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Labatt Ice

EXECUTIVE SUMMARY

It started with two words: ice beer. Gary Prouk and Steve Graham of Lowe SMS heard those words for the first time at a dinner meeting with senior Labatt executives in November 1992. Almost five months later, on 25 March 1993, Labatt president Hugo Powell introduced Labatt Ice Beer to the Canadian press. Ice Beer was a world first, said Powell, the result of a revolutionary new brewing process that had taken Labatt ten years and \$26,000,000 to develop; a process that delivered a 5.6 per cent alcohol beer, 'uniquely rich in taste, yet uniquely easy to drink'. He concluded his remarks by quoting a line which would soon become familiar to every Canadian beer drinker: 'If it's not Ice Brewed, it's not Ice Beer.'

Just three days before Powell's press conference, 15-second teaser advertising for a soon-to-be-launched Molson brand, Canadian Ice Draft, had been launched nationally on the Juno Awards, featuring time-lapse landscapes, and copy describing a new 'ice-filtered, slow-brewed' draft beer, with 5.5 per cent alcohol. The creative was tagged with the line 'Welcome to the Ice Age'.

The Ice Wars had begun.

Two beers, virtually identical in every respect: name, packaging, pricing, process claim, and benefit, both launched within days of each other through the same media and distribution channels. A new beer category had been created, one which would quickly spawn a host of imitators both in Canada and - very quickly - around the world.

Yet in the ensuing six months of unprecedented competitive activity, one brand would prevail. By Labour Day weekend, Labatt Ice would become the fourth largest brand of beer in Canada, earning a six per cent share of the Canadian beer market, making it the most successful new beer launch in Canadian marketing history.

By the end of its first full year, Labatt Ice would outsell all other ice beer brands combined by a margin of two to one. Labatt Ice would be available in the US, England and also Japan, where the Canadian advertising would launch the brand and where over 10,000,000 cases were imported, making it that country's fastest growing imported beer. The Labatt Ice Brewing process, the cornerstone of the beer's advertising platform, would be granted a patent by the US Department of Trademarks and Patents, the first time a brewing process had received such a distinction. The Labatt Ice Brewing technology was licensed to breweries around the world. Meanwhile, in the hyper-competitive environment that is the Canadian beer market, an environment dominated by parity products and rigidly-controlled marketing channels, a brutal competitive battle was waged, and won, with advertising.

SITUATION ANALYSIS

In 1992, there were 232,000,000 cases of beer sold in Canada, 3.2 per cent less than the year before. This was consistent with the pattern of flat to shrinking consumption in the beer category since the mid-1980s. The summer of 1992 had been particularly unkind to the beer market, the result of cold and rainy weather on all but three summer weekends. Despite declining volumes, there were recent success stories. Canned and bottled draft entries from Labatt and Molson dominated new brand introductions, while both microbreweries and discount

price brands continued to be growth areas in the otherwise stagnant category - growth which came at the expense of mainstream brands (Figure 1).

Facing declining industry volumes, the breweries had come to rely on new brands for growth. Conventional beer wisdom decreed that a new brand could not survive without stealing share from mainstream brands. And, it was believed, the most direct way to this source of volume was through the 19 to 24-year-old segment that accounted for 26 per cent of total beer consumption, and which also had the highest propensity to try new brands.

Coincidentally, the new brand successes in the past few years had come from brands with process-driven positioning (Table 1).

TABLE 1

Beer type	Brand name	Launch date	Peak national share (%)
Dry beer	Molson Dry	March 1989	5.1
	Labatt Extra Dry	April 1989	2.6
Genuine draft	Labatt Genuine Draft	March 1992	6.2
	Miller Genuine Draft	April 1992	3.2

Source: Labatt, August 1993 Brand Report

Both the dry and draft launches were fought amid claims of similar processes and benefits, hammered out in summers of intense marketing activity by both breweries. And, in both cases, a clear winner had emerged by summer's end, once again proving the beer marketing axiom that 'first in wins'.

At the end of 1992, Molson commanded a 50.8 per cent share of the Canadian beer market. Labatt controlled 43.0 per cent of the market, but over the previous 12 months, fuelled by the success of Genuine Draft, it had begun to close the spread.

Molson's strength had traditionally come from younger drinking segments, through brands like Canadian and Export. Labatt's franchise tended to be older and more conservative, reflected through mature brands like Blue and Blue Light. Labatt Genuine Draft had been somewhat of a breakthrough for Labatt because it had given its portfolio a brand with a strong youth franchise.

