

**SYMBOLIC VALUE CREATION IN CANADIAN WHISKY INDUSTRY: A
PRELIMINARY SUMMARY**

by

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The purpose of this project is to investigate how distilleries can benefit from endowing their brands with symbolic value in the eyes of the consumers and opinion leaders. Research shows that consumers purchase whisky not only because of objective features, like taste profile, but also for the symbolic characteristics of the whisky, such as compelling story that is tied to tradition, history and national identity and that resonates with consumers emotionally. However, little is known about how distilleries endow their brands with symbolic value, and this capability is becoming increasingly important for Canadian distillers as they seek to focus on more high value premium and super-premium offerings. This research project seeks to shed light on that process, and the below document is a summary of the first six months of this ongoing research.

Methods

Interviews so far: the aim of sampling interviewees was to obtain a broad cross-section that would enable me to get as close to 360° overview of the industry as possible.

- Distillery representatives (large and small): 9
- Writers and bloggers: 5
- Retailers (decision makers responsible for purchasing whisky): 6
- Restaurateurs and bartenders (restaurant/bars reputed for having seriously curated whisky lists and high reputation bartenders): 5
- Whisky connoisseurs/society members/educators: 6
- Others (government, consultants, foreign distillers): 4

Other sources: hundreds of articles and blog entries; sales trends in Canada and abroad intended to further assess the perceptions and market performance of Canadian whisky domestically and internationally.

Forgotten History

History and tradition are key in explaining why a particular whisky tastes the way it does and are important resources for distilleries to connect with consumers. Canadian history is closely tied to whisky production, but these days Canadians are not aware of this history. Early whisky makers were influential in Canadian economic, cultural and political lives, but they are not remembered. The resulting problem is, as one distillery interviewee summarized: “How do we as Canadians hold Canadian whisky in higher esteem than we currently do? Because I don’t think Canadians hold it in very high esteem.”

Until recently, Canadian distilleries had not made concerted efforts to keep the rich Canadian history of distilling in the minds and hearts of Canadians, allowing this rich history all but disappear. These are missed opportunities to engage with consumers more deeply and are not difficult to leverage. For example, one retailer noted that she found it interesting to learn that Canada was first to mandate aging whisky and wished that distilleries would emphasize facts such as these more in brand messaging. When historical narratives are used by Canadian brands, it is typically in simplistic ways that do not capture the richness of the past and without linking it to the explanation of how Canadian whisky is made and why it tastes the way it does.

One possible explanation for the under-utilization of history is the dominant positioning of Canadian whisky brands as low-end or budget. The target customers, presumably, are less discerning and less interested in the history of the beverage (or at least this is what the marketing professionals believe). So the distilleries emphasize more lifestyle matching and mixability over historical narratives.

The second possible explanation pertains to the fact that Canadian distilling has historically been quite large scale and “industrial”, so as one industry marketing professional explained, there is “no romance” in that. Distilleries are sometimes concerned that historical narratives of the industrial production will not resonate with customers, who might have been conditioned to (unrealistically) expect more small-scale production. Foreign distilleries have been busy cultivating romantic images that portray whisky making – much of the time, inaccurately – as “small scale” and “hands on”. Canadian distilleries, in some cases, are concerned that talking about Canadian whisky making history will clash with those idealized images.

The only concerted effort to connect to historical narratives I found was by Canadian Club and its emphasis on Prohibition. Visiting the Canadian Club Brand Centre exposes the visitor extensively to the talk and artifacts aimed at evoking memories of Prohibition and rum runners. Nonetheless, the brand does not focus extensively on the origins of its production process or of its style, emphasizing instead the Prohibition.

In a more positive development, it appears that Corby Brands intends to emphasize history a lot more. As pointed out by one retailer, the company has started referring to “J.P. Wiser” instead of “Wiser’s” to highlight the fact that this was a real person behind the brand. Another retailer confirmed this new history emphasis and expressed that according to this retailer’s information, Corby plans to redesign the labels in order to convey history more strongly. However, as pointed out by the proprietor of a connoisseur focused whisky bar, Corby (like others in the industry) has not done a good job storytelling, so far. This bar manager pointed out, for instance, that the product “Wiser’s Legacy” refers to “legacy” but does not seriously explain what that legacy actually is. The increased effort by Corby to bring history back is evident in the relaunch of the Gooderham and Worts brand that traces its lineage back to 1832. The bottle does an effective job of storytelling and informing who Gooderham and Worts were and that their whisky was exceptional, and there was some praise for the detailed and engaging storytelling on its back label.

