



Baltika Brand Rejuvenation

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Case study prepared for Adam Smith Conferences 3rd International Forum for
The Russian Food and Beverage Industry



Size that matters. Baltika is as big as Russia



- **Russia:**
 - Approximately **1/6** of the land mass
 - Covers **11** time zones
 - Stretches across almost **half** of the circumference of the globe
- **Baltika:**
 - **1st** Russian domestic brand
 - **Market leader** since 1996
 - Sells every **4th** beer bottle in Russia
 - **5** breweries & **31** sales rep offices
 - Owner of **2nd** beer brand in Europe

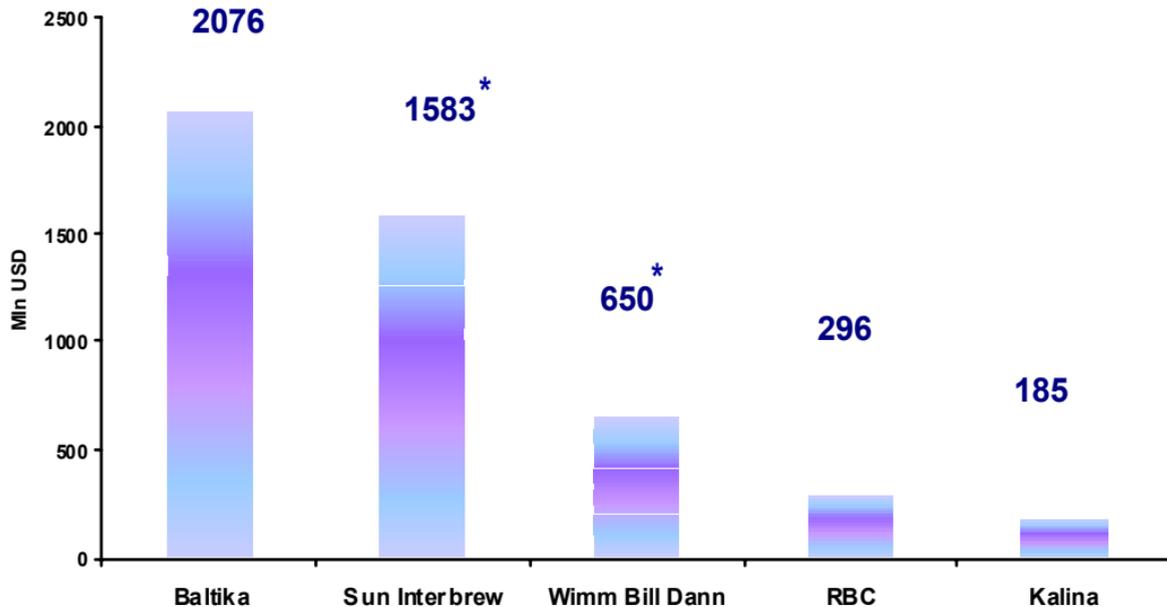


Facts and figures

Facts	Figures
<i>Top Russian FMCG company</i>	Over 2000 mln USD capitalisation
<i>Biggest production capacity</i>	24 mln HL per year, 0.33 bottle per each human being per year in the world. Biggest and the most profitable brewery in Europe
<i>Everywhere in Russia</i>	Distribution 97%
<i>Brews biggest Russian brand ever – Baltika</i>	25 % market share – Company sales 11% Baltika brand share
<i>Suits every consumer taste</i>	32 beer brands / varieties on sale
<i>Worldwide operations</i>	35 countries served