As planning began for 1993, Labatt sought to leverage this momentum among young beer drinkers. A new project, code-named 'Joanne', began.

STRATEGY

The growth of micro beers had opened up beer drinkers to fuller, richer tasting beers. Yet the mass of beer volume, particularly among younger drinkers, continued to be those beers which promised smooth, easy drinkability. Labatt's brewmasters had developed a new, proprietary technology which created a beer that could deliver the best of both worlds: a beer rich in taste, yet easy to drink.

Their process was called Ice Brewing. Unlike conventional brewing, this process chilled the beer until ice crystals formed. The ice crystals were then removed, leaving the beer behind with a higher alcohol, darker colour, and richer taste. Apart from the research and development time spent by Labatt, the process required significant capital expenditures: the surface scrape heat exchanger and recrystallizer alone would cost upwards of \$5,000,000 per brewery. Labatt developed the technology itself, and had patents pending in the US and 25 other countries.

Labatt had a tangible process story. It had a beer with a distinctive benefit. Labatt took the concept to

consumers. Focus groups were held outside major centres to keep the project confidential. Prototype packaging was created by Shikotani Lacroix, using a predominately black, white and silver palette. In keeping with the name of the beer, the initial brand image was cool and night-time.

Focus groups confirmed Labatt's marketing instincts. Labatt Ice scored higher in purchase intent than any beer in Labatt's history. The agency developed scripts with the campaign line: 'Welcome to the Ice Age.'

The resulting brand strategy focused on its dual benefit: a beer uniquely rich in taste, yet easy to drink, supported by Labatt's patented Ice Brewing process. The brand character was cool, urban and rebellious, as befits the name. Although trial was expected to draw heavily from all drinker segments, the young Molson (Canadian, Export and Dry) drinkers were targeted as the main source of sales volume. A multi-media national campaign was planned, with heavy support from TV. Scripts were submitted to liquor boards, and pre-production commenced.

EXECUTION

On 12 March 1993, late in the afternoon, Prouk called Labatt's director of brand development and said, 'we've got some bad news for you'. Lowe had received information that Molson was planning to launch its own ice beer, that it was in production already, and that the campaign line it were using was 'Welcome to the Ice Age'. Lowe had the weekend to come up with an alternative campaign.

A new campaign, based on the Rutger Hauer character from Ridley Scott's futuristic epic *Blade Runner*, began to take form over the next two days. Recognizing the need to make process the focal point to blunt Molson's entry, a new, more competitive tag line was coined: 'If it's not Ice Brewed, it's not Ice Beer.'

Within ten days, three 30-second TV spots were produced, featuring Russian actor Alexander Godunov. On 29 March, barely a week after the first Molson teaser ad appeared, the first Labatt Ice spot debuted on the Academy Awards broadcast. Over the next four weeks, television weight levels behind the Labatt Ice creative ran as high as 670 Gross Rating Points (GRPs). Radio creative, based on the TV spots, ran nationally at similarly heavy levels.

In addition to television and radio, four-colour full page ads ran in all major market Canadian daily newspapers, as well as financial newspapers such as the *Globe*, *Mail* and the *Financial Post*, a tactic Hugo Powell suggested to trigger activity among brewery stock analysts. These ads told the detailed story of the Labatt Ice brewing process, including patent numbers and a schematic flow-chart of the process. Billboards were also purchased in major national markets. In Toronto, every available Labatt out-of-home vehicle was used to support the tag line, including three 15-second spots on the Jumbotron at every Blue Jay home game.

In all, the first month of Labatt Ice advertising generated an astonishing combined media reach of 95.0/36.0 frequency (based on Toronto/Hamilton, Men 18-49).

Molson countered with TV creative that presented a whimsical product story, in a retro, 1960's sitcom style. Newspaper advertising followed, showing brewmaster Walter Hogg with the headline 'Why is this man smiling?', which attempted to focus the ice debate away from equipment and process and back to a superior taste, which Molson's beer, of course, claimed. It would be a creative approach Molson would quickly abandon.

RESULTS

The first cases of Labatt Ice Beer went on sale on 1 April 1993. Within months, Labatt Ice achieved the highest initial trial national market share of any beer previously launched and more than double that of its main rival, Canadian Ice ([Figure 2](#)).

Labatt Ice advertising and product was rolled out into other provinces as quickly as inventory and production allowed. Across the country, business results were similar in each case. Trial and share numbers were consistent in each province ([Figure 3](#)).

