäger Liqueur at SFIC

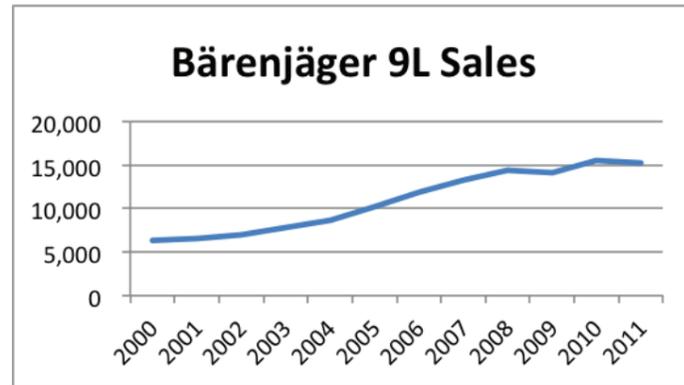
Bärenjäger literally means Bear Hunter. In the 15th century, honey was used to lure bears, and the saga of Bärenjäger liqueur started. For more historical details, visit www.barenjagerhoney.com. Over 20 years ago, SFIC recognized the unique attributes of this product and decided to add Bärenjäger liqueur to its product portfolio. SFIC started importing and selling it in smaller quantities. Starting in 2004, a decision was made to start investing in building this brand. By the year 2010, sales as measured in terms of nine-liter equivalent cases more than doubled. In 2011, Bärenjäger sales depleted by about 2%, whereas the honey-flavored spirit volume is up +137% (Source: Nielsen, 52 weeks ending 10/15/11 Combined Total Food Drug Liquor).

The price differential is perhaps one of the main reasons for the depletion in sales. Bärenjäger is an imported product made with generous amounts of real honey and all natural ingredients. Due to the high quality of the ingredients, it carries a premium price. On a retailer's shelf, the selling price of Bärenjäger liqueur ranges from \$27.99 to \$30.99 for a 750ml bottle.

Several competing brands are priced much lower (ranging from \$14.99 to \$24.99). The leading competitors such as Jack Daniel's Tennessee Honey and American Honey are priced at roughly \$19.99-\$23.99. In order to overcome the depletion in 2011 and improve sales without lowering the price, the brand management team for Bärenjäger took the following actions.



- Introduced a new more contemporary package that is more eye-catching, modern, and dynamic, and exudes a higher premium look and price expectation. The new package stands out on shelf and allows Bärenjäger to get the attention it deserves. The package was first introduced into the market in July 2011, and the feedback has been positive across the board from sales reps, bartenders and consumers.



- Changed look and feel of all promotional materials, including POS displays, sell sheets, website, Facebook pages, trade ads and Centiv (a customizable template that sales people can edit as needed).



- In 2011, SFIC executed the second annual national Bartender Cocktail Competition, with the winner receiving a trip to Oktoberfest in Germany. More than 250 bartenders around the country (nearly double 2010) submitted recipes made with Bärenjäger. SFIC had close to 200 attendees at the event, generating extensive press and national awareness from the bartender community.

- New packaging was also introduced to the press and media via a PR mailing with press kit folder, recipe guide, and inserts. From this mailing and the competition, SFIC received extensive coverage from media including trade and consumer publications (over 800 placements).



Division	Jan-Dec	Jan-Dec % Change
Central	2,497	-6.0%
Northeast	2,274	0.0%
Southeast	1,927	-16.2%
Southwest	1,747	-3.9%
West	2,382	+3.7%
Military/Off-shore	66	+6.5%
Control	4,403	+5.9%
Total	15,296	-1.7%

- Despite these actions, there was a depletion of 1.7% in Bärenjäger sales. A regional analysis of sales shows that the bulk of the depletion was in the Central and the Southeast regions, where the economy suffered the most.