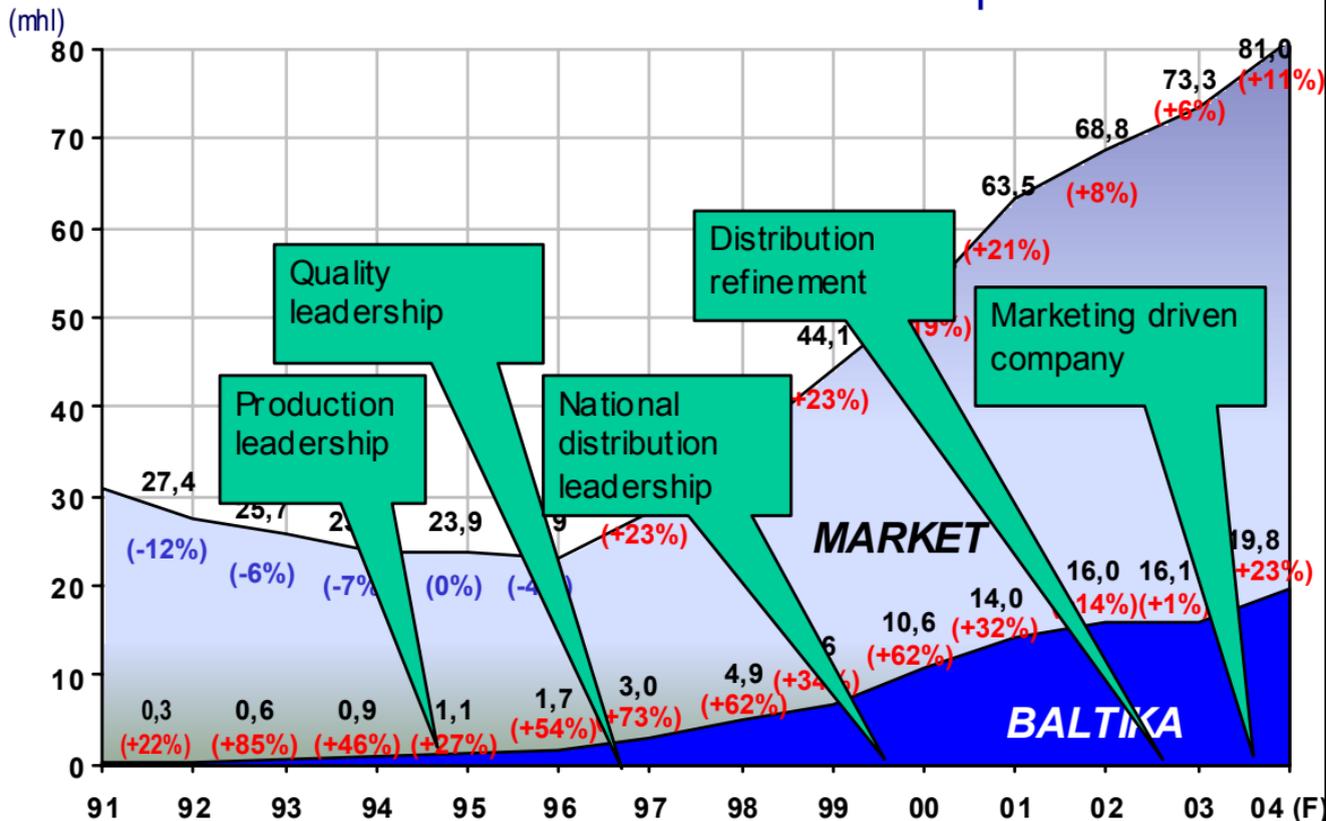
Top companies in Russian FMCG sector (capitalization, mln USD, Oct 2004)



