



# A Brand Under Attack: The Boycott of Stoli Vodka and the Power of Social Media

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With just a few months under his belt as incoming President of the Stoli Group, USA, John Esposito woke up on a bright July morning in 2013 and was alarmed to learn that one of his company's most popular products was being bombarded by heavy criticism from social media. The hashtag, #DumpStoli, coined by Dan Savage, a prominent gay rights blogger, had gone viral overnight. Savage claimed that Stoli Vodka, because of its Russian heritage, should be subjected to an outright boycott, along with all other Russian-made products. In Savage's view, it was important to launch a vocal protest and to show solidarity with the gay community in the aftermath of a series of discriminatory laws that were passed by the Russian government under the direction of Vladimir Putin. One law enabled police officers to arrest tourists and foreign nationals suspected of being gay or pro-gay, detaining them for up to fourteen days. Another law imposed heavy fines on citizens and deportation of foreigners who held gay pride parades or provided information to minors about "nontraditional sexual relations." Yet another law prohibited same-sex couples, as well as singles and unmarried couples living in a country that recognized gay marriages, from adopting Russian-born children.<sup>1</sup>

Savage's message to consumers included the following directive:

If you drink a Russian Vodka like Stoli [or] Russian Standard . . . switch to another brand from another country, or even a local brand from a local distillery. Stoli is the iconic Russian Vodka and it's returning to Russian ownership in 2014. Other brands like Russian Standard should also be boycotted. Do not drink Russian vodka. Do not buy Russian vodka. Ask your bartender at your favorite bar—gay or otherwise—to **DUMP STOLI** and **DUMP RUSSIAN VODKA**.

Historical Twitter data showed that on the first day of Savage's blog, hashtags with references to Stoli were tweeted or retweeted 1,046 times; on the second day, the number of tweets rose to 2,572; on the third day, the number of tweets increased to 4,156.<sup>2</sup>

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John Esposito was dismayed. He was well aware of Stoli's historical support of the lesbian, gay, bisexual, and transgender (LGBT) community and more importantly, he knew that the brand had no influence on or cooperative relationship with the Putin government. In fact, both the owner and top executives at SPI Group, the parent company of Stoli Group USA, had progressively adversarial relationships with the Putin government for over ten years. Nonetheless, the #DumpStoli hashtag was gaining traction. Esposito needed to act quickly. He noted, "The firestorm hits, the reaction is swift and your head is spinning. Before you know it, bars are pouring your product onto the street."<sup>3</sup> Esposito walked into the office of Lori Tieszen, Stoli's senior vice president and chief marketing officer.

Tieszen was given the primary responsibility for managing the crisis. She had the challenging task of leading a team effort to neutralize the pervasive power of social media and informing its many and multifaceted stakeholders of Stoli's continuously supportive position on gay rights. Her prior work experience at Kobrand, Heublein, Domecq Importers, Finlandia, Schieffelin & Somerset, Moët Hennessy USA, and Wines of Chile USA enabled her to bring strong leadership to the situation room. Esposito was to receive daily updates and participate in LGBT community outreach events while he continued his efforts to launch Stoli's U.S.-based operations. With a sigh, Tieszen reflected back on the dramatic course of events:

It was kind of a scary day. I had just joined the company in June . . . we were preparing for D-Day. When you think about when Dan Savage put his hashtag #dumpstoli out there, that was D-Day . . . it was growing and growing . . . that one tweet from him really set everything afire. It was a bit of a panic . . . we tweeted a lot, our phones starting ringing . . .

How should Tieszen and her team respond? What should be the team's next steps? Tieszen knew that she had the full backing of Stoli Group USA's parent company, SPI Group, as well as access to its vast resources. Funds were even available, if necessary, to hire a crisis consultancy firm. Tieszen began to work under Esposito's directive to "do whatever it takes."

## ORIGINS AND HISTORY OF STOLICHNAYA (STOLI) VODKA

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Stoli was originally distilled in Russia in approximately 1938. It was imported to the U.S. as the first "Premium Imported Vodka" in 1973. The PepsiCola Company had formed a barter agreement with the Soviet government, the latter lacking sufficient buying power, in which PepsiCola supplied Pepsi beverages in exchange for Stoli Vodka. Through its wine subsidiary, PepsiCola sold and distributed Stoli in the U.S. market. The Stoli brand remained under the ownership of the Soviet state along with union collectives until the breakup of the Soviet Union in the early 1990s. At that time, local business people began to purchase state assets. An entrepreneur, Yuri Shefler, started to acquire percentages of Stolichnaya and achieved full ownership of the brand in 1997. He reportedly paid \$300,000 for the rights to several vodka brands, including Stolichnaya.<sup>4</sup> Shefler's company became known as SPI Spirits.

Soon, the popularity of Stoli made it a primary target for re-nationalization. In 2001, the Russian government was successful in legally recapturing domestic rights to the vodka. It did not stop there. In 2002, Russian customs officers seized \$40 million worth of Stoli Vodka produced in a Kaliningrad factory. Masked police officers raided SPI's headquarters in Moscow, reportedly saying that they were there to destabilize the

business.<sup>5</sup> Prosecutors also opened a criminal investigation of Shefler, charging him with forging and destroying documents that enabled him to purchase the Stolichnaya brand for a small percentage of its true market value. They even accused Shefler of threatening to kill a government official.

Shefler fled the country and went into de facto exile. SPI criticized the Russian officials for “backtracking on legal privatisation” and acting “like Soviet-era thugs.”<sup>6</sup> Shefler shifted operations to Latvia and relocated SPI’s headquarters to Luxembourg. Stoli’s export sales in 2002 were reported as \$500 million.<sup>7</sup> The drama was not yet over. In Shefler’s absence, the Russian government continued to pursue nationalization of Stoli in 2007; Shefler was forced to appear in courts around the world.

Meanwhile, during SPI’s difficult times in Russia, distribution rights to Stoli Vodka in the U.S. had been purchased by Allied Domecq in 2000. It launched a \$30 million advertising campaign in the U.S., the first since 1996. Approximately 1.3 million cases of vodka were sold annually in the U.S.<sup>8</sup> Allied Domecq initiated another advertising program for the product, called “The Stoli Little Truths” campaign, in 2004. Print advertisements, such as the one in **Exhibit 1**, appeared in leading national magazines including *Entertainment Weekly*, *Maxim*, and *Playboy*.

