Aligning an authentic Italian alcohol brand with contemporary consumer needs

Summary

The Aperol brand has been one of the most notable success stories in the global spirits market in recent years. During the 12 months to December 2010, Aperol experienced a 36% rise in sales, which represented the sixth year in a row of double-digit growth (Gruppo Campari annual results, 2010). This indicates that Aperol is successfully meeting relevant consumer needs and that its success is sustainable in the long term. Important contextual factors to consider in relation to the brand’s impressive sales growth include the following:

- **The decline in the Italian spirits market** – Aperol responded to a decline in the Italian spirits market by placing a greater emphasis on enticing consumers to trade up to premium spirits brands in its consumer marketing.

- **The effective use of the on-trade** – Appealing to younger drinkers on vibrant sociable on-trade occasions.

- **Aperol’s positioning at the intersection of key consumer trends** – Hitting the sweet spot in terms of taste and refreshment, low alcohol by volume (ABV), and effective pairing with food on aperitivo occasions.

- **The “on-trend” Aperol Spritz serving** – This comprises Aperol, Prosecco, and seltz or soda and makes the beverage refreshing as well as lowering the alcohol content.

- **An effective brand architecture** – The launch of new brand formats such as the Aperol Spritz pre-mix in March 2011 has extended the brand’s reach into new off-trade consumption occasions.
• **Aggressive expansion in foreign markets** – Aperol has strong sales outside Italy, with the key overseas markets of Germany and Austria accounting for 40% of the brand’s global sales.
ANALYSIS

Introduction

Amid general volume declines in the Italian spirits market, Gruppo Campari’s Aperol brand has achieved dramatic growth since 2004, with its total sales having quadrupled since the group’s acquisition of the brand in that year. The brand has expanded aggressively throughout Italy and has quickly established a strong presence in Austria and Germany.

While the Aperol brand has long held strong resonance among consumers in its core region of Venice, much of its ability to gain traction throughout the rest of Italy and into Germany and Austria has been off the back of its strong, consistent marketing messages. Gruppo Campari has effectively utilized marketing to position the Aperol brand as premium, complementary with food, and vibrant, so as to appeal to younger demographics. For example, the brand has successfully been able to tap into emerging consumer taste trends, with its marketing almost entirely focused on Aperol’s use as a component ingredient in the Aperol Spritz cocktail. It has sought to intrinsically link itself to on-trade locations off the back of marketing that places heavy emphasis on the consumption of the Aperol drink in vibrant, young, social settings. While it is important, in geographical expansion, that brands look to tailor marketing messages in accordance with national characteristics that define consumption, Aperol’s success has been a reflection of strong, confident marketing messages that emphasize its use in the on-trade and as a strong complement to food, despite a wider decline in the volume of on-trade occasions.

This case study examines how the Aperol brand has achieved impressive growth through meeting emerging consumption trends and boasting differentiated positioning. It will also highlight the importance of confident and consistent marketing in shaping brand image and capturing specific consumer segments.

Aperol’s impressive sales growth has been in direct contrast to the overall performance of the Italian spirits market

The European alcohol market is increasingly being shaped by evolving consumer trends that are serving to impact eating and drinking occasions. The trend towards “drinking less of the best” has led to flat to negative performance in the European market in terms of consumers’ drinking occasion numbers, according to Datamonitor’s report The Future of Spirits: Capitalizing on New Opportunities and Preferences (February 2010, DMCM4716). Moreover, with the alcohol category heavily reliant on the on-trade, it has inevitably been adversely impacted by rising frugality among the post-downturn consumer, with, for example, high value on-trade meal occasions increasingly being transferred to the off-trade. This was a finding of Datamonitor’s report Trends and Behaviors in Eating Out (CM00044-006, upcoming).

The spirits sub-category, which is the third largest alcohol sub-category, has experienced high levels of regional variation in regard to overall recent performance. While it has benefited from strong, dynamic growth in developing markets, value generation in comparatively mature markets has become increasingly challenging, with players looking to premiumization opportunities as a means of counteracting consumers’ diminishing focus on volume consumption.

The Italian spirits market has been in decline since the onset of the recession

- The economic downturn and its aftermath have served to accelerate volume decline in the Italian spirits market – In relation to the Italian spirits market, value and volume growth were both on a downward
trajectory even before the onset of recession. Indeed, between 2005 and 2008, market volumes in the spirits sub-category declined by 5.5%, an average decline of 1.8% per year. With the economic downturn further impacting consumer discretionary demand, volumes declined by 6.1% between 2008 and 2010, translating to an average 3.1% decline per year during this period. In addition to prevailing underlying consumption trends such as health, consumer discretionary demand has also declined significantly in line with Italy’s sluggish economic performance even leading up to the wider global recession, in which it was one of the most adversely impacted countries in Western Europe.

