



Russian roulette

Serial entrepreneur John Florey is aiming to make latest venture, Kalashnikov Vodka, a drinks market success. But is using the Russian name so associated with a deadly weapon a wise idea? He tells **Growing Business** why it's a legitimate business move

Strong relationships lie at the heart of most fast-growth businesses. Whether it be an entrepreneur's association with his or her backers, the way an FD and MD work together or the bond an owner-manager has with a non-executive director. However there aren't many businesses based on the relationship between a 37-year-old serial entrepreneur and an 84-year-old Russian General who invented one of the world's deadliest weapons.

But that's the story behind Kalashnikov Vodka, a new drink to be launched officially in September. It's the result of four years' hard work by the founder John Florey, two of which were spent trying to track down General Mikhail T Kalashnikov himself. The journey began when, after acting as a representative for Russian chess-player Gary Kasparov, Florey was approached by a brand management outfit to expand its portfolio of products associated with the country. Kalashnikov immediately sprang to mind – but actually meeting the man and reconciling the associations the public had with the name were major obstacles. In fact, by the time Florey finally met the General, the brand management company had lost interest. It could be argued the link-up is somewhat inappropriate given the use of the AK-47 by terrorists and the number of deaths it has been responsible for. The

connotations are unlikely to be positive. After all there are now 100 million AK-47s in circulation, which means one for every 60th person on the planet, and they have been responsible for the deaths of more people than the atomic bombs which fell on Hiroshima and Nagasaki put together. As you might imagine, Florey's keen to distance himself and his brand from any such statistics.

"We are not promoting a militaristic brand, our product is genuine Russian vodka and we've got together with the possessor of arguably the best known Russian brand name in order to do this. Kalashnikov stands for Russian design, integrity in so far as the product is true to itself, comradeship and strength of character, which epitomises the General's life and the role he has played in Russian culture," he says. But, while Kalashnikov's branding might not be overtly militaristic, (references to the gun have been removed from the original packaging, though the bottle itself appears somewhat bullet-like) surely it's going to be impossible to break free from these associations? "There are lots of famous brands which have military roots without negative connotations, for example SAAB cars, The Army & Navy stores or Spitfire Beer. And the fact remains, were it not for military endeavours we would not have the internet or GPS," he argues.

Whether the wider public are convinced by his argument remains to be seen, but even negative publicity is only likely to further heighten awareness of his new brand. But Florey contests the negative connotations and points out that Kalashnikov himself is keen to 're-brand' his image.

"He felt he had suffered a lot of unfair criticism over his lifetime because of his association with the AK-47 as opposed to his other achievements. He invented the gun as a means of protecting his country, rather than a killing machine," argues Florey. "But now the Cold War is over and he wants to promote Russian culture in a positive light."

And you don't get much more Russian than vodka. Alcoholic drinks tend to be synonymous with their country of origin's culture; France has its wine, Scotland has its whisky, Britain has its bitter and the Caribbean has its rum. Florey was quick to realise if he could build on this connection, there might be the potential for a market-leading brand.

The General became honorary chairman and, with his help, Florey secured intellectual property rights to one of the most famous Russian names of all time. He then made contact with a leading distiller in St Petersburg to import genuine Russian vodka into the UK. "The

Russians are as particular about the quality of their vodka as the Scots are about their whisky. The Russian grain and the water from Lake Ladoga give the distinction to our product, especially if it's drunk the right way: iced and neat,"

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"I believe you only have three great opportunities come along in your lifetime"

says Florey. An extra distinction to the taste would be achieved by bringing the spirit over direct at a military strength 41 ABV (alcohol by volume), whereas many other vodka producers bring in the alcohol and then dilute it down with local water.