**Exhibit 1: An Early Stolichnaya Advertisement**



In 2005, Pernod Ricard USA acquired Allied Domecq Spirits, North America (ADS), and inherited the Stoli distribution rights. Its products were well received in the marketplace as evidenced by eight medals that the brand won at an *International Review of Spirits* competition. In 2006, ADS (the Pernod subsidiary) got into a dispute with its rival, Imperia (the owner of the Russian Standard vodka brand). ADS demanded that Imperia pull its ads, which touted its vodka as the **only** authentic Russian brand on the market. Imperia’s owner, Roustan Tariko, countered that SPI was deceiving customers since he had uncovered documents proving that Stoli was made in Latvia, not Russia. ADS claimed that its vodka was only bottled in Latvia. Pernod also issued a statement in which it reiterated, “Stolichnaya is truly Russian, being distilled and produced in Russia using Russian grain and water. It is then shipped in bulk and bottled in Latvia.”<sup>9</sup> After its 2008 purchase of Absolut vodka, Pernod ceased to import Stolichnaya Vodka.

Between 2009 and 2013, William Grant & Sons imported and marketed Stoli in the U.S. Other affiliated distributors were the ones who actually transported the alcoholic beverage cases to the retail outlets. This followed the three-tier system required

by law for the taxation and sales of alcoholic drinks in the U.S.<sup>10</sup> Sales, in terms of number of cases sold in the U.S., declined for several years. In 2008, 2 million cases were sold; in 2009, 1.95 million cases were sold; and in 2010, 1.75 million cases were sold. The downward trend was attributed to the economic recession and to the introduction of less expensive vodka brands. It continued into 2012 when 1.73 million cases were sold.<sup>11</sup>

In November 2012, SPI Group announced a major change in its U.S. importation, marketing and distribution strategy. It created its own importing arm, Stoli Group USA, which would begin to manage the product portfolio starting in January 2014. Val Mendeleev, CEO of SPI, recognized William Grant & Sons for its years of service:

Stoli is the crown jewel of SPI Group. As a company with strong entrepreneurial spirit, the time has come for us to make our path forward on our own in the U. S. We thank William Grant & Sons for their contributions to Stoli, and we look forward to what will be a continuing future of innovation and success for the Stolichnaya brand.<sup>12</sup>

Stolichnaya's most popular alcoholic beverages were its classic 80-proof vodka label, as well as its fruit flavored and premium vodka blends. It was the drink of choice for many well-known figures—from former Russian president, Boris Yeltsin to Patsy Stone, a character, in the popular BBC sitcom, *Absolutely Fabulous*.<sup>13</sup> During the Apollo-Soyuz mission in 1975, a Russian cosmonaut offered his American counterparts two tubes labeled “Vodka Extra” and “Vodka Stolichnaya” to celebrate their meeting in space (the tubes really contained “borscht,” a Russian soup made from beets). A bottle of Stolichnaya vodka appeared in the James Bond movie, *A View to a Kill*, at the end of a chase scenario, when Roger Moore took it out of his bag to share with another spy in a floating iceberg.

## STOLI GROUP USA

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Stoli Group USA hired John Esposito as its new incoming president. Esposito had been the president and CEO of Bacardi USA until 2011. He viewed his new position as “an incredibly exciting opportunity” and was pleased to have a chance to “organize a company from the ground up, put passionate and committed people in place, and establish a team which has one goal in mind: not individual achievements, but building a winning premium brand.”<sup>14</sup> Even though Esposito's official start date in the new position was January 1, 2014, he and his newly hired senior vice president and chief marketing officer, Lori Tieszen, spent the beginning of 2013 getting ready to take over the importation of Stoli products from William Grant & Sons. Altogether, the NY office was to have a staff of eighty employees.

Early efforts were focused on placing a stronger emphasis on the Stoli brand's core flavors—vanilla, raspberry, blueberry, and orange—which accounted for 73 percent of the company's flavored vodka business.<sup>15</sup> Esposito and Tieszen decided to stabilize the pricing of their products and, consistent with a premium brand, to eliminate the practice of deep discounting. Knowing that bartenders were important and that some of the younger ones might not have been familiar with the Stoli brand, the company developed a video highlighting the vodka's rich heritage and hired industry experts to write learning modules.

When Dan Savage's hashtag #dumpstoli went viral in July 2013, Esposito and Tieszen had not yet assumed their official positions at Stoli Group USA. As Tieszen remarked, “this happened when there were only five employees in a temporary office”

at a most inopportune time “when our owner, single owner, Mr. Yuri Shefler, who is Russian but has been out of the country for ten years and cannot go back, is at odds with the government, started this company to have a long-term strategy of growing this brand and building other successful brands here.” Both executives jumped into action and took over the handling of the crisis in order to support the brand and its outgoing importer, William Grant & Sons (see **Exhibit 2** for a timeline of major events).

<b>Exhibit 2: Timeline of Major Events for Stoli Group USA</b>	
<b>11/14/2012</b>	SPI Group announced the forming of its own importing arm, Stoli Group USA.
<b>06/11/2013</b>	The Magrino Agency informed executives at Stoli Group USA that a meme went out on Facebook asking consumers to boycott Stolichanaya Vodka.
<b>06/18/2013</b>	Stoli Group USA’s LGBT media partner, Gay Cities, detected a few negative comments about the Stoli Guy on Twitter.
<b>07/04/2013</b>	The first SPI statement about the controversy is approved.
<b>07/22/2013</b>	Stoli Group USA learned that BuzzFeed posted “36 Photos from Russia that Everyone Needs to See.”
<b>07/24/2013</b>	Dan Savage posted his blog and coined the hashtags #dumpstoli and #dumprussianvodka.
<b>07/25/2013</b>	Val Mendeleev (CEO of SPI Group) published an open letter to the LGBT community.
<b>07/26/2013</b>	John Esposito sent an e-mail to the firm’s business partners (distributors, bartenders, and retailers) describing Stoli’s ongoing support for the LGBT community.
<b>07/31/2013</b>	Val Mendeleev (CEO of SPI Group) gave his first U.S. in-studio interview with SiriusXM Progress.
<b>01/01/2014</b>	John Esposito and Lori Tieszen assumed their official positions at Stoli Group USA. They took over management of the brand from William Grant & Sons and started importing Stoli products for distribution in the U.S.