Figure 1: The Italian spirits market was on a downward trajectory even before the onset of the global economic downturn

<table>
<thead>
<tr>
<th>Year</th>
<th>Italian Spirits Market Volume (Millions of Litres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>172</td>
</tr>
<tr>
<td>2006</td>
<td>170</td>
</tr>
<tr>
<td>2007</td>
<td>167</td>
</tr>
<tr>
<td>2008</td>
<td>163</td>
</tr>
<tr>
<td>2009</td>
<td>157</td>
</tr>
<tr>
<td>2010</td>
<td>153</td>
</tr>
</tbody>
</table>

Source: Datamonitor's Market Data Analytics (MDA)

Gruppo Campari's Aperol brand has been the star performer in its wider brand portfolio

Aperol is an Italian spirits brand which is bright orange in color and boasts a bittersweet taste. The brand, which holds a premium positioning with a skew towards the legal drinking age (LDA)–24 age group, has gained increasing resonance in its core Italian market as an aperitif, often being drunk during the aperitivo occasion. In its marketing, it places heavy emphasis on its potential use as a pairing with food, as well as its “zesty” and “refreshing” attributes. To this end, Aperol benefits from its low alcohol content (with a relatively low ABV of just 11% compared to other spirits such as vodka and rum), which is further diluted if the spirit is used as a component ingredient in the popular Aperol Spritz cocktail:

- **Gruppo Campari has looked to aggressively expand the reach of the Aperol brand** – Launched in 1919, Aperol has achieved impressive sales growth since Gruppo Campari acquired the brand in 2004. Gruppo Campari is a major player in the global branded beverage industry, with a portfolio of over 40 premium and super premium brands marketed and distributed in more than 190 countries. Since
purchasing the Aperol brand, Gruppo Campari has looked to aggressively expand the brand throughout Italy and into new countries such as Austria and Germany.

Amid significant volume declines in the overall Italian spirits market, Aperol recorded consistently strong growth during the six years leading up to the end of 2010. By the end of 2010, Aperol had grown to represent 9% of Campari's total group sales, with the brand's total sales value having quadrupled since the 2004 acquisition. Moreover, expansion of the brand into new countries such as Austria and Germany led to non-core markets accounting for 40% of Aperol's total global sales by the end of 2010:

- **Aperol continued to achieve impressive growth during the 12 months to December 31, 2010** – In relation to Aperol's recent performance, the brand experienced a 36% rise in organic sales, compared to an 8% increase in organic sales for Gruppo Campari as a whole, during its 2010 financial year. This represented the Aperol brand's sixth year of double-digit growth (since its acquisition by Campari), driven primarily by its strong performance in its core Italian market and continued traction in the Austrian and German markets.
The Aperol brand is successfully tapping into emerging general consumption trends

In many respects the success of Aperol is a classic marketing tale involving finding a traditional brand (the brand was first produced in 1919) that can be reinvigorated to hit the "sweet spot" among modern-day consumers. The brand's low ABV, its position as an ideal complement to food, and its distinct refreshing taste are all attributes which are aligned with contemporary consumer needs. Importantly for the brand, these general consumption drivers are gaining greater influence among consumers throughout the globe and are especially impacting demand among consumers in Europe. However, it is vital to recognize that underpinning all its success is the fact that all the aforementioned brand virtues are widely perceived as being authentic and not created by marketers.
“These days, consumers can sniff out a lack of authenticity.”

Richard Huntington, director of Strategy, Saatchi & Saatchi, quoted in Marketing, November 2009

The Aperol brand is meeting emerging consumer taste trends

While the global economic downturn and its aftermath have had a marked impact on consumer spending habits by fostering a general greater frugality among consumers, cost considerations continue to be of less importance than more basic considerations such as taste in the alcoholic drinks category. Indeed, while the category has inevitably been negatively impacted by a decline in on-trade drinking occasions, alcohol brands, especially those holding premium perceptions, have benefitted from consumer reluctance to sacrifice affordable luxury:

- **Taste is the number one product virtue influencing choice of alcoholic beverage in Italy** – According to Datamonitor research, Italian consumers place significant importance on taste attributes in their choice of alcoholic beverages. Datamonitor’s 2008 consumer survey highlighted that 68% of respondents considered "taste/flavor" to have either a "very high" or "high" amount of influence on their choice of alcoholic beverages, with 39% considering "refreshment" to have similar influence. Experiential factors continue to be of paramount importance to Italian consumers and are likely to be the key differentiating factors where a cost-sensory benefit assessment is marginal.
**Figure 3:** Italian consumers place significant importance on taste attributes in their choice of alcoholic beverages

<table>
<thead>
<tr>
<th>Factor</th>
<th>Total “very high” and “high” amount of influence (% share of Italian alcohol drinkers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taste or Flavor</td>
<td>68</td>
</tr>
<tr>
<td>Refreshment</td>
<td>39</td>
</tr>
<tr>
<td>Organic or natural ingredients</td>
<td>36</td>
</tr>
<tr>
<td>Whether it is locally produced</td>
<td>35</td>
</tr>
<tr>
<td>Recommendations from friends or family</td>
<td>19</td>
</tr>
<tr>
<td>Ethics or Sustainability benefits</td>
<td>17</td>
</tr>
<tr>
<td>Brand image</td>
<td>17</td>
</tr>
<tr>
<td>Package design</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Datamonitor Consumer Survey, August 2008

- The marketing of Aperol is focused around the “signature” Spritz cocktail serve – The taste of some types of spirit is generally highly dependant on the choice of mixer used, and in order to increase uptake Aperol has had to link the brand for use with mixers. With its emphasis on Aperol’s use as a component ingredient in the Aperol Spritz cocktail, the brand is attempting to meet Italian consumer demands for alcohol products that boast positive taste attributes. While the drink can be drunk on its own, marketing is almost entirely focused on the Spritz drink. For example, in 2011 Aperol launched new shapes for its bottle and a new label highlighting the recipe of Aperol Spritz. The Aperol Spritz is typically composed of Aperol, Prosecco, and either seltz or soda, with taste and refreshment attributes further reinforced by the typical use of ice and fruit in the cocktail. Linking the brand with the Spritz cocktail has been an important driver of success among younger demographics, with consumer preference towards alcoholic beverages boasting bitter characteristics less developed among these consumers.
Aperol, and in particular the Aperol Spritz drink, has been ideally positioned to take advantage of health trends in the alcoholic drinks sector

Consumers across the globe are increasingly viewing health as a major factor in their consumption of alcoholic drinks. Perceptions of health in relation to alcoholic beverages are mainly focused around the consumption of alcohol in moderation off the back of intensifying media attention towards over-consumption of alcohol, particularly in Northern Europe. The emerging health trend in alcohol presents obvious benefits for brands that can credibly achieve positive health perceptions among consumers. This was a finding of Datamonitor's report *Health Concerns & Alcoholic Beverage Preferences: Implications for NPD* (December 2010, CM00045-004):

- **Health concerns represent a significant influencing factor in shaping alcohol consumption decisions among Italian consumers** – Highlighting this, 74% of Italian respondents to Datamonitor's 2010 consumer survey said that they pay either a "very high" or "high" amount of attention towards ensuring that they do not drink too much alcohol. This proportion was 19.0 percentage points higher than the global average. This reflects a comparatively low propensity among consumers in Southern European countries to drink alcohol in high volumes, particularly when compared to those in Northern European countries. Elsewhere, 58% of Italian respondents to Datamonitor's 2009 consumer survey considered health concerns to have either a "very high" or "high" influence on their alcoholic beverage consumption choices.
Figure 5: Health concerns represent a significant influencing factor in shaping alcohol consumption among Italian consumers

Globally

- 55% of alcohol drinkers across 18 surveyed countries pay a "very high" or "high" amount of attention towards ensuring that they do not drink too much alcohol.

Italy

- 74% of Italian alcohol drinkers pay a "very high" or "high" amount of attention towards ensuring that they do not drink too much alcohol.

- 38% of alcohol drinkers across 15 countries consider health to have a "very high" or "high" amount of influence in alcoholic beverages choices.

- 58% of Italian alcohol drinkers consider health to have a "very high" or "high" amount of influence in alcoholic beverages choices.