Bärenjäger Points of Differentiation

- Bärenjäger is highly versatile...in cocktails and culinary recipes...and it's preferred by bartenders.
- Bärenjäger has 225 grams of honey for a real honey flavor.
- Bärenjäger is the original honey liqueur with centuries of heritage!
- Bärenjäger is premium and all natural!
- Bärenjäger's bottle looks and feels like a top-of-the-line spirit.

Recognition of a New Opportunity

According to industry sources, the honey-flavored spirits volume last year was up 137%. Jack Daniel's Tennessee Honey has seen sales volume jump to 367,195 (9L) cases during the first year of launch. Seagram 7 Crown Honey saw its sales volume increase by more than 50% last year. SFIC has recognized this rare opportunity and has launched **Bärenjäger Honey & Bourbon**. In some markets, it was introduced in February, and it will be introduced to all markets by the end of April 2012.

Bärenjäger Honey & Bourbon has been priced to sell on par with Bärenjäger Honey Liqueur in four sizes (750ml x 6, 1L x 6, 375ml x 12, 50ml x 120). The taste profile -- Nose: Clean characteristic bourbon aroma with mild hints of honey. Palate: Balanced sweet bourbon with distinct lingering honey notes on the finish **Positioning/Target** – Adults who enjoy spirits straight or on the rocks; consumers who enjoy honey-flavored spirits; and people looking to upgrade to a premium superior-tasting brand-name product. The product is also very mixable, and SFIC has published a large number of great recipes.



Branding and Promotion Plans

SFIC's marketing team has prepared a plan to promote Bärenjäger brand products in 2012. The major thrust of the plan is to leverage existing resources and enhance promotional events and items. The sales forecast for 2012 is 21,000 cases (9L) with about 30% of the sales to be on-premise (bars) and 70% to be off-premise (retail stores).

Distribution Channels – The liquor industry operates in a three-tiered system. The tiers are producers, distributors, and retailers. The basic premise of the system is that producers (and/or importers) must sell only to distributors who then sell to retailers, and that only retailers may sell to consumers. SFIC has exclusive distributors in each state. The distributors have a large sales force who then sells to retailers both on- and off-premise. Due to recent consolidation of distributors, the sales force can sell hundreds if not thousands of different brands at one time. Their goals are sales driven, and they are incentivized with cash and other items such as gift cards, trips, etc. depending on the prevailing law in each state. Promoting to the trade is an integral part of the marketing strategy. SFIC has primarily focused on promoting its products to distributors' sales force and bartenders by providing some prizes, cash incentives, and promotional material. Should SFIC think about party and wedding planners, conference centers, and catering halls etc. as sub-channels and start focusing on promoting to these groups directly?

Internet and Social Media experience – Currently SFIC has a website, www.sidneyfrank.com, with links to its Facebook, Twitter, MySpace and several other sharing sites. Bärenjäger has a website, www.barenjagerhoney.com, and a facebook.com/barenjager site. Today, the brand has roughly 1,700 fans on Facebook. The sites are predominantly used to “push” updated product information and recipes on a regular basis. Should SFIC improve these sites to make these more interactive by promoting “crowdsourcing,” encouraging fans to place videos on YouTube, and by taking a “pull” approach to lead the customers to the retailers who stock Bärenjäger products?

Promotion Materials – SFIC routinely provides promotional materials such as acrylic pitchers, beehive shakers, tin signs, shelf talkers, a recipe tear pad, case cards, lip balm, sampling cups, 8 oz. cups, serving trays, pull-up banners, beehive dispensers, recipe cards, table tents, recipe booklets, and cardboard displays.

Promotions and Programs – In addition to having another bartender competition this fall, SFIC plans to gain distribution of new Honey & Bourbon products in accounts where competitive honey products are successful as well as where the base Bärenjäger brand currently lives. The focus will be on generating as much trial and awareness of superior taste profile as possible, including hiring models in bear and waitress costumes. Sell sheets and other promotional materials providing assistance to retail stores are also ready for distribution. Value Added Pack (VAP) – To promote off-premise sales, VAP containing Bärenjäger 1-375ml Honey Original, 1-375ml Honey & Bourbon and 1-measuring cup is ready to roll in April 2012. The VAP has enormous value to the customer since it contains two for the price of one. The objective is to entice customers to taste the new product.