## THE U.S. ALCOHOLIC BEVERAGE INDUSTRY

The outlook for the U.S. Alcoholic Beverage Industry remained strong. In 2012, alcoholic beverages accounted for about \$197.8 billion in retail sales, an increase of 3.1 percent from 2011.<sup>16</sup> The industry was comprised of three markets: beer, wine, and distilled spirits. Beer accounted for almost 50 percent of total alcoholic beverage revenues. Spirits beverages were classified as white goods (e.g., vodka, gin, rum, and tequila), brown goods (e.g., whiskey and bourbon), and specialties (e.g., cognac, brandy, cordials, and liqueurs). Vodka, in the white goods category, accounted for 32.3 percent of U.S. distilled spirits consumption in 2012.

Rankings for the leading vodka products were separated into domestic vodka and imported vodka brands (see **Exhibits 3a–b**). In 2012, the top two best selling vodka brands were Diageo’s Smirnoff and Campari America’s Skyy. Diageo PLC sold its alcoholic beverages, including Smirnoff Vodka, Johnnie Walker Scotch whiskey, and Guinness beer in the U.S. and Canada through its subsidiary, Diageo North America Inc. It had 22.7 percent of the market share in the U.S. distilled spirits market (by volume). Campari America was a wholly owned subsidiary of Davide Campari-Milano SpA and distributed the popular alcoholic beverages, Skyy vodka and Wild Turkey whisky.

<b>Exhibit 3a: Ten Top Ranked Domestic Vodka Brands</b>					
Case Sales (9-liters)					
Rank	Brand	Marketer	Origin	2011	2012
1	Smirnoff	Diageo	USA	9,690,000	9,850,000
2	Skyy	Campari America	USA	2,754,000	2,805,000
3	McCormick Vodka	McCormick Distilling	USA	2,023,000	2,103,000
4	Barton Vodka	Sazerac	USA	1,930,000	2,040,000
5	Burnett's Vodka	Heaven Hill Distilleries	USA	1,850,000	2,039,000
6	Skol Vodka	Sazerac	USA	1,845,000	1,880,000
7	UV Vodka	Phillips Distilling	USA	1,200,000	1,600,000
8	Fleischmann's Royal Vodka	Sazerac	USA	1,150,000	1,295,000
9	Popov Vodka	Diageo	USA	1,725,000	1,270,000
10	Seagram's Vodka	Infinium Spirits	USA	1,200,000	1,210,000

*Source: 2014 Liquor Handbook (2014, June). The Beverage Information Group Handbooks & Directories.*

<b>Exhibit 3b: Ten Top Ranked Imported Vodka Brands</b>					
Case Sales (9-liters)					
Rank	Brand	Marketer	Origin	2011	2012
1	Absolut	Pernod Ricard USA	Sweden	4,575,000	4,646,000
2	Svedka	Constellation Brands	Sweden	3,690,000	3,825,000
3	Grey Goose	Bacardi USA	France	3,434,000	3,451,000
4	Pinnacle Vodka	Beam Inc.	France	2,500,000	2,550,000
5	Ketel One Vodka	Diageo/Nolet Spirits	Netherlands	2,015,000	2,100,000
6	Ciroc	Diageo	France	1,280,000	1,860,000
7	Stolichnaya	William Grant & Sons	Russia	1,763,000	1,728,000
8	Three Olives	Proximo Spirits	UK	1,475,000	1,525,000
9	Sobieski	Imperial Brands	Poland	950,000	980,000
10	Belvedere Vodka	Moet Hennessy USA	Poland	448,000	480,000

*Source: 2014 Liquor Handbook (2014, June). The Beverage Information Group Handbooks & Directories.*

In 2012, the top two best selling imported vodka brands were Pernod Ricard's Absolut and Constellation Brands' Svedka. Pernod Ricard SA was known for its Chivas Regal, Seagram's gins, Kahlua coffee liqueur, and Absolut vodka. Its products were sold in the U.S. by Pernod Ricard USA, LLC. It had 7.3 percent market share in the U.S. distilled spirits market (by volume). Besides being the owner of Svedka vodka, Constellation Brands, Inc. was the world's largest premium wine producer with more than 100 brands, including Robert Mondavi, Clos du Bois, and Manischewitz.

Growth opportunities in the spirits industry could be exploited by targeting certain demographic "sweet spots" (in terms of specific ages and ethnic groups), by marketing to warehouse clubs and supermarkets, and by engaging in brand innovation.<sup>17</sup> Millennials were a favorite target market for alcoholic beverage companies; they preferred

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their drinks to be somewhat sweet. U.S. census data showed that the number of consumers reaching the legal drinking age was steadily increasing while a Nielsen survey reported that while young consumers still preferred beer, they purchased more wine and spirits than the older generation did at the same age.<sup>18</sup>

A Diageo poll found that non-white consumers had a greater preference for spirits compared to their white counterparts.<sup>19</sup> The LGBT consumer was also recognized for its strong purchasing behavior. Gay households had 23 percent higher median income and 24 percent more equity in their homes compared to non-gay households.<sup>20</sup> LGBT consumers were very brand conscious: 49 percent of gay respondents, compared to 41 percent of heterosexual respondents, in a national sample said they ordered alcoholic beverages by brand name.<sup>21</sup> Male same-sex partnered households spent more than other households on alcoholic beverages.<sup>22</sup>

Unique package design and product positioning were particularly important in the vodka industry.<sup>23</sup> Newer brands like Svedka and Pinnacle were successful in grabbing consumer attention and holding shelf space with their unique bottle designs and bold colors while detracting from the brand equity of older brands, such as Smirnoff and Stolichnaya.<sup>24</sup> Absolut's bottle design was popular among consumers over 35 because it was seen as "fun, friendly and approachable."<sup>25</sup> To target women pursuing healthy life styles and low calorie diets, Diageo introduced Smirnoff Sorbet Light Vodka with only seventy-eight calories in three flavors: raspberry pomegranate, mango passion fruit, and lemon.

## RUSSIA'S ANTI-GAY LAWS AND THE PUBLIC'S REACTION

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In the summer of 2013, Russian president Vladimir Putin aggressively expanded his country's anti-gay agenda. In June, the Russian parliament unanimously passed a law against "propaganda of non-traditional sexual relations" making it illegal to teach minors about homosexuality. A few weeks later in July, Putin banned the adoption of children by gay parents. In conjunction with the laws, there were numerous media reports on unwarranted arrests, persecution, and bullying of members of the LGBT community. Some powerful images of the atrocities committed by Russian officials toward the LGBT community made their rounds on social media, of which the most popular was titled, "36 Photos from Russia That Everyone Needs to See."<sup>26</sup> Irrefutably, there were multiple treacherous human rights violations against the LGBT community and the international community was becoming increasingly vigilant and distressed.