Source: Datamonitor consumer surveys, July/August 2010 and April/May 2009
• **Aperol benefits from its low ABV** – With Italian consumers typically displaying a high attentiveness towards health concerns in regard to their alcoholic beverage consumption decisions and inherently linking wine with positive health connotations, spirits brands inevitably face a more difficult task in gaining traction in the market. However, with an ABV of just 11%, Aperol is significantly lighter in volume than rival spirits. For example, the Smirnoff vodka brand has an ABV of 40%, while the Bacardi rum brand has an ABV of 37.5%. Furthermore, the Aperol brand is typically used to mix with Prosecco and soda to make an Aperol Spritz which reduces the alcoholic content of the drink even further upon consumption. Indeed, this low alcohol content has fostered much higher cross-gender appeal compared to its rivals and makes it easier to combine with food. The sum of parts in a typical Aperol Spritz also makes it a suitable beverage to be drunk as drinkers move from bar to bar, although it should be noted that instances of session drinking are considerably lower in Italy than in most other countries. According to Datamonitor’s consumer research carried out in July/August 2010, when asked only:
  - 15% of Italian drinkers stated that they usually have more than three drinks on a weekend night, compared to 40% across the 18 markets Datamonitor surveys.
  - 3% of Italian drinkers stated that they usually have three or more drinks on a weekday night, compared to 13% across the 18 markets Datamonitor surveys.

For more on session and binge drinking and its prevalence by country, please see Datamonitor's report *Health Concerns & Alcoholic Beverage Preferences: Implications for NPD* (April 2010, CM00045-004).

**Aperol has benefitted from the greater propensity among Italian consumers to pair food and alcohol**

Taking advantage of the conscious consumer act of pairing alcohol and food has become increasingly important in the marketing of alcohol products. This reflects the rising importance of ethicality in relation to alcohol consumption, rising consumer tendency to trade up in the alcohol category, and a greater general desire among consumers for more experiential consumption occasions.

In their research paper “Consumers’ Expectations of Food and Alcohol Pairing,” which appeared in the British Food Journal in 2006, Pettigrew and Charters noted that “food and alcohol are symbolically and physically linked in many cultures.” However, as Datamonitor research shows, the extent to which this occurs differs by individual country. Datamonitor research conducted in July/August 2010, suggests that Italian drinkers are the most likely to match food and alcohol, irrespective of alcohol sub-category. Indeed, 80% of Italian respondents felt either “very well” or “fairly well” informed about how to match food and alcohol, which was 18.0 percentage points higher than the global average. This higher knowledge among Italian consumers is reflective of the country’s food-orientated culture.
The higher propensity of Italian consumers to match food and alcohol inevitably presents significant opportunities for alcohol brands to develop a clear market positioning, particularly those that are perceived to boast distinct Italian heritage. This trend is one that the Aperol brand has been ideally positioned to exploit in expanding its presence throughout Italy. In regard to the consumption of spirits and food together, products in the spirits sub-category, and in particular mixed drinks such as the Aperol Spritz, are typically preferred during high tempo occasions where food may represent a constituent element of that occasion, but is not a primary focus. Gruppo Campari has looked to link the Aperol brand with the Italian aperitivo occasion. Aperitivo is a pre-dinner drinking occasion when canapés or finger foods are served, such as mozzarella and olives. It is served in Aperitivo restaurants or bars, typically in northern Italy between 7pm and 9pm, and is a traditional pre-dinner drink that is meant to “open” the palate and provide a chance to socialize, relax, and nibble. To this end, the link between the Aperol Spritz as an apéritif generally and in particular one to be consumed during the aperitivo occasion is one that is emphasized heavily in marketing for the brand.

*In Veneto, Friuli-Venezia Giulia and Trentino-Alto Adige, the Spritz is a popular ritual that people, both young and old, enjoy from late morning onwards. In recent years it has become fashionable to drink it as an apéritif before dinner. It is
undoubtedly the most widespread and commonly drunk aperitif: a traditional ice-breaker and a symbol of the lively atmosphere of the city."

www.campari.com

Figure 7: Aperol's marketing emphasizes the brand’s apéritif characteristics: "Aperol Spritz is about to arrive. Your favorite apéritif, ready to drink."

Source: Aperol

- **Aperitivo is an on-trend drinking occasion that is being exported** – With corporate social responsibility (CSR) concerns high on the agenda, the alcoholic beverage industry is increasingly looking at new marketing concepts around which to build successful brands. The aperitivo occasion is one such opportunity. As an on-trade occasion which involves food, it ticks a number of CSR boxes, as the consumption of food with alcohol tends to slow both the intake and absorption of alcohol and in many respects is an archetypal responsible drinking occasion. Peroni, the Italian beer brand owned by SAB Miller, is one brand that has used the aperitivo occasion since 2008 to reinforce notions of its own Italian authenticity in its export market, working with a number of suitable on-trade operators to bring the aperitivo occasion to the UK.