Proposed Branding Budget

Bärenjäger Branding Budget Year 2012	
ADVERTISING	\$ 65,000
PUBLIC RELATIONS	\$ 94,000
POINT OF SALE	\$ 239,000
FIELD PROGRAMMING	\$ 565,000
MARKETING PROGRAMMING	\$ 160,000
PACKAGING	\$ 203,000

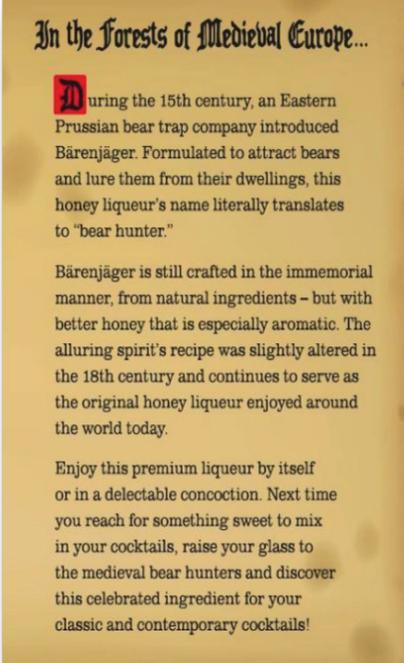
Advertising includes both Internet and print media costs. The public relation budget includes cost of developing and mailing press releases, samples, and entertainment of media personnel. Point of sale budget category includes costs of promotional materials supplied to retailers and bars. Field programming includes the cost of all materials and incentives provided to sales professionals working for SFIC or distributors, and the cost of coupons remitted by the customers. The marketing programming category of the budget contains the cost of special events and routine promotions at selected locations, including the cost of hiring the models and costumes. Packaging contains incremental product cost of VAPs incurred during the introduction phase in 2012.

Discussion Questions

All student team leaders should contact Dr. Raj Tibrewala, tibrewal@nyit.edu, for additional information. All questions and additional information will be shared with each team. If necessary, a group meeting will be arranged where all student groups can meet and ask questions.

The major objectives of this case study are to develop specific strategies and an action plan for the branding of Bärenjäger with focus on the newly introduced Honey & Bourbon. Student teams are encouraged to think “outside the box” and propose solutions that could be implemented by SFIC. All student teams should focus on the overall objective while answering the following questions:

1. How can Bärenjäger grow its presence in the digital world, gaining more users/fans and interacting with them more frequently? How can we encourage fans to post brand loyal blogs and videos in social media?
2. SFIC and Bärenjäger websites currently provide product information and links for sharing. Should the websites provide additional functionality to connect customers with the retail outlets in the neighborhood? What will be the initial and on-going maintenance cost of this functionality considering the fact there may be hundreds of retailers in a distributor’s territory and the list is changing continuously?
3. The primary target audience for Bärenjäger is adults 25-39 who enjoy spirits, frequent bars and restaurants, and are well-connected (digitally). The secondary audience is bartenders/mixologists. What other potential audiences should be targeted to expand the reach?
4. Bärenjäger Honey & Bourbon competes head to head with leading competitors such as Jack Daniel’s Tennessee Honey and American Honey whose products sell at a significantly lower price. With today’s savvy and value-driven consumers, how can Bärenjäger grow sales with a premium price? How can it convince consumers (and retailers) to buy Bärenjäger over the less expensive competitors? What brand characteristics should be pointed out?
5. Bartenders and mixologists have found Bärenjäger to be an ideal natural sweetener in cocktails. How can the brand further engage bartenders on an ongoing basis in an effort to turn more bartenders into brand ambassadors?
7. Examine the current Bärenjäger branding plans, including the budget allocation among various categories and suggest improvements.





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