Stephen Fry, a British actor, author, and journalist, demanded that the UK boycott the upcoming 2014 Winter Olympics in Sochi, Russia. Other activists began to pressure corporate sponsors of the Olympic games, including Coca-Cola, GE, and Proctor and Gamble, to issue strong statements condemning Russia's anti-gay stance. Celebrities cancelled planned trips to Russia. Wentworth Miller, star of the TV show, *Prison Break*, decided not to attend a film festival in St. Petersburg saying, "I cannot in good conscience participate in a celebratory occasion hosted by a country where people like myself are being systematically denied their basic right to live and love openly."<sup>27</sup> City council members across the country were asked to sign petitions ending their sister city relationships with their counterparts in Russia. Even President Obama weighed in on the issue. On Jay Leno's *Tonight Show*, Obama conceded that he "had no patience for countries that try to treat gays or lesbians or transgender persons in ways that intimidate or are harmful to them."<sup>28</sup>

## THE BOYCOTT AGAINST STOLI

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Dan Savage, a prominent gay rights blogger, coined the #DUMPSTOLI and #DUMPRUSSIANVODKA hashtags on July 24, 2013 (see **Exhibit 4**). In his blog, Savage actually spoke at great length about Putin's vindictive agenda towards the LGBT community.<sup>29</sup> He initially called for a boycott of the 2014 Sochi Olympics in Russia however, acknowledging that perhaps the Olympic boycott might not come to fruition, he turned his attention to Russian vodka. He asserted that "in Seattle and other U.S. cities to show our solidarity with Russian queers and their allies and to help to draw international attention to the persecution of gay men, lesbians, bisexuals, trans people, and straight allies in Putin's increasingly fascistic Russia," Stoli should be banned. While Savage spent significant time on why Stoli in particular should be boycotted, he also asserted that both consumers and bartenders should boycott *all* Russian vodka.

**Exhibit 4: #DumpStoli and #DumpRussianVodka Hashtag Image**



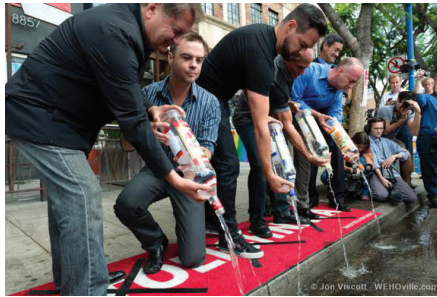
Other influential LGBT groups, such as Queer Nation, followed, and the campaign gained instant and significant momentum on social media. Photos, such as the ones in **Exhibit 5**, began to make their rounds. The *New York Times* reported that dozens of bars in major cities such as Seattle, Chicago, and Los Angeles would no longer sell the vodka.<sup>30</sup> The Stonewall Inn, a prominent gay bar in New York City's West Village and the site of the 1969 Stonewall riots, also confirmed to *Time* magazine that Stoli Vodka was no longer on its shelves.<sup>31</sup> The boycott extended to bars in smaller cities, such as Provincetown, MA. In bars still offering Stoli Vodka, many consumers voluntarily avoided ordering Russian brands.



**Exhibit 5: Photos Posted on WEHOville.com**

(August 1, 2013)

West Hollywood, California bar owners pouring out water from Stoli bottles.



Councilmember John Duran joined the boycott against Stoli Vodka in West Hollywood, California.



Credits for all three photos: Jon Viscott, WEHOville.com (used with permission).

**POLARIZATION WITHIN THE LGBT COMMUNITY**

Despite the initial enthusiastic support for Savage’s rallying cry, members of the LGBT community became increasingly split on the issue of the boycott over the course of the summer. Queerty, a website promoting LGBT interests, in a satirical way, pointed out how the boycott was misguided. It noted that Stoli had not been a Russian company for twelve years. Putin was portrayed as an evil empire builder intent on hunting down Yuri Shefler to the end of the earth and seizing his vodka company. Russia was cited for its talent for usurping and then ruining good brands. When Savage was informed that Stoli was not technically a Russian brand, he reportedly replied, “Whatever. At the end of the year Stoli will be a Russian company again.”<sup>32</sup> Savage believed that Russia would eventually resume complete control of the brand. A 2012 international court in the Hague, however, had only ruled that the trademarks to Stolichnaya and Moskovskaya belonged to the Russian state-owned Soyuzplodoimport distillery in three countries: Netherlands, Belgium, and Luxembourg. Savage was advised to “join reality” and to recognize that it was fine to drink Stoli Vodka outside of Russia and that the brand was extremely LGBT friendly. Higgins, a reporter for *The New York Times*, also differentiated between the Stolichnaya consumed within Russia and the one imported into and consumed by Americans. The vodka imported into the United States was distilled in Latvia. Higgins further commented:

The exact nationality of Stolichnaya, like many global brands, is hard to pin down. It was made for a time in Russia and simply bottled in Riga (capital of Latvia) but has in recent years been filtered and blended in Latvia . . . while its water comes from Latvian springs, its main ingredient, raw alcohol distilled from grain, still comes from Russia. Its bottles are from Poland and Estonia, its caps from Italy.<sup>33</sup>

The Riga factory, operated by Latvijas Balzams, was a century-old enterprise that ranked as one of the country's biggest taxpayers and employers. Approximately 900 Stoli employees were in Latvia and 600 in Russia.

Many employees working in Stoli's Riga production facility, along with members of the small LGBT community in Latvia, expressed their deep concern over the boycott. They feared that gays might face the anger of their neighbors: "If the boycott works, Latvians will lose their jobs, who are they going to blame? Putin? No, they are going to blame gays."<sup>34</sup> While discrimination against gays was banned in Latvia (since it was a member of the European Union), *de facto* discrimination was rampant and the community often faced verbal and physical abuse. Mr. Zalitis, a leader for gay rights in Latvia, wrote an open letter requesting Americans behind the vodka boycott to reconsider, but his requests were met with an acerbic response concluding that the boycott would continue.<sup>35</sup>

ACT UP, an HIV awareness and activist group, took an adversarial stance. It sent protestors to disrupt Stoli Vodka's "Most Original Stoli Guy" event at Splash Bar in the Chelsea section of New York City. The event involved a competition between thirteen contestants from around the country who were vying to become Stoli's national LGBT ambassador. The activists entered the bar and positioned themselves in front of an audience of 150 participants (which included Stoli executives), shouting and holding signs that read, "Russia Kills Gays," "Boycott Russia," and "Dump Stoli." They were removed from the club. Activists from ACT UP and Queer Nation also disrupted the competition's finale held at the Marquee NY on September 19. Stoli Group USA was not deterred. It stayed the course and continued its marketing campaign and other scheduled events; executives were resolved to address their critics directly instead of playing it safe and hiding in the office.