Backing up a premium drink and a notorious name Florey has assembled a top quality management team, with extensive experience in the drinks sector. Non-executive chairman Gordon Willoughby held a variety of marketing and general management posts for Diageo plc including three years as the global brand director for the likes of Gordon's Gin while branding and creative director David Bromige was the designer and creator of Pölstar Vodka, one of the fastest growing premium vodka brands in the UK, recently sold to William Grant plc. Add to the mix sales and marketing manager Phil Groves, one of the team behind alcopop Hooch and Worthington's Bitter and, Florey believes you have a pretty powerful cocktail. "They've come on board for the excitement of creating a project from scratch," says Florey. "I believe you

COLOURFUL CVS: THE MEN BEHIND THE BRAND

Most 84-year olds would be thinking about putting their feet up but not so for General Mikhail Kalashnikov. Lending his name to John Florey's venture is just the latest part of a life that's seen him become one of the most celebrated and yet vilified figures of his homeland.

Born in 1919, Kalashnikov was called up for military service in 1938, where he served as a tank-commander in World War II, and during those cold winters on the Russian front he would keep his spirits up by toasting loved ones back home with a warming drink of vodka. After being wounded in 1941 he came up with the idea of a sub-machine gun and six years later

created a weapon called the '7.6 Avtomat systemy Kalashnikova obrazetz 1947 goda' which became known to the world as the AK-47. For this achievement he was awarded the Stalin Prize and in 1958 made a Hero of Socialist Labour.

Although he will always be remembered for this one invention, he has continued to design and produce devices to help the citizens of Russia throughout his life and, even with advancing years, continues to work on new products, hoping that perhaps history will remember him more for helping people than hurting them.

If not as infamous, John Florey's own career has been no less varied

and he's still only in his mid-thirties. In 1992 he left property consultant Grimley JR Eve to work in Malaysia and Singapore. Returning to the UK in 1995, he went on to develop Crawfords, a business specialising in residential property management in central London. A year later he acquired a dormant company and created a specialist business consultancy to UK universities and business schools which developed the first joint Anglo-Russian MBA at the Moscow Business School. In 1999, he took over The London and Oriental Trading Company Ltd, which has since traded commodities as diverse as teak from Myanmar and Walkers Crisps to Slovenia.

Adopted business



only have three great opportunities come along in your lifetime and this is one of them." Their belief is such that the directors will be deferring a salary in the short term and this, along with outsourcing much of the production process (the distinctive bottles are made and labelled in Germany, the caps in Italy and the labels in Scotland, and the whole package is put together in Essex) should help keep down the initial overheads.

PUSHING A STRONG BRAND

Kalashnikov has certainly gone down well with investors. A public share offer through Cardona Lloyd & Co followed by a listing on the JPJL market (the junior market to OFEX, set up by its founder John Jenkins) was heavily oversubscribed, raising £550,000 when a maximum of £375,000 was set. "We actually had to give money back," adds Florey.

Perhaps the eagerness to be part of the new venture has got something to do with the fact vodka is now the fastest growing spirit-category in the UK, worth an estimated £1,406m in 2002. It is particularly popular with young drinkers and more recently a number of vodka-based style bars, such as the Revolution chain, have capitalised on this. But it's also a sector dominated by some big hitters, with the likes of Smirnoff and Absolut dominating the scene. "The vodka market is segmented – you have generic brands which are competing on price but people in this country are becom-

ing more particular about what they're drinking. Any of the brands who are using their Russian heritage to sell will be our main competitors," says Florey.

So how does he intend to fight them off? A large publicity push for starters, and having one of the most well-known Russians of the 20th century attending your product launch in September is bound to guarantee a few column inches. There will also be cocktail competitions and 'Nikita' girls (see pictures) touring the bars to ensure the brand gets into the hands of potential customers, with young urban professionals drinking in London's style bars the primary focus.

If Kalashnikov can convince enough bars to stock the product and sufficient numbers of people to ask for it by name, assuming that the same name doesn't hamper them, then they should go some way to meeting the targets of shifting 44,350 cases by 2006 and achieving a turnover figure of £1.2m by year-end 2005. After this, the plan will be to push the product to the "off-trade", off-licenses and supermarkets. Florey's aim is for the brand to become a recognised household name. "I can imagine people saying 'I went out last night and got Kalashed'," he says.

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