It is imperative to recognize that geographic provenance is a core pillar of the notion of authenticity. As Datamonitor’s report *Authenticity & Provenance Trends: Consumer Insights and Marketing Opportunities* (December 2009, DMCM4618) notes, “connection to a specific country or region marks out a product as different from many consumer packaged goods which can be made anywhere else in the world. Perceptions of authenticity are a core component of successful branding as authentic products invariably have a compelling point of differentiation and help build trust.”
Figure 8: In the UK, Peroni has been working with on-trade operators to bring the aperitivo occasion to life

To bring the Italian Aperitivo moment to life, Peroni has chosen to work with Italian Michelin-starred chef Giorgio Locatelli, who has been commissioned to create a menu of bite-sized Italian dishes to accompany the world’s leading premium Italian lager.

Aperol's premium positioning is resonating strongly among trading-up consumers

As a result of market saturation, encouraging consumers to trade up has become the key mantra for global spirits companies, with category leaders such as Pernod Ricard and Diageo following premiumization strategies that have pushed high-value brands with high profit margins. In spirits, premiumization behaviors among consumers are, to an extent, offsetting a reduction in occasions and declining volumes. In a market suffering from volume declines, value possibilities do exist for brands that can meet consumers' demands for indulgence, comfort, and sensory benefits. Even among existing core consumers, premium alcohol brands benefit from the consumer reluctance to trade down due to alcohol's role as an affordable luxury and as a status definer, particularly in the on-trade where brands are still a form of social currency.

In the Italian market, Datamonitor research conducted in July/August 2010 suggests that a significant proportion of those in the younger demographics, who typically represent Aperol's core consumer, are looking to trade up to premium alcohol
options. 32% of consumers in the LDA–24 age range indicated that they had more frequently chosen to purchase higher quality alcoholic drinks in pubs, bars, or restaurants during the six months prior to the survey, with 30% more frequently looking to purchase premium alcohol options for home consumption. This rising propensity among younger consumers to purchase higher quality alcoholic drinks was in marked contrast to the trend among older demographics, with just 15% of consumers aged 35 and over looking to chose premium alcohol options on-trade and just 24% looking to do the same in relation to home consumption. Indeed, 19% of those respondents to Datamonitor's survey aged 35 and over were actually purchasing higher quality alcoholic drinks either "significantly less" or "less" in the on-trade during the six months prior to the survey. Aperol thus benefits from its vibrant, trendy, and aspirational image, which has helped it to foster resonance among younger consumers. The trading-up trend among young Italian consumers in the alcohol category has inevitably benefitted the more premium brands, such as Aperol.

Brands such as Aperol which have a particular appeal to the LDA–24 age range play a particularly important role in recruiting consumers to spirits (over beer and wine) at a young age. From this early recruitment, consumers can aspire to switch to more premium brands as income levels increase in their late 20s and early 30s. For example, in spirits, Bacardi and Eristoff are two brands in the Bacardi Global Brands Ltd stable that play an important role in engaging young consumers with spirits before attempting to move them to higher priced brands, such as Cîroc and Bombay Sapphire. Many other global spirit companies boast similar portfolios, with Pernod Ricard owning Malibu which holds a real appeal among students, as well as the Absolut brand which has an older, more aspirational pull.

Figure 9: Younger Italian demographics are displaying a greater propensity to purchase higher quality alcoholic drinks

<table>
<thead>
<tr>
<th>In the past SIX MONTHS, please indicate to what extent you have done the following more or less frequently?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chosen higher quality alcoholic drinks: 1) In pubs, bars or restaurants, 2) For at home consumption</td>
</tr>
<tr>
<td>(% share of Italian alcohol drinkers)</td>
</tr>
</tbody>
</table>

Source: Datamonitor Consumer Survey, July/August 2010
Aperol has looked to build brand equity through a focus on the on-trade

The increasing resonance that Gruppo Campari’s Aperol brand has fostered with consumers, particularly those in its core Italian market, has been partially derived from the brand equity it has been able to build in the on-trade. This has been especially important in Aperol’s geographical expansion throughout Italy, where the consumer typically has a higher propensity to consume alcoholic drinks in the on-trade. The intrinsic link to the on-trade that the brand has successfully been able to drive has been a result of marketing that places a heavy emphasis on the consumption of the Aperol drink in vibrant, young, social settings. With there being a general underlying global switch from the on- to the off-trade, Aperol is a notable case study in that it has built its brand equity in the on-trade and thus in many respects is a throwback to a time in alcohol marketing when the on-trade was the key channel for brand building.