## THE SPI GROUP JUMPED INTO ACTION

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In the middle of June, executives at Stoli Group USA received forewarning that a threat to its brand might be brewing. They had not yet become the official importer of Stolichnaya Vodka, since William Grant & Sons was still finishing up its last year. Stoli's public relations firm, the Magrino Agency, detected a meme that went out on Facebook asking people to boycott Stolichnaya, especially in gay bars. A few days later, the firms' LGBT media partner, Gay Cities, began to see negative comments about the "Stoli Guy" on Twitter. The owner of a Seattle bar sent an email to Stoli salespeople asking them why they were promoting the brand when Russia had just "outlawed homosexuality."<sup>36</sup> Stoli took a "wait and see" approach and vowed to take quick action should the situation escalate. Executives began to work on a statement, which would be released if they got a call from a mainstream media outlet or a well-respected LGBT site.

The catalyst for action was Dan Savage's blog and hashtag. Val Mendeleev, CEO of the SPI Group, published an open letter to the LGBT community on July 25, 2013 (see **Exhibit 6**). In it, he reaffirmed that Stoli Vodka was made from Russian ingredients (wheat, rye, and raw alcohol) and was blended with water at its historic distillery

and bottling facility in Riga, Latvia. Mendeleev also highlighted the strained relationships with the Putin government, “The Russian government has no ownership interest or control over the Stoli brand that is privately owned by SPI Group, headquartered in Luxembourg in the heart of Western Europe.”

#### **Exhibit 6: Val’s Mendeleev Open Letter to the LGBT Community**

Luxembourg, July 25, 2013

The recent dreadful actions taken by the Russian Government limiting the rights of the LGBT community and the passionate reaction of the community have prompted me to write this letter to you.

I want to stress that Stoli firmly opposes such attitude and actions. Indeed, as a company that encourages transparency and fairness, we are upset and angry. Stolichnaya Vodka has always been, and continues to be a fervent supporter and friend to the LGBT community. We also thank the community for having adopted Stoli as their vodka of preference.

In the US, the brand’s commitment to the LGBT community has been ongoing for years. Among the best examples, I can cite the series produced by Stoli in 2006 called “Be Real: Stories from Queer America” which featured short documentaries on real life stories depicting the challenges and accomplishments of the LGBT community in the United States ([http://www.logotv.com/shows/dyn/be\\_real\\_series/series.jhtml](http://www.logotv.com/shows/dyn/be_real_series/series.jhtml)).

Stoli is very proud of its current exclusive national partnership with Gaycities.com and Queerty.com in search of the Most Original Stoli Guy. This is a fantastic program that started as a local initiative in Colorado and became a national platform. Previous national initiatives included serving as the official vodka of the Miami Gay Pride Week as well as ongoing events with focus on Pride month.

Some great examples from other parts of the world are the support to the Durban Gay Pride, in South Africa (<http://www.durbanpride.org>), the Pride Parade in Vienna, in cooperation with HOSI and CT, the largest LGBT communities in Austria and the Tel Aviv Pride Parade, taking place this weekend.

This letter also gives me the opportunity to clear some of the confusion surrounding the Stolichnaya brand, based on facts found online that often inaccurately link our company to the Russian Government. The Russian government has no ownership interest or control over the Stoli brand that is privately owned by SPI Group, headquartered in Luxembourg in the heart of Western Europe.

Stoli’s production process involves both Russia and Latvia. Stoli is made from Russian ingredients (wheat, rye and raw alcohol) blended with pure artesian well water at our historic distillery and bottling facility Latvijas Balzams ([www.lb.lv](http://www.lb.lv)) in Riga, Latvia (formerly part of the Russian Empire and then of the Soviet Union). Latvijas Balzams did not recently become part of the Stoli heritage, but has been one of its main production and bottling facilities since 1948. This has allowed the brand to deliver the outstanding quality it is recognized for consistently across the years. What changed in the last years is politics, with Latvia becoming an independent state part of the EU.

We fully support and endorse your objectives to fight against prejudice in Russia. In the past decade, SPI has been actively advocating in favor of freedom, tolerance and openness in society, standing very passionately on the side of the LGBT community and will continue to support any effective initiative in that direction.

Moreover, Stoli had been a long time supporter of the LGBT community. As Mendeleev was quick to point out in his letter, “In the US, the brand’s commitment to the LGBT community has been ongoing for years. Among the best examples, I can cite the series produced by Stoli in 2006 called *Be Real: Stories from Queer America*, which featured short documentaries on real life stories depicting the challenges and

accomplishments of the LGBT community in the United States.” Executives now realized that Stoli had never really broadcasted its passionate commitment and support for gay rights. It had always sponsored gay parades and donated funds to gay causes in response to requests. But, these efforts were viewed as superficial and self-serving. There was a need to be a lot more proactive.

Mendelevy travelled to the U.S., appeared on radio shows, and granted interviews to the press. He described himself as an “ex-Russian,” having left the country twenty years ago. He reiterated that SPI Group was not allowed to sell its brand inside of Russia and that it had been reducing its workforce and operations in that country.<sup>37</sup> In a *New York Times* article, he stated, “Stolichnaya . . . is no more a proxy for the Russian state than Google, whose co-founder Sergey Brin was born in Moscow.”<sup>38</sup> Stoli Group USA president John Esposito said, “Hurting Stoli in the U.S. is actually probably going to make the Russian government happy, given that they’ve been fighting us for the last thirteen years. They’re probably going to be sitting there chuckling.”

Back at Stoli Group USA, Esposito reached out to the firm’s business partners (distributors, bartenders, and retailers) by widely circulating an e-mail. In it, he wrote:

As you are probably aware the attitudes and actions of the Russian Government against the LGBT had understandably ignited a passionate response from all of us who believe in human rights for all . . . In an attempt to call attention to the situation in Russia, which we fully agree is outrageous, boycotting Stoli, is being singled out as a way to express outrage. While I understand this reaction, I want to set the record straight and ask that each of you share with your organizations Stoli’s position and reinforce our long standing support of the LGBT community.

