

Marketing Mix of a New Sustainable Single Malt Distillery in Scotland

Case Study of Ardgowan

Modul 5: Zusammenfassung Diplomarbeit

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Motivation

My motivation to select this particular topic is manifold. For me, it is an excellent opportunity to do research in the plans and ideas of an active management team with the information that is currently available. It is far from certain that the result will be the consequence of the good intentions beforehand. I like the ex-ante view as opposed to an ex-post research with a known outcome. Moreover, the structure of the whisky market and, above all, about the marketing of a whisky distillery is interesting to me.

Ardgowan is a Scottish distillery with a substantial Austrian influence. By consequence, it is the combination of Scottish tradition and Austrian entrepreneurship. This constellation is, as far as I know, completely new. How will it perform given the current market structure and the fierce competition? This question is thrilling to me.

During my work sustainability became more and more apparent. What is the bottom-line contribution of a distillery to cut emissions? The approach of Ardgowan is future oriented, fascinating and certainly worth a separate paper.

With the background of academic studies of business administration and more than 30 years of working experience in the financial and consulting industries I like the economic approach towards the whisky market. The description of a marketing mix, the positioning of a product and the building of a brand is for me, thus, the perfect topic. Finally, I wrote the thesis in a foreign language, which was in addition a challenge for me.

Key Question and Objective of the Thesis

The key question of the thesis is: Does the defined marketing mix - the product characteristics, the price positioning, the distribution channels and the communicative measures – address the current structure and the key developments of the whisky market specifically and the economy generally? The objective is to highlight the economic measures that are taken in the real world when producing an alcoholic product.

Research Method

The research methods employed is fourfold: First, the research approach comprises data analysis. All figures concerning the whisky and single malt markets are based on the year 2022. The sources employed is the state-of-the-art and very reliable data platform Statista and the Market Analyzer of Global Data. Second, literature research,

contributions in trade journals and specific newspaper articles were identified and build the important basis when talking about industry developments, as well as the history and development of Ardgowan. Third, master classes attended gave insights in the market of single malts as well as the view of other distilleries, such as Arran. Fourth, workshops and interviews with key people at Ardgowan, Hydrogen Green Power and energy professionals capture the management measures and decisions, as well as some necessary facts on energy management. Vital were the long workshops with the majority investor and the sales and marketing manager of Ardgowan. It has to be considered that some aspects are subject to confidentiality and are not targeted to the competition, general public and academic audience (e.g. HGP).

Content

The structure of the global whisky market is depicted as well as the market development of Single Malts. Key developments of the industry are displayed. The history of Ardgowan is touched and the project to rebuild the distillery is sketched. The sustainability aspect as a major communicative factor is described, the marketing mix of Ardgowan – product, price, distribution and communication – is analyzed.

Conclusion

Although the performance of the Single Malt market was strong during the last 25 years, the overall trend of less alcohol per capita, the negative impact of the pandemic and a substantial increase in capacity of Single Malt production make the foundation of an additional whisky distillery at least questionable.

On the other hand, “premiumization” of the product is key. Ardgowan strives to produce a high-quality whisky, as well as it makes a long maturation in large, expensive and rare casks. The opposite of industry practice is often done. The team involved has decades of experience, primarily at Edrington, the owner of Macallan. Because of the long lead time in the production of Single Malt, the current availability of whisky is particularly important for the brand building of Ardgowan as well as setting up the distribution network. The production of new make and gin mitigates the negative cashflow in the first years. In rebuilding the closed Ardgowan distillery, the excellent infrastructure and the credible sustainability story makes Ardgowan one of the most interesting projects in the whisky industry. In my opinion, the measures taken are credible but need deep investment pockets to finance the high-quality ambition.

Very appealing is the utilization of CO₂ emerging from the fermentation to produce e-methane. Seen from a pure energy perspective, the energy efficiency is not yet sufficient. Going forward, however, prices might increase and the tax levied on CO₂ could rise, thus making the sustainability process of Ardgowan more valuable and economically more feasible. It might be a good example of how the alcohol industry might work in the future.