Datamonitor research highlights a consumer preference for spirits during high tempo occasions. Indeed, the renewed popularity of spirits, particularly via the on-trade, and their association with sociability have had a decisive impact on younger generations. Moreover, while the global economic downturn has adversely impacted discretionary demand and thus fostered a general decline in on-trade occasions, on-trade occasion propensity among the LDA–24 and 25–34 age groups has remained comparatively resilient, according to Datamonitor’s report The Future of Spirits: Capitalizing on New Opportunities and Preferences (February 2010, DMCM4716):

- **Weekly frequency of visiting the on-trade is higher in Italy than the average across the 18 markets that Datamonitor surveys** – Datamonitor research highlights that Italian consumers on average have a higher propensity to consume alcoholic drinks on the on-trade. 37% of Italian respondents to Datamonitor’s 2010 consumer survey said that they consume a drink in a bar, restaurant, or pub at least once a week, which was 11.0 percentage points ahead of the global average. This is an inevitable reflection of the warmer climate in Italy, the sociable nature of Italian society, and alcohol consumption being more allied with food than in other countries, especially those in Northern Europe.
• **Aperol seeks out younger consumers looking to try new products** – In seeking to take advantage of the importance of the on-trade occasion to the Italian consumer, Aperol has looked to intrinsically link the brand to on-trade consumption occasions. The brand’s imagery is focused on consumers that are typically affluent, urban, and young, and frequent the on-trade for sociable occasions, as well as being willing to try new products. To this end, its marketing boasts a heavy emphasis on the consumption of the Aperol drink in vibrant, young social settings. In expanding throughout Italy, Aperol's focus on the on-trade has helped it to gradually build important brand equity and, most importantly, consumer awareness.
Gruppo Campari has actively looked to extend the reach of the Aperol brand

Another major driver of Aperol's impressive growth since Gruppo Campari's acquisition of the brand in 2004 has been the pro-activity with which the company has looked to extend the brand's reach. For example, it has looked to enhance appeal during off-trade occasions and encourage trial use among consumers who rarely drink spirits at home, initially through its Aperol Soda product and more recently through the launch of an Aperol Spritz pre-mix drink. Elsewhere, despite contrasting alcohol consumption cultures, Aperol has also achieved success following its launch in Germany and Austria through its ability to tap into general consumption drivers. Such flexibility will be imperative if the brand is going to achieve success in other markets that boast contrasting alcohol consumption cultures.

Aperol has embarked on range extension with the introduction of the pre-mix product Aperol Spritz

The on-trade has very much been the key channel for Aperol in driving sales growth. However, the general shift in drinking occasions from the on- to the off-trade means that this aspect of the market is increasingly presenting a growth opportunity for the brand. Unlike in the on-trade, where there is a bartender on hand with all the necessary ingredients to create the
signature Aperol Spritz, the serve is trickier for consumers at home, who either may not have all the vital ingredients in their drinks cabinet, or may not feel comfortable mixing.

- **Aperol has looked to strengthen its presence in the off-trade** – In March 2011, Aperol launched its “Home edition” pre-mixed Aperol Spritz in its domestic Italian market. With this launch, the brand is looking to take advantage of the emerging trend among consumers who are looking to recreate the on-trade occasion at home. Indeed, it is very notable that many conventional ready-to-drinks (RTDs) such as Bacardi Breezer and Smirnoff Ice, which do not naturally boast any particular resonance to the on-trade, have struggled find relevance among consumers during meal occasions.

This natural extension of the Aperol brand leaves it more strongly positioned to target the off-trade market and has the potential to encourage trial use among those consumers who drink spirits at home less often. In addition to extending its consumption among a wider range of consumers in existing markets, the Aperol Spritz pre-mix could also be an effective weapon in further extending the brand geographically, as it is likely to resonate more strongly with consumers in countries where the on-trade is generally a less influential driver of alcohol consumption.