## WHAT WAS NEXT FOR STOLI?

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Despite Stoli’s early efforts to appease its critics, Savage and others in the LGBT community continued to push the boycott in the United States. The hashtag gained followers. On their end, Stoli’s marketing and public relations employees, led by Tieszen, were busy monitoring all news media channels. They received and evaluated analytics on a daily basis to shed light on both the level of activity and the sentiment of the reporters who were reflecting and commenting on the Dump Stoli message (see **Exhibit 7**). One of the marketing department’s conclusions was that activity on Twitter was more intense than on Facebook. A tracking of the daily tweets across time showed that social media activity was most intense during the first fifteen days of the crisis (see **Exhibit 8**). A word cloud for the fourth week in July showed the frequency of the three-word phrases tweeted while a word cloud for the fourth week in July showed the screen names of the active tweeters (see **Exhibits 9 and 10**).


John Esposito lent his strong support and joined Tieszen in community outreach activities. As Tieszen recalled:

He did not want to just send out press releases . . . John personally talked to key accounts. He actually tried to get Dan Savage on the phone (who would not talk to him). We attended meetings and we attended some town hall meetings . . . we got to the open forum and we got to the check-in and they knew who we were. It was like we were on a most-wanted list. And they said, “Well, you can attend but you can’t speak.” We attended, we listened.

Esposito and Tieszen had to rally quickly. Their company was hurting because “brands become your children.” As Esposito added:

Our initial reaction was to come to the defense of our brand. People were attacking our brand, hurting our family. The team in our Global home office was focused on the WORDS. Our initial response was to get the facts straight . . . but in the end this was the wrong response.

In some countries, where businesses have more influence on the media, this approach might have worked. In the U.S., where freedom of speech and freedom of the press were valued, a strong rebuttal and defensive stance would not work. It was time for Esposito and Tieszen to intensify their activities. They were faced with the difficult task of challenging what they believed was an unwarranted boycott in the age of social media. What should they do?

<b>Exhibit 7: SPI Group Media Monitoring Report</b>

<b>Executive Summary</b>
Following LGBT advocate Dan Savage’s call for a boycott of Stolichnaya (Stoli), coverage volume regarding the brand and SPI Group has escalated. Top-tier media outlets, including <i>The New York Times</i> , the <i>Los Angeles Times</i> , <i>The Washington Post</i> , <i>Bloomberg Businessweek</i> , <i>Forbes</i> , <i>USA Today</i> , and <i>Huffington Post</i> , provided reports on the Stoli boycott during the initial media coverage wave (July 24–July 31).
<b>Relevant Stories</b>
<b>July 31, 2013</b>
<i>Advocate</i> “ACT UP Crashes Stoli Event”
<i>Bloomberg Businessweek</i> “The Gay Boycott Against Russian Vodka: Stoli’s CEO Speaks Out”
<i>Boston Magazine</i> “Boston Gay Bars Debate Boycotting Russian Vodka”
dallasvoice.com “Gay bars in Dallas, Fort Worth announce they’re dumping Stoli vodka”
Edge Boston “ACT UP Disrupts Stoli Vodka Event at NYC Gay Club”
<i>GlobalPost</i> “US gays pour out anger, vodka over Russia laws”
<i>Huffington Post</i> “Val Mendeleev, Stoli CEO, Speaks Out On Gay Community’s Vodka Boycott”
<i>International Business Times</i> “Global Gay Bars Unite, Ban Russian-Made Vodkas From List of Alcoholic Drinks Served, Australia Joins In, Industry at Risk (PHOTOS)”
<i>Los Angeles Times</i> “Would a chaser for the Russian vodka boycott improve gay rights?”
<i>MetroNews Canada</i> “Vancouver’s Kinky Pride Party to serve Russian vodka despite boycott calls”
Reuters “Vodka boycott in U.S. spreads on concerns over gay rights in Russia”
Towleroad.com “UPDATED: ACT UP Disrupts Stoli Event At Splash In New York”—VIDEO

Towleroad.com

"LISTEN: Stoli CEO Discusses Vodka Boycott In New Interview"

Yahoo! News (UK and Ireland)

"Russian Vodka Boycott: Gay Clubs Join Protest"

**July 30, 2013**

BBC News

"London gay community joins boycott of Russian vodka"

*The Daily Beast*

"Russian Vodka Boycott Spreads Over Kremlin's New Anti-Gay Laws"

*Examiner*

"London's biggest gay clubs join in on boycott of Russian vodka"

FOX News

"British gay clubs boycott Russian vodka"

Gay City News

"ACT UP Disrupts Stoli Splash Bash; July 31 Demo Planned at Russian Consulate"

*GlobalPost*

"There's a better way to stand up for gay rights in Russia than boycotting vodka"

*Inc.*

"The Latest Twist in the Long, Sordid Tale of Stolichnaya Vodka"

Mediaite.com

"#DumpStoli: Iconic Brand Scrambles As Gay Bars Boycott Russian Vodka Over Anti-LGBT Laws"

*San Francisco Chronicle*

"There's A Better Way To Stand Up For Gay Rights In Russia Than Boycotting Vodka"

*The Desert Sun*

"Stoli vodka caught in anti-Russian boycott in Palm Springs"

*The Washington Post*

"The real reason boycotting Russian vodka is unlikely to improve gay rights"

Towleroad.com

"Russian Hate, An American Boycott, And The Sochi Olympic Games"

**July 29, 2013**

*Advertising Age*

"Russia's Anti-Gay Laws Put Pressure on Stoli, NBC"

Huffington Post

"Boycott The Olympics? Russian Vodka? Maybe—Here are 5 Other Ripe Targets"

Huffington Post—Los Angeles

"West Hollywood Gay Bars to Pour Stoli in Gutters in Protest of Russian Oppression of Gays"

*The Moscow Times*

"Vodka Brand Stands with Lesbians and Gays Against the Government"

Towleroad.com

"Russian LGBT Activists: Boycott of All Things Russian, Olympics"

*New York Times*—Opinion Pages

"An Olympic Legend on Boycotts and Bigotry"

San Francisco Gate

"Russian anti-gay laws impact Olympics, vodka sales"

**July 28, 2013**

Digital Journal

“US gay bars boycott Russian vodka to protest anti-gay laws”

*Forbes*

“Protest Shots: Gay bars boycott Stolichnaya over Russian anti-LGBT policies”