* Including Ukrainian operations

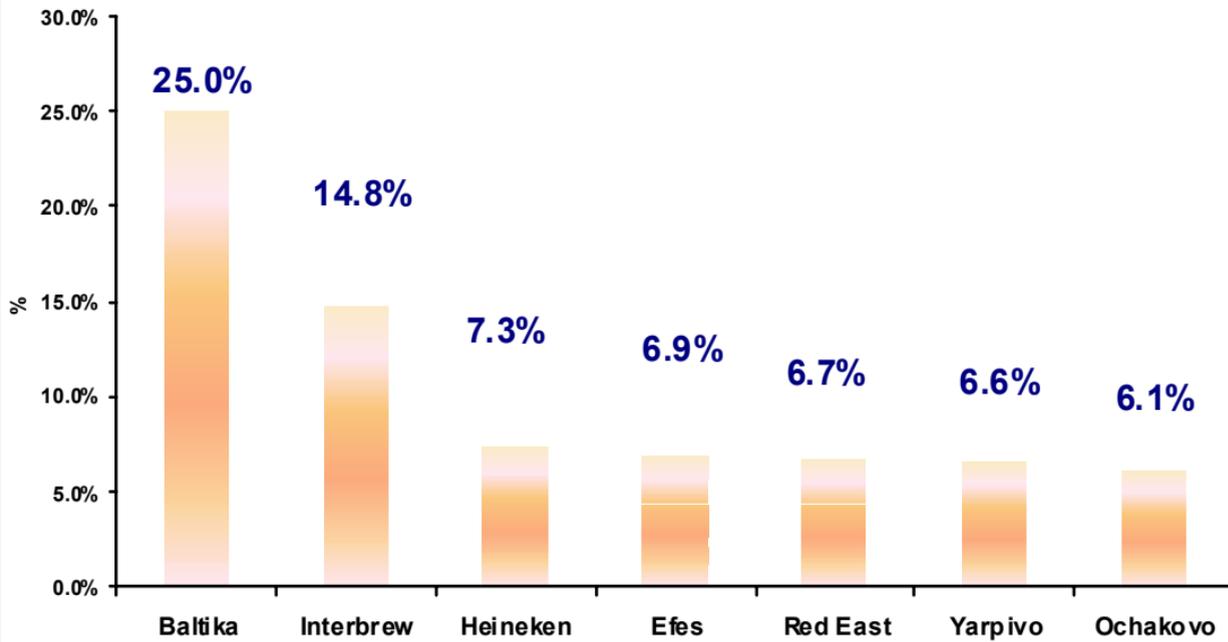


Baltika and Russian beer market development





Baltika market leadership



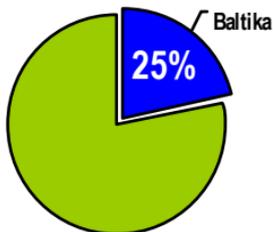
Source: BBH



Baltika segment leadership

Beer market

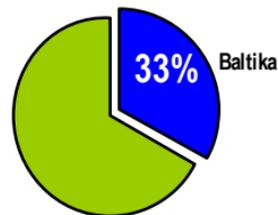
Baltika share in Russia, volume



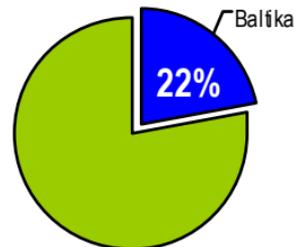
BBH, 2004

Market segments

Baltika share in mid - price segment



Baltika share in premium segment



Business - Analytica, Sep 2004



Baltika brand before 2004 –action required

S

- Maximum awareness
- Huge share
- Extremely high distribution
- Quality (perceived and actual)
- Baltika 3 sub-brand - the biggest beer brand in the market (2 times bigger than the closest competitor)

W

- Dated packaging
- No restyling / innovations during past years
- “Old – fashioned” perception
- Unclear brand equity
- Lack of clear positioning for sub-brands

O

- Positioning clarification
- Offer diversification (sub-brand positioning)
- Brand rejuvenation

- Competitive communication increase
- Competitive portfolio diversification
- Competitors gaining share
- Proliferation of emotional benefits

T



Solution at sub-brand level

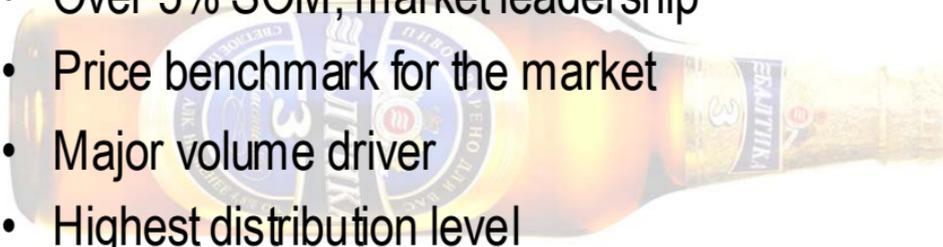
To rejuvenate the Baltika brand via:

1. Development of an effective positioning strategy
2. Diversification of the Target Audiences
3. Rolling out striking creative executions
4. Relaunch along the lines of innovation and premiality
5. Sub-brand specific support
6. Further sub-brand reinforcement through umbrella communication