![Figure 12: Range extension: Aperol Spritz pre-mix product](image)

**Gruppo Campari has also sought geographical expansion of the Aperol brand**

Since its acquisition by Gruppo Campari in 2004, the Aperol brand has not only achieved greater penetration and significant market share growth in its domestic Italian market, but it has also sought geographical expansion elsewhere. From its initial focus on three cities around the Venice area, the brand expanded throughout the rest of Italy and now boasts a strong presence in Germany and Austria. Indeed, in its 2010 annual report, Gruppo Campari reported that overseas sales of Aperol accounted for 40% of the brand’s total sales for the 12 months to December 31, 2010. Furthermore, the report also noted that Aperol’s market share of bitters in Germany and Austria went from negligible in 2004 to 6% and 10%, respectively, in 2010. This represents an impressive rise in market share when competition from domestic bitters, notably Jägermeister, is so fierce.
Aperol’s performance in Germany reflects the brand’s ability to market its differentiation, which has led to impressive growth despite the stagnation in German spirits volumes and the saturated nature of the German spirits market. Indeed, between 2005 and 2010 spirits volumes declined by 2.2% to 492 million liters, representing an average annual decline of 0.4%. While this was less of a decline than the average -2.2% per year experienced over the same period in Italy, it still serves to highlight the commendable performance of the brand.

Looking forward, Aperol’s success in new geographical locations will be reliant on how the brand adapts to contrasting consumer preferences, both in relation to taste and occasion consumption. In order to achieve traction among consumers in Northern Europe in particular, Aperol will have to overcome an alcohol consumption culture that places less influence on the on-trade and where consumer demand is not influenced to the same extent by taste characteristics such as “refreshment” as a result of generally colder climates.

**Figure 13: The German spirits market experienced a decline in volume terms in the period of 2005–10**

<table>
<thead>
<tr>
<th>Year</th>
<th>German spirits market volume (millions of liters)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>503</td>
</tr>
<tr>
<td>2006</td>
<td>503</td>
</tr>
<tr>
<td>2007</td>
<td>501</td>
</tr>
<tr>
<td>2008</td>
<td>498</td>
</tr>
<tr>
<td>2009</td>
<td>494</td>
</tr>
<tr>
<td>2010</td>
<td>492</td>
</tr>
</tbody>
</table>

Source: Datamonitor’s MDA

- In gaining traction in the German spirits market, the Aperol brand has had to overcome significant differences in the alcohol consumption culture of Italian and German consumers – An analysis of the difference in alcohol consumption behaviors between Italian and German consumers highlights the major challenges that the Aperol brand has encountered in fostering brand resonance in the German market. One of the major differences in the food and drink occasion cultures is the higher propensity among Italian consumers to match alcohol and food. Datamonitor’s 2010 consumer survey highlighted that while 80% of Italian consumers feel either "very well" or "fairly well" informed about how to match food and alcohol, just
66% of German consumers feel the same. This trend runs against Aperol's heavy emphasis on matching the consumption of Aperol with food in its domestic market.

Elsewhere, consumers in the German market also frequent the on-trade less often compared to Italian consumers. Datamonitor research suggests that just 25% of German alcohol drinkers consume a drink in a bar, restaurant, or pub at least once a week, which is 12.0 percentage points lower than the proportion of Italian consumers that do the same. With Aperol's success in Italy owing much to its ability to build brand equity in the on-trade, this lower propensity presented another potential barrier to achieving success in the German market.
The Aperol brand has managed to achieve success in Germany off the back of meeting the same general consumption drivers that have generally come to prominence among consumers in the
West – Despite stagnant demand in the German spirits market and seemingly inherent cultural differences between Germany and Italy in relation to alcohol consumption, Aperol has gained increasing traction among German consumers. The brand has benefitted from its premium positioning, which has made it comparatively resilient in the face of discretionary cutbacks elsewhere in the category. With German drinking culture also coming under increased scrutiny, Aperol has been well placed to take advantage of consumers looking to moderate their alcohol consumption volumes.

Aperol’s success in Germany has also been reflective of a tourist influx in its core Venice region. The brand has benefitted from tourists increasingly looking to replicate their holidaying experiences when they get home. Lastly, the brand’s specific emphasis on the Aperol Spritz drink has also helped it to gain traction among German consumers.
Conclusions and recommendations

The issues explored in this case study bear some important points for consideration:

- Alcohol brands that can meet major emerging consumption trends and boast differentiated positioning are more strongly placed to lessen the impact of weak discretionary demand – The success of the Aperol brand and both its significant outperformance of the core Italian spirits market and impressive market share gains in the German and Austrian markets are reflective of the higher importance that consumers are placing on general consumption trends above merely low price. Consumers remain willing to trade up to brands that are at the confluence of the health and trading-up trends.

- The role of food occasions in the marketing of alcoholic beverages – Wine has traditionally held a dominant position during meal occasions, particularly in the off-trade. Spirits, by contrast, have struggled to find relevance on off-trade food occasions. However, as Aperol in Italy and Peroni in the UK have demonstrated, the aperitivo occasion is a viable target for beverage companies with authentic brands, both in Italy and in export markets, and very much aligns with the consumer need to find authenticity in their consumer packaged goods purchases.