*USA Today*

“Gay activist group supports boycott of Russian vodka”

**July 27, 2013**

CBS News York/AP

“Some NYC LGBT Bars Boycott Vodka Brands Over Russian Anti-Gay Laws”

*The Journalist*

“Alekseev: U.S. Boycott of Russian vodka makes no sense”

TowlerRoad.Com

“Gay Bars Across Globe Dump Russian Vodka”

West Hollywood Patch

“West Hollywood Bars Boycott Stoli Vodka Over Russia’s Anti-Gay Laws”

**July 26, 2013**

Advocate.com

“Don’t Bother Boycotting Vodka, Says Russian LGBT Activist”

Chicago.Eater.com

“Take a Cruise with Tony Hu; More Bars Ban Stoli”

ChicagoPride.com

“Stoli CEO issues open letter to LGBT community”

GPhilly (LGBT Guide of *Philadelphia Magazine*)

“Some Philly Bars Join the Boycott of Russian Liquors”

Huffington Post–Queer Voices

“Stoli Vodka Boycotted by Gay Bars, CEO Publishes Open Letter and Queer Nation Responds”

Huffington Post–The Blog

Of Savage and Stoli: Should We Boycott?

JustDrinks.com

“Can SPI Group Unhook Stolichnaya from Gay Boycott Threat?”

*The Philly Post*

“Russian Vodka Gay Rights Boycott Hits Philadelphia”

TowlerRoad.com

“Queer Nation Responds to Stoli Over Russian Vodka Boycott”

*The Moscow Times*

“LGBT Organization Calls for Boycott of Russian Vodka”

TowlerRoad.com

“Libertarian Magazine Calls Boycott of Stoli Vodka Over Russia’s Anti-Gay Regime a Very Bad Idea”

NBC Chicago

“Chicago Gay Bars Boycott Russian Vodka”

*Vital Voice*

“‘Dump Stoli’ Gains Traction”

South Florida Gay News

“Report: Russian Neo Nazis Allegedly Lure, Torture LGBT Teens”

UPI.com

"LA, Chicago bars join Russian vodka ban to protest anti-gay law"

*On Top Magazine*

"Russian Anti-Gay Laws Prompt Calls for Boycotts"

Lez Get Real

"Boycott of Russian Vodka Targets LGBT-Friendly Non-Russian Vodkas"

JustDrinks.com

"Global: SPI Group head attacks Russia's 'anti-gay' laws"

Salon

"Stoli responds to Dan Savage's boycott of Russian vodka"

TowlerRoad.com

"Stoli Responds to Boycott, Dan Savage Responds to Stoli"

*Miami Herald*–GSLFA

"LGBT activists call for Olympics, Stoli boycotts after Putin-approved anti-gay crackdown in Russia"

WEHO News

"WeHo to Putin: We're Boycotting Stolichnaya"

America Blog

"Stoli Gay Boycott Explodes"

Gay Star News

"Russian gay activists: There is 'no point' boycotting vodka"

**July 25, 2013**

The Backlot

"Briefs: James McAvoy is Dr. Frankenstein, Stoli Responds to the Boycott, and Rodney is Your Man for All Seasons"

Salon

"Dan Savage: Fight homophobia in Russia by dumping Russian Vodka"

Edge Boston

"Report: Russian Neo Nazis Allegedly Lure, Torture LBGT Teens"

Advocate.com

"Stoli Responds to LGBT Boycott of Russian Products"

Huffington Post–Chicago

"Sidetrack, More Chicago Gay Bars Boycott Stoli Vodka Over Russia's Anti-Gay Law"

San Francisco Gate Blog

"Stoli Boycott protests Russian anti-gay laws"

TowlerRoad.com

"Dan Savage: Why I'm Boycotting Russian Vodka"

Politix.com

"LGBT Community Urges Gay Bars to Boycott Russian Vodka"

*The Baltimore Sun*–Gay Matters

"Looking Out: Pa. County defies state's same sex marriage ban"

**July 24, 2013**

*Windy City Times*

"Sidetrack Stops Serving Stoli, Other Russian Products"

*Source:* Company Document (revised)



Exhibit 8: Snapshot of Daily Tweets Across Time (July 24–September 1)