Although most of my respondents felt that history was important and valuable, some of them were either skeptics or were even downright cynical about it. The skeptics felt like history in whisky industry was misused and not used honestly. For example some respondents expressed skepticism about supposedly traditional methods reportedly used by some distilleries. They acknowledged that whisky industries in all countries today are different than they used to be, so any attempts to claim that whisky offerings of today would be produced in the same way as a hundred years ago or would taste the same way is not plausible. This indicates that as Canadian brands try to embrace and reintroduce Canadian whisky history (which is valuable and important), they need to be cautious not to overdo it or to come across as insincere. It is further important to point out that the use of history and tradition as a resource for individual distilleries is likely to be enhanced to the extent that individual distilleries emphasize not only the histories

and origins of their specific styles but also of the Canadian distilling history and tradition as a whole. To put it differently, individual distillery success in utilizing history and tradition as a strategic resource is conditional upon the collective investment in rediscovering and rebuilding this important but under-utilized resource.

Insufficient Transparency and Overemphasis on Lifestyle Marketing

The most common criticism of the industry was the perceived lack of transparency among the distilleries. Many whisky enthusiasts thrive on the exploration of whisky making process, and they are keen to understand how the way a whisky tastes is influenced by the way it is made. However, these consumers find transparency among Canadian distilleries utterly lacking. This putative lack of transparency was experienced by the consumers in several ways.

First is the lack of public access to most distilleries. Most distilleries do not have boutiques, touring opportunities or tasting events. Even among distilleries that do have hospitality centres and boutiques, the boutique experience that gives consumers an opportunity to see what a distillery does and to taste its products is lacking, and so are opportunities to meet some of the people behind the whiskies. Several respondents compared Canadian distilleries unfavourably to the US ones and pointed out that even the largest Bourbon distilleries did a better job of creating visitor experiences that explained the production process.

With respect to marketing efforts, the industry was criticized for over-emphasizing lifestyle marketing and neglecting explanations of whisky making processes and whisky flavour profiles. The distillery that was generally presented as a counter example to the general overemphasis of lifestyle marketing was Forty Creek. The distillery and John Hall himself were credited by virtually all respondents for having breathed new life into the industry and the product category. With respect to marketing, in particular, the distillery was praised for its emphasis on communicating the quality of the whisky itself (as opposed to lifestyle), its ongoing engagement with consumers and the willingness and ability to facilitate experiences that enable consumers to understand how the distillery's whisky is made. In another positive development, Corby was praised for having its master blender Dr. Don Livermore being more visible and outspoken. One respondent, for instance, felt that Dr. Livermore has taken over from John Hall as the "face" of Canadian whisky, and more broadly the respondents felt that Dr. Livermore (and by extension Corby) has done a good job of educating the public about the Canadian whisky making tradition and process. Corby's Hiram Walker Distillery has been credited as the most transparent of the major Canadian distilleries, which has resonated positively with the respondents. The showcasing of the key people behind the whiskies in this manner is key for facilitating a deeper connection with consumers.

Another marketing shortcoming mentioned was the surprising lack of support for the specialized whisky connoisseur focused bars that reported a lack of interest from whisky sales reps and brand ambassadors. Although these bars cater precisely to the kind of clientele that the new specialty whisky offerings target, these bars report receiving little help from the distilleries and are doing the hard work on behalf of the industry without support – purely because the owners believe in the product and are willing to go the extra mile. One respondent, for instance, when asked why he promotes Canadian whisky in his bar, explained that he likes to "root for the

underdog”. These respondents recalled the substantial challenges associated with trying to overcome negative perceptions of Canadian whisky expressed by many of their patrons. The word “convert” was used repeatedly to capture the efforts these individuals made to try to get close-minded patrons to give Canadian whisky a chance. A common trick reported was “sneaking in” Canadian whisky without telling the patron it was Canadian. These bar owners bemoaned that the distilleries’ sales representatives did not do enough to educate the bar staff about Canadian whisky, and were emphasizing the mixability and sales potential of the whiskies over stories that explained how the whiskies were made and why they tasted the way they do.

Misunderstood Whisky-Making Tradition

Likely as a result of the above, despite the fact that Canadian whisky tradition is a distinctive one, it is not well understood. There are many misconceptions and half-truths that get repeated and that dissuade connoisseur consumers from exploring the category. For example, among consumers of higher end whiskies and even among some whisky critics and whisky educators, blending is often seen in negative terms, and is associated implicitly with a lack of purity and lack of authenticity. It was repeatedly mentioned that a lot of consumers think mistakenly that Canadian distilleries base their whisky on neutral grain alcohol (NGS). Even experts point out that there has been a shortage of proper use of vocabulary and a lack of education that would preempt or put to rest such myths. For example, Lew Bryson (in his recent book) bemoans the shortage of clear communication by Canadian whisky industry and the tendency among distilleries to talk in ways that perpetuate the myth of the prevalence of NGS in Canadian whisky. He even acknowledges that he himself used to misunderstand and under-appreciate the value of the base whiskies used in Canadian whisky production. For example, he makes the following poignant observation: “I was stunned — yes, ‘stunned’ is not an exaggeration — to learn that the Wiser’s 18-year-old is made entirely from base whiskies, aged in barrels that had been already used once to age Canadian whisky. There’s none of the more complex, lower-ABV, ‘better’ flavoring whisky in there.”¹ Thus, in the absence of Canadian distilleries’ concerted efforts to explain how Canadian whisky is made, a vacuum has been left that created ample opportunities for consumer confusion and misunderstanding, and that is a key reason why Canadian whisky has been experiencing reputational challenges.

