

Absolut Pressure: The Challenge of Mixing Relevance, Performance and Sustainability One Shot at A Time

MANAGEMENT DECISIONS

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Reactions and Decisions

Given the context after the public statement of Elliott Management, Pernod Ricard's CEO went public with a response statement highlighting that he respects the vision of every shareholder. However, the company's focus is to keep its commitment to delivering long-term results. However, he also waved to investors giving an interview to the Financial Times mentioning that Pernod had already started cutting costs based on an efficiency plan in order to invest half of the savings back into the "priority brands", arguing that it was not the time to reduce investments and that Pernod Ricard would keep managing its portfolio dynamically with a focus on sustainable and responsible value creation.

Regarding the institutional plan that has been planned to be released soon, in April 2019, Pernod Ricard launched its 2030 Sustainability & Responsibility Roadmap, under the name "Good Times from a Good Place". In this roadmap, the company shared its commitments with eight UN's Sustainable Development Goals on four key areas: nurturing terroir, valuing people, circular making and responsible hosting. In the presentation, the company's VP of Sustainability made clear that this roadmap was necessary and naturally aligned with the values of the company but also added that investors were asking for a firm commitment to the planet.

Management Decisions

In December 2018, The Absolut Company welcomed its new VP of Marketing, who has been the Marketing Director for Pernod Ricard in South Africa until then. In his previous role, he led a successful campaign for Absolut in Africa called "One-Source", which linked Absolut's brand with local artists in a platform consisting of music, a video clip and a huge creativity festival. The campaign had an outstanding engagement online and increased the sales of Absolut by 41% in the country, being awarded with four Cannes Lions and remembering the power of Absolut as a cultural icon.

With a new face to lead new approaches for the brand, on the Earth's Day of 2019, twelve days after Pernod Ricard announced its 2030 Sustainability & Responsibility Roadmap, Absolut launched in the U.S. its new platform "Planet Earth's Favourite Vodka", keeping its alignment with sustainability but now focusing more on digital viral content to create awareness for the brand and for what it stands for.

The execution of the campaign also included bringing influential spirits bloggers and creators to visit Åhus in Sweden to experience the community and history of the production of Absolut. The timing of the launch was a clear message that Absolut would be the priority brand through the Pernod Ricard portfolio, now even more with the sustainable focus of the group. In 2019 The Absolut Company also started to release a sustainability report to show the intrinsic values and positive impact of its operations for investors and society, being the only subsidiary of Pernod Ricard to be committed to this approach.

From that period onwards, Absolut campaigns continued to focus on its sustainable values, but also started to have a clear focus on attempts to engage with new generations through digital media, building emotional connections and (re)introducing the brand to this target audience in order to increase top-of-mind awareness, consideration and re-establish Absolut's status as the culturally relevant vodka. Some of the campaigns included:

- It is in your spirit: Global campaign launched during the COVID pandemics, starring celebrities in ads based on gaming worlds that encourage young consumers "share the meaningful #IRL moments they are looking forward to".
- Absolut Comeback: Global campaign focused on promoting recycling which involved the launch of special bottles 41% made of recycled glass.
- Absolut Changemakers: focused in North America by using its brand platform to amplify voices of young "changemakers" connected with inclusivity and diversity values.

Pernod Ricard and The Absolut Company management teams also decided to develop brand extensions from Absolut through new products catching the trends of convenience and "artisanal" drinking. The final innovations were the launch of the ready-to-drink products Absolut Vodka Sodas and Absolut Cocktails, featuring six different flavours in cans with between 5% and 10% ABV, and the Absolut Juice, a 35% ABV mix of vodka with 5% of natural fruits, ideal for the preparation of cocktails.

Summarizing Absolut's Action Plan

1. Promoting change in the leadership to stimulate fresh ideas and different approaches based on previous success.
2. Keep aligned with the origin and values of the brand-related to sustainability, but reshaping the format and main channels of communication to achieve more impact online.

3. Plan a roadmap of culturally-relevant viral campaigns adapted to local contexts and targeting mainly the new generations.
4. Experiment with developing brand extensions focused on new behaviours and segments regarding alcoholic beverages. There were Absolut Vodka Sodas and Absolut Cocktails, featuring six different flavours in cans with between 5% and 10% ABV, and the Absolut Juice, a 35% ABV mix of vodka with 5% of natural fruits, ideal for the preparation of cocktails.

Decisions Outcomes

The reactions and decisions after this tense period showed that even with the natural challenges to meet the market expectations generated by an iconic brand such as Absolut, the management of Pernod Ricard were strongly aligned to keep investing in the brand as its portfolio star, alongside with the development of its other brands. As the primary brand for Pernod Ricard's sustainable platform and backed by the group's CEO against all odds, supported by the fresh vision from a new marketing leader, Absolut's team managed to deliver relevant projects and innovation that reassured the relevance of the brand among shareholders. The results kept stable in terms of sales volume after this period, with an expected decrease alongside competitors in 2020 due to the COVID-19 pandemics. However, notable improvements on digital presence related to Absolut's brand were noticed. If the sales kept stable, on the other hand, The Absolut Company's team figured out how to spread the message that its reputation, cultural relevance, and sustainable operations compensate any pressure for growth, strengthening the image of Absolut as more than an iconic brand. Nevertheless also a unique asset for Pernod Ricard's portfolio, which plays a protagonist role in the company's long-term corporate strategy.

Committed to its long-term plan, Pernod Ricard registered a 53% increase in its stock price from December 2018 until December 2021.

As a sign of commitment with its strategy, in August 2019, Pernod Ricard launched an institutional programme to buy back up to \$1bi in shares from its shareholders in an attempt to consolidate a shared vision among the investors, prioritising long term results and avoiding the pressure of shareholder focused on the short-term.