In Quebec, where its Black Label brand was strong, Molson chose not to launch Canadian Ice, but Black Ice.

Black Ice TV creative parodied the Labatt Ice product story, with a drone of 'blah, blah, blah' from a mock announcer finally being silenced by a giant ice block crushing a TV set, ending with the line 'The Ice is Black'.

Black Ice was rolled out nationally in May, as Molson desperately sought to slow the growth of Labatt Ice. Weeks later, Carling Ice, a price brand, was also introduced, as was President's Choice Ice Draft, and in the Maritimes, Moosehead Ice - all claiming to be 'ice brewed'. Despite the influx of other ice beers, Labatt Ice maintained its position as the leading ice beer in every province except Quebec, where Black Ice held a narrow edge.

While both brands had high trial among the 19 to 24-year-old group, there was a greater tendency for Molson drinkers to have tried Labatt Ice. Labatt Ice captured its volume from Blue, Labatt Genuine Draft, Budweiser, Canadian and Molson Special Dry, while most of Canadian Ice's volume came from Molson Canadian and Export. Corporate share responded accordingly, with Labatt share increasing to as high as 46.16 per cent in November 1993 from 43.74 per cent before the launch.

By the middle of May it was clear that Canadian Ice was losing to Labatt Ice. Molson quickly switched marketing emphasis to Black Ice, in the process quietly changing the copy line in the advertising and on their packaging from 'ice filtered' to 'ice brewed', echoing the Labatt Ice claim. Canadian Ice would make a similar change in mid-July. Clearly Molson had come to the realization that ownership of Ice Brewing meant ownership of the category. These moves sparked what would become a protracted legal battle between the two breweries over trademark infringement, a litigation battle which continues at the time of writing.

Over the course of the summer, the breweries would spend in excess of \$13,000,000 battling for share, with Labatt typically outspending Canadian Ice by a margin of 2 to 1. In Ontario, Labatt Ice held a combined media share-of-voice (SOV) of 55.1 per cent, compared with 31.5 per cent for Canadian Ice.

TABLE 2: ICE CATEGORY MEDIA SPENDING, MARCH - AUGUST 1993

Brand	TV	Radio	Print	Outdoor	Total
Labatt Ice	\$5,790,331 (56.3%)	\$730,006 (88.8%)	\$1,102,521 (54.3%)	\$221,058 (83.0%)	\$7,843,896 (58.5%)
Canadian Ice Draft	\$2,511,072	\$63,287	\$495,426	\$7,186	\$3,076,971
Black Ice	\$1,862,546	\$20,715	\$360,534	\$38,251	\$2,282,046
Carling Ice	\$117,855	\$8,134	\$73,221	-	\$199,210
Total	\$10,287,594	\$822,142	\$2,031,702	\$266,495	\$13,402,123

Source: AC Nielsen

Labatt's media investment paid off in strong awareness and purchase intent scores.

**TABLE 3: BRAND AND ADVERTISING AWARENESS
(ENGLISH CANADA, AUGUST 1993)**

	Labatt Ice	Canadian Ice	Black Ice
Brand awareness	95	71	79
Top-of-mind ad awareness	17	3	5
Purchase intent	26	17	14

Source: Labatt

Quite apart from its share performance versus Canadian Ice, the launch advertising for Labatt Ice generated a sharply differentiated image for the brand and for Labatt.

Quantitative and qualitative research conducted within the first month of the campaign launch reported a highly-defined, unique brand personality, as generated by the advertising.

The choice of Godunov as spokesperson turned out to be an unexpected bonus for Labatt. Originally the scripts had been written for Hauer but after script debates with the star, Hauer was dropped and Godunov flown to Vancouver for the shoot.

Six out of ten consumers recognized Godunov as the spokesperson. To many, the 'cold' demeanour of Godunov was seen as an appropriate fit for an 'ice' beer.

He communicated an image that was, in the words of the respondents, 'stylish, confident, independent, contemporary, different, unique, and intelligent'. In fairness, he also was seen as arrogant and threatening to some, compounded by his thick, foreign accent.

Most importantly, he was credible. When he said, 'it's here, it's real, it's the only one. Believe it', they did. To the target audience, the spots communicated that Labatt Ice was the result of a new brewing process, a different beer, higher alcohol, and that Labatt was the originator of this process.

To the same group, composed of two-thirds Molson drinkers and one-third Labatt drinkers, the Canadian Ice creative had an image of 'fun, adventure, athletic, and party-goer', in large part a halo image coming from the parent brand's advertising. The product was seen as Canadian beer, refreshing, ice-filtered, and higher alcohol. The spots scored well on entertainment value, better in fact than the Labatt Ice spots, but were also seen as familiar and subject to early wear-out.