- The role of spirit brands in appealing to those in the LDA–24 age group – Brands such as Eristoff, Malibu, and Aperol have an important role to play in engaging younger consumers, especially students, with the spirits category. Recruiting consumers to spirits at this stage of their lives is vital and brands such as these play an important role. They act as a platform from which consumers can aspire to switch to more premium brands such as Cîroc, Belvedere, or Grey Goose vodka, or Hendrick's or Bombay Sapphire gin as they hit their late 20s and early 30s and want to make a more aspirational purchase.

- The role of beverages with low ABV in brand portfolios – Health is shaping up to be one of the key structural drivers influencing demand in the global alcoholic beverage market, with greater control being placed on the marketing and sales of alcohol. Brands with lower ABV have long been derided for their inferior sensory benefits relative to their conventional counterparts and often sit within the same brand architecture. There has always been a value-action gap between those consumers that say that they are looking to drink less/drinks with lower ABV contents and those that actually do so. The Aperol Spritz is an interesting example of a low-alcohol beverage that has achieved traction among consumers. It highlights the issue that there are opportunities within low-alcohol if the brand is not seen as comparatively inferior or contrived and has an authentic positioning that has resonance with consumers.

- The role of the much-maligned on-trade in alcoholic beverage marketing – With the underlying switch from the on- to the off-trade, a number of major alcoholic beverage companies have strategically aligned their businesses more towards the needs of their off-trade customers. However, the story of Aperol shows similarities with the traditional days of brand building in alcohol, when equity was created in the on-trade and then rolled out into the off-trade. The lesson from this Aperol case study, as from the success of the Jägermeister brand, is that the on-trade is not redundant as a channel for successful brand building.

- The role of range extension in fostering demand in new markets and among non-core demographics – In relation to Aperol, the brand's Aperol Spritz pre-mix drink targeted at in-home domestic drinking occasions will extend the brand's relevance, allowing consumers to trade across channels. In creating such
a product, the brand is also emphasizing the use of Aperol in its popular form as a component ingredient in the Aperol Spritz, and offers a consistency in serve. This format can help the brand to foster consumer awareness of the Spritz serve/cocktail in new markets.
APPENDIX

Case study series

This report forms part of Datamonitor's case studies series, which explores business practices across a variety of disciplines and business sectors. The series covers a range of markets including food and drink, retail, banking and insurance, pharmaceuticals, and software.

Each case study provides a concise evaluation of a company that stands out in some area of its strategic operations, highlighting the ways in which the company has become one of the best in its field or how it deals with different problems encountered within that sector.

Methodology

This case study draws upon a mix of primary and secondary research, including Datamonitor's Market Data Analytics (MDA) database and Product Launch Analytics (PLA) database, alongside an extensive review of secondary literature and other in-house sources of information. Data have also been selectively extracted from the findings of the consumer fieldwork conducted for the purpose of Datamonitor's New Consumer Insight (NCI) research.

Secondary sources

- www.camparigroup.com
- www.campari.com
- www.aperol.com
- Gruppo Campari, Annual results 2010, March 2011
- Pettigrew, S. and Charters, S., Consumers' expectations of food and alcohol pairing, British Food Journal Vol. 108 No. 3, 2006

Further reading

- Datamonitor (2011) Food & Alcohol Pairing: Consumer Occasions and Marketing Opportunities, January 2011, CM00044-004
- Datamonitor (2010) Somersby Cider Case Study: Establishing an Alcohol Category Adjacent to Beer, November 2010, CM00056-003
Aperol Case Study

- Datamonitor (2010) The Future of Sustainable Food and Beverage Packaging, October 2010, DMCM4767

Ask the analyst

The Datamonitor Knowledge Center Writing team can be contacted at askfs@datamonitor.com.

Datamonitor consulting

We hope that the data and analysis in this brief will help you make informed and imaginative business decisions. If you have further requirements, Datamonitor’s consulting team may be able to help you. For more information about Datamonitor’s consulting capabilities, please contact us directly at consulting@datamonitor.com.

Disclaimer

All Rights Reserved.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the publisher, Datamonitor.

The facts of this report are believed to be correct at the time of publication but cannot be guaranteed. Please note that the findings, conclusions and recommendations that Datamonitor delivers will be based on information gathered in good faith from both primary and secondary sources, whose accuracy we are not always in a position to guarantee. As such Datamonitor can accept no liability whatever for actions taken based on any information that may subsequently prove to be incorrect.