Shortage of Specialty and Connoisseur Focused Offerings

A common complaint from connoisseur consumers, and acknowledged by some distilleries, is the limited availability of small batch and specialty offerings from Canadian distilleries. Although Canadian distillers have always released some connoisseur focused products, only recently have they begun to promote these releases and to offer more of such offerings. There are still not many such releases, and Canadian distilleries are significantly behind the international competition with respect to this trend. The low pricing of some of the best and most rare Canadian whiskies was criticized as well. Connoisseurs I interviewed also expressed a keen desire to see more whiskies bottled at above 50% ABV or at barrel strength. Quite simply, they would like to see more special and more engaging offerings that they see as currently lacking. Crown Royal’s single barrel program was referred to as being especially exciting (even by some

¹ Bryson, Lew (2014-11-01). *Tasting Whiskey: An Insider's Guide to the Unique Pleasures of the World's Finest Spirits* (Kindle Locations 3182-3184). Storey Publishing, LLC. Kindle Edition.

rival distilleries' representatives) because it charted new ground for Canadian whisky, but the respondents were frustrated that the whiskies were unavailable in Canada. Some approval for Corby's new speciality offerings was also expressed, along with enthusiasm for Forty Creek's annual releases. Overall, this is the area of strengths for smaller distilleries. But with the exception of Still Waters Distillery, the reactions to these new distilleries' products were mixed (mainly due to their youth and high price).

Export

A market research firm respondent pointed out that there is very little exporting activity by most brands beyond North America. This is confirmed by the statistics that I have examined. Whatever exporting does happen is mostly bottom shelf offerings. Even the US is targeted mostly by low end mixing whisky, and that is what appears to be the main source of reputation of Canadian whisky in the US. Retailers in the US are reporting decreased interest among consumers in Canadian whisky offerings, and it appears that the largely negative tone of the coverage of Canadian whisky online and in the US media has taken its toll.

One American respondent pointed out that a key factor that would enable Canadian distilleries to improve their reputation would be to export more of their "better" products. Corby's new efforts to export their specialty offerings appeared to generate some cautious optimism, along with the excitement for Crown Royal's single barrel program. It was also acknowledged by both distillery and other respondents that external validation that results from exporting is useful for enhancing domestic reputation of Canadian whisky.

Whisky as a Beverage vs. Whisky as a Cocktail Component

There seems to be an awkward coexistence between the philosophies of whisky as a stand-alone beverage and whisky as a mixing ingredient. A lot of the negative reputation of Canadian whisky is derived from the high ratio of bottom shelf mixing whiskies. Against that background, emphasizing the mixability of some of the recently released specialty offerings may at times be counter-productive, as it may reinforce the entrenched narrative that Canadian whisky is "only good for mixing." Some of the brand ambassadors are also perceived as overemphasizing the mixing potential of the whiskies at the expense of educating the clientele about how the whiskies can be enjoyed as sipping connoisseur beverages.

Preliminary Take-Aways

There is a strong need to re-educate the public about Canadian whisky history and to convey the industry's past and present contributions to Canada's economy, culture and history. This is likely to resonate with the public – regardless of whether they are whisky connoisseurs or casual drinkers. It is especially to valuable explain Canadian whisky making tradition. Marketing needs to go beyond lifestyle marketing to educate consumers about why Canadian whisky tastes the way it does. Independent distilleries are leading the way in terms of talking to consumers about the process and how it influences the flavour of the final whisky. Among large distillers, Corby seems to have turned a new leaf by emphasizing "the best of both stills" in promoting the newly released J.P. Wiser's Double Still Rye as it attempts to explain the whisky making process to

consumers of affordable whiskies. More importantly, the industry needs to become more transparent and to offer consumers more opportunities to experience the whisky making process and meet the people behind the whiskies. At a minimum, distilleries need to create boutiques that enable consumers to taste the product range and to host tours that explain at least some part of the whisky making process. It is also important to attempt to capitalize on the increased curiosity about Canadian whisky by offering more small-batch products. The industry would also do well by exploiting the growing public interest in local agriculture by emphasizing, when possible, the local origins of the grain used in the whisky production. With respect to exporting, efforts should be made to export more of the higher quality and more specialty products, because those can be especially valuable in building the reputation for excellence. Exporting should also continue to be diversified beyond the US. There are a number of markets (e.g., Germany) that have not been heavily targeted by whisky producers (from any country) and where there are opportunities to write on the “blank slate”, as consumers do not have negative misconceptions about Canadian whisky. Due to the increased visibility of Canadian whisky on the World Stage (e.g., in the Whisky Bible), the time seems opportune to re-introduce Canadian whisky both domestically and internationally as a premium high quality craft product, steeped in history and tradition.