Given Labatt's single-minded approach to communicating the Ice Brewing story, one of the most important measures probed in the research was credibility. In a category where product claims and processes are tossed about with abandon, here was a beer with a truly different product story. From the beginning, consumer acceptance of that story was considered to be critical to the brand's success. Focus group respondents confirmed exactly that.

TABLE 4: ICE BREWING AWARENESS (ENGLISH CANADA, AUGUST 1993)

	Labatt Ice	Canadian Ice	Black Ice
Ice brewed	82	67	67
First ice beer	53	21	9

Source: Labatt

Meanwhile, the storm over ice in Canada had attracted considerable interest among brewers in the US and around the world. Labatt Ice and Molson Ice were soon available as imports, followed almost overnight by literally dozens of competitive brands: Budweiser's Ice Draft, Miller Lite Ice, Ice House, Olympia Ice, Colt 45

Ice, Pabst Ice. In all, as many as 38 ice beers were available in the US within a year of the launch of Labatt Ice in Canada. At its peak in 1994, the ice market in the US was estimated to be 9,300,000 barrels, all sparked by the events in Canada (Source: Impact Databank).

On 13 May, Labatt announced in full page, four-colour daily newspaper advertising that it had reached an agreement with the Coor's Brewing Company to license the Labatt Ice brewing technology for Coor's to brew its own ice beer, Coor's Arctic Ice. Breweries from around the world were eager to develop ice beer in their markets, and were interested in importing the Labatt Ice product or, like Coor's, in licensing the process themselves. Partnerships were signed, and Labatt Ice beer became available in England, Japan, Mexico, and soon in Brazil.

From the outset, Labatt Ice has held roughly 50 per cent of the ice category, from the category's peak of 11 per cent of national beer volume during summer 1993 to its current level of six per cent. And despite the high-profile launch of Molson Red Dog in 1994, Labatt Ice has continued to perform strongly.

From the very beginning, Labatt staked the success of its brand on a product story. And through every piece of communication, press release and point-of-sale display, the message came through: 'If it's not Ice Brewed, it's not Ice Beer.' By single-mindedly adhering to their strategy, Labatt defined the boundaries of the ice category. In the end, the competition had no choice but to fight on Labatt's terms. By that time, the war was won.

The development of Ice beer had a profound impact on the way Labatt worked as a company. It challenged Labatt's marketing and technical people to fundamentally restructure their work process. They responded by setting a new standard for turnaround, bringing a new brand to market in literally weeks, not months.

The success of Labatt Ice added 1.2 points to Labatt's national corporate share. It launched a worldwide beer category. It gave Labatt profile in the international brewing community. It made huge image and share inroads among young beer drinkers. And it returned Labatt to its position as the leading innovator in the Canadian beer industry, a position it had lost to Molson for almost a decade. It was, indeed, the beginning of a new age for Labatt.

CLIENT

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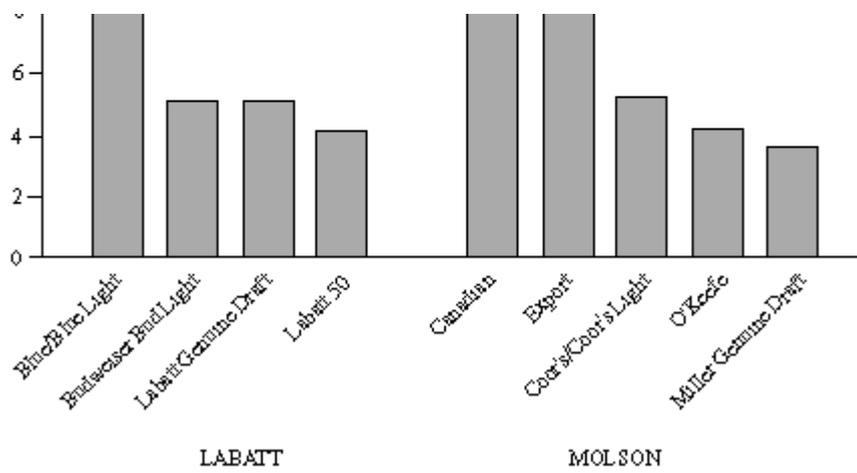
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NOTES & EXHIBITS