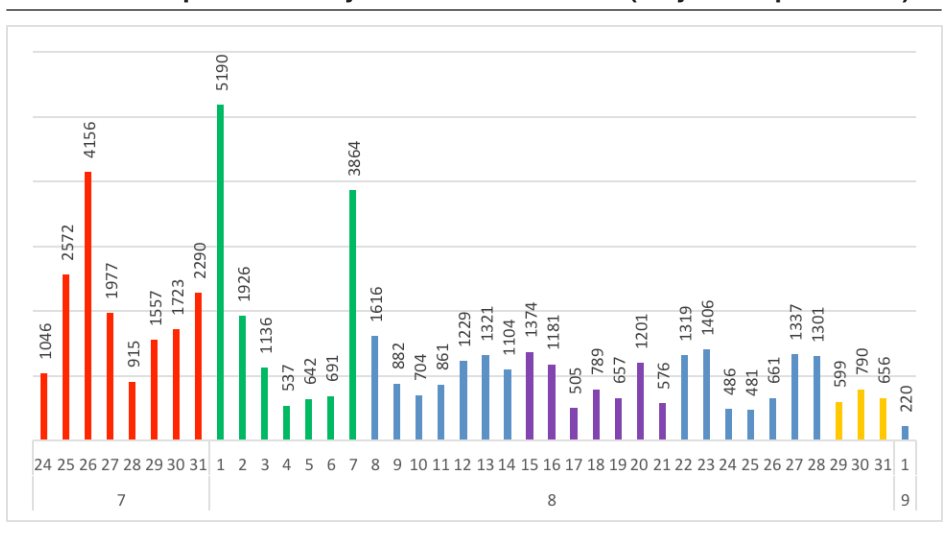
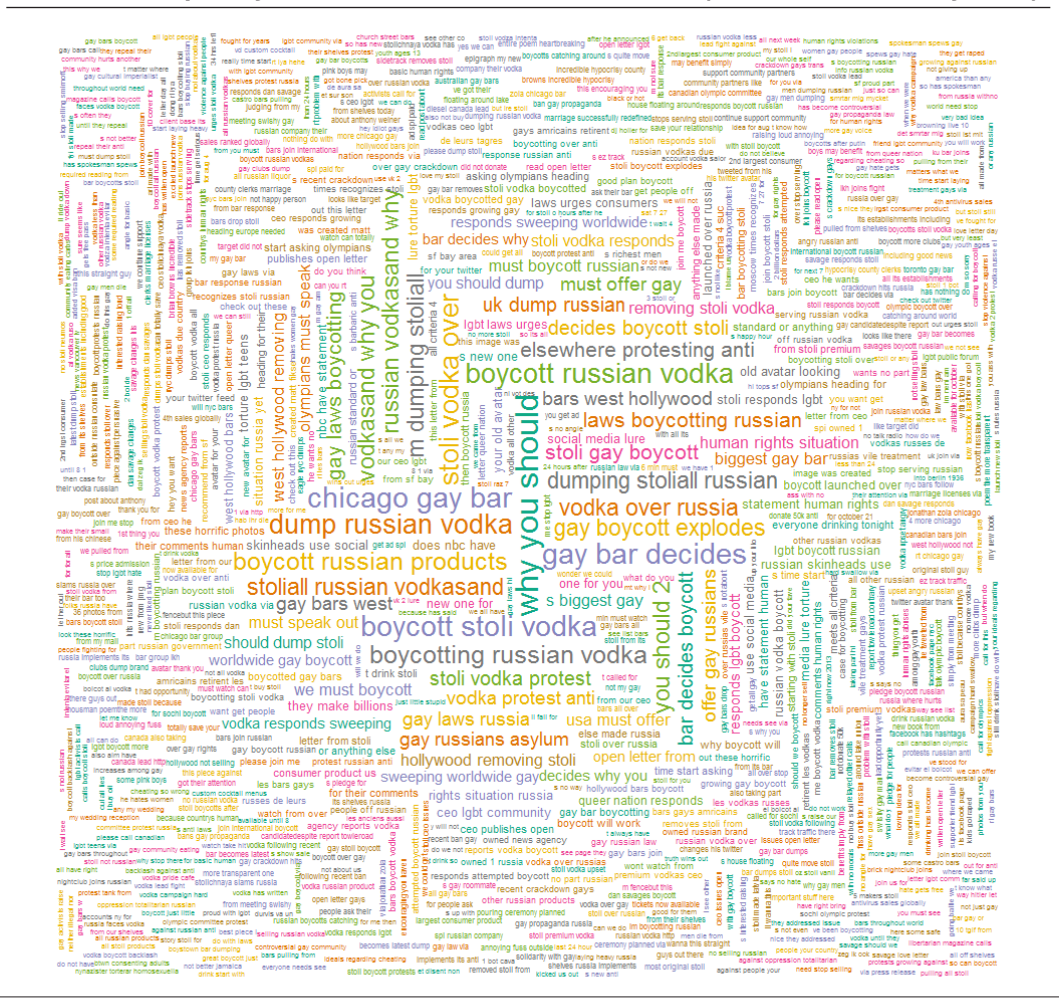
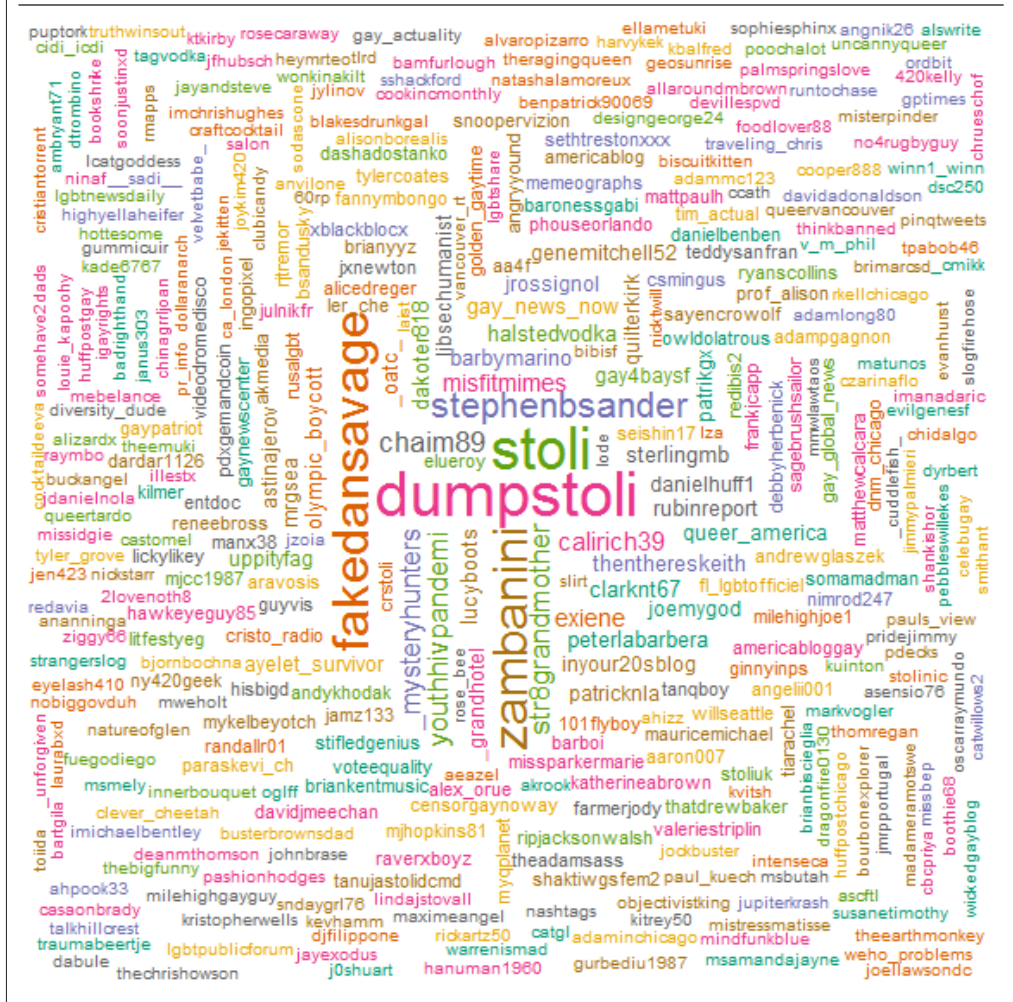


Exhibit 9: Frequency of Three Word Phrases in Tweets (Fourth Week of July 2013)



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**Exhibit 10: Screen Names of Active Tweeters (Fourth Week of July 2013)**



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