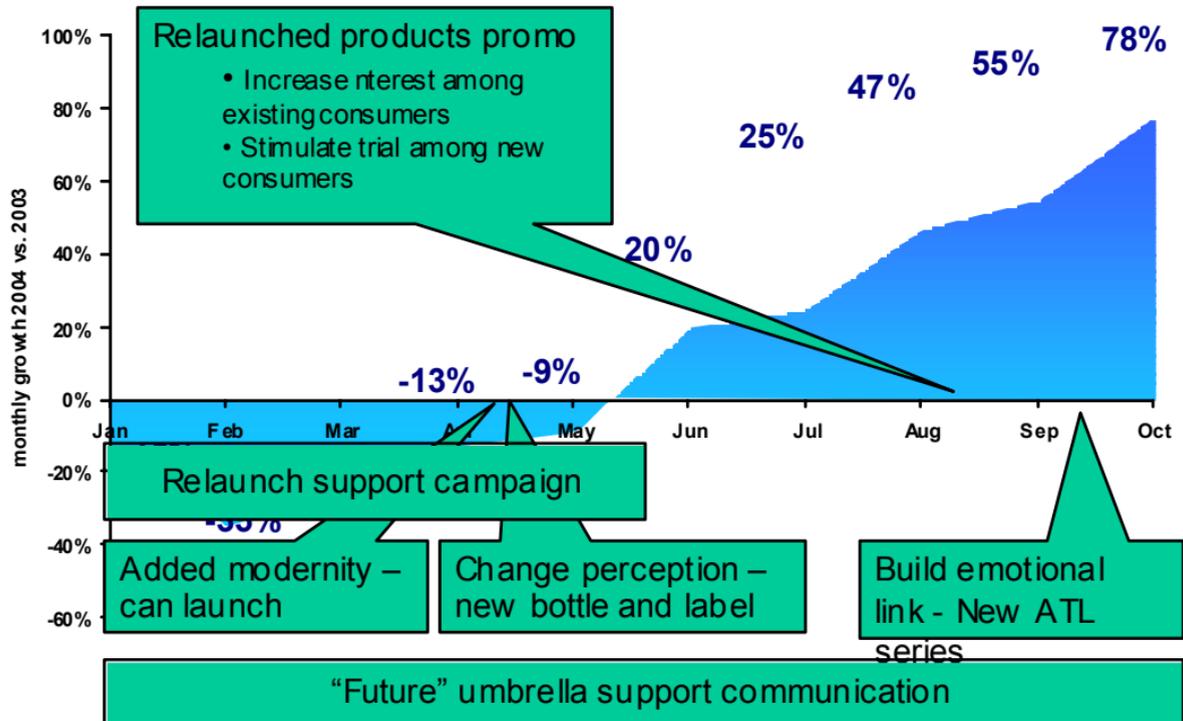
Baltika 3 sub-brand background

- Top Russian beer brand
- Over 5% SOM, market leadership
- Price benchmark for the market
- Major volume driver
- Highest distribution level
- The only single SKU (0,5L bottle) sub-brand in the market





Baltika-3 sales development in Russia Jan-Oct 2004 vs 2003





Baltika 3 can launch

Teaser

Moscow, S.Petersburg



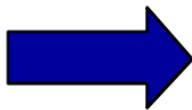
Reveal

Federal outdoor
campaign





Baltika 3 bottle relaunch



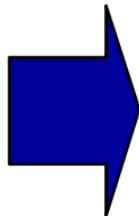


ATL Campaign “Baltika Express” series





Umbrella communication “From Heritage to the Future”





Baltika 3 promo campaign: +78 % sales growth

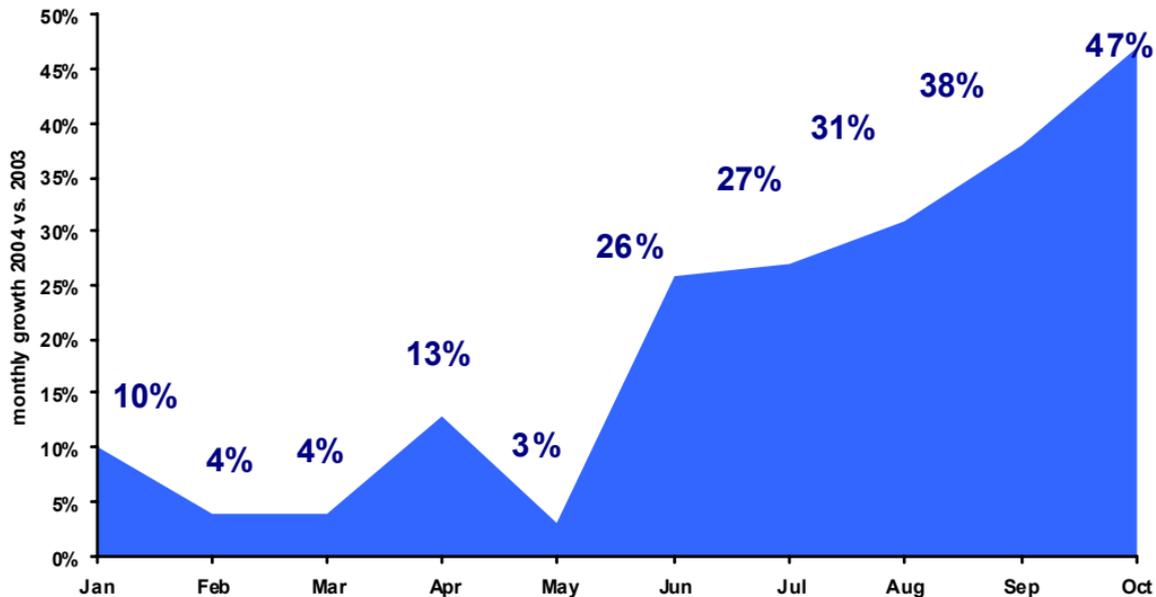




Next steps

- Premium line upgrade
- Packaging consistency
 - Restyling of the whole SKU range
- New communication strategy
 - Separate sub-brands media strategy and advertising support
- Aggressive NPD

Baltika Brewery sales development in Russia – Jan-Oct 2004 vs 2003





Thank you!