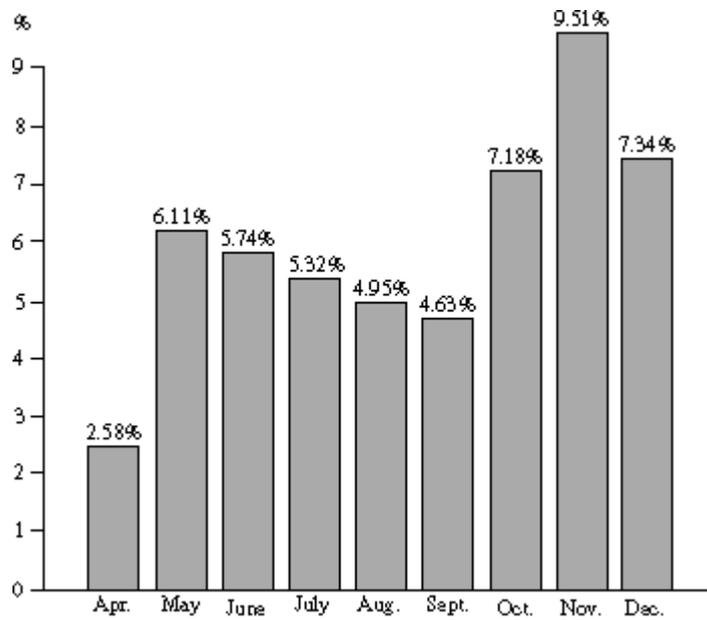
FIGURE 1: TOP TEN NATIONAL BEER BRANDS





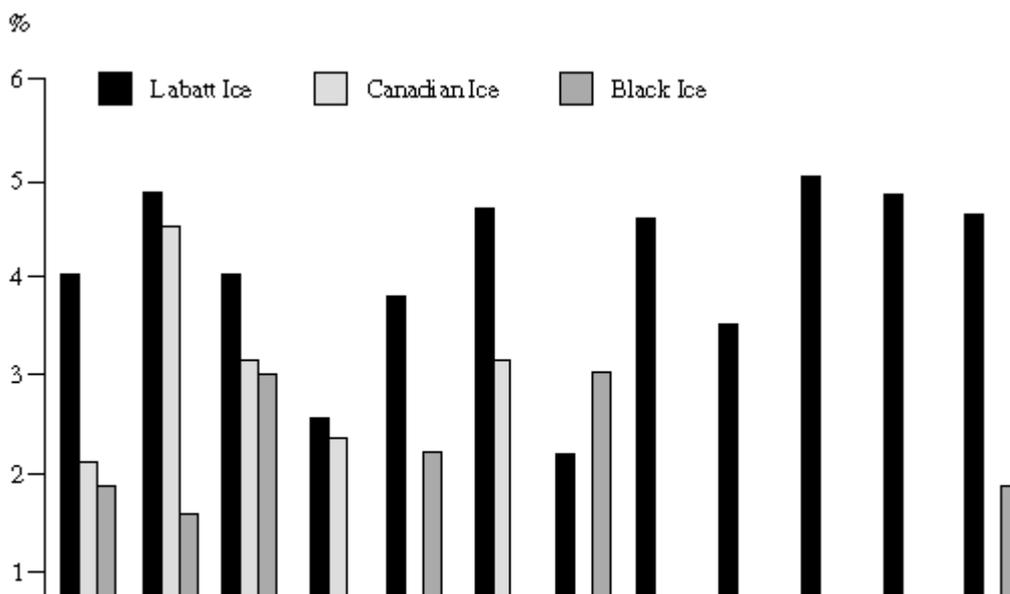
Source: Equity Research Associates, Inc.

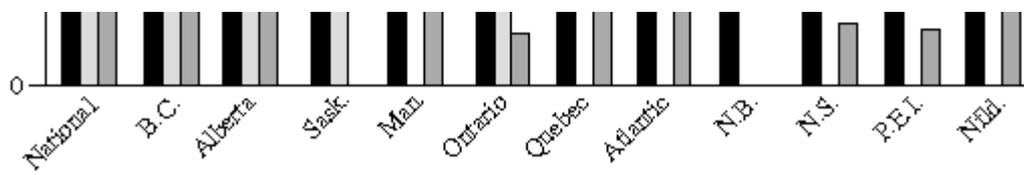
FIGURE 2: LABATT ICE NATIONAL SHARE



Source: Labatt Market Monitoring System

FIGURE 3: MARKET SHARE BY PROVINCE (MAY 1993 TO APRIL 1994)





Source: Labatt Market Monitoring System
