

Analysis: What d

By KRISTIANE SHERRY | Wednesday 17 May 2023 0:41

Analysis: What does Pernod Ricard's Russia U-turn mean for brands?

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Drinks giant Pernod Ricard recently announced it would resume operations in Russia – only to U-turn following protests and boycotts. Where does this leave the business now, and what can other brands learn from the situation?

It's been 446 days since Russia invaded Ukraine. The effects of the devastating war that followed have been far-reaching. From the humanitarian crisis to the economic fallout, the shockwaves have been profound.

Travel retail, and many brands in it, have **spoken out** in solidarity with Ukraine. In the immediate aftermath, most pulled out of Russia.

In March 2023, Pernod Ricard quietly resumed some shipments to the country. When news broke that the Jameson, Absolut and Beefeater owner was active in the country once more, there were protests and calls for boycotts. Absolut was the first brand to walk back the activity, following a strong consumer backlash in its native Sweden.



Absolut Vodka was the first Pernod Ricard brand to walk back its presence in Russia.

Consumer and political pressure

On 27 April, Pernod Ricard released a statement. While it had always “utterly condemned” the invasion and had “significantly reduced” imports, its activity in Russia was to “protect” local teams, their livelihoods and welfare.

The resumption of trade also meant avoiding “intentional bankruptcy”, a criminal offence in Russia, which carries with it a “significant risk” for employees.



Beefeater is another Pernod Ricard brand in the spotlight in recent weeks.

"In doing everything we can to manage the situation, the reality of exiting Russia is both complex and extremely challenging," the statement continued.

On 12 May, 15 days later, the business released another statement. It confirmed it had halted all imports to Russia at the end of April, and will cease distribution in "some months."

What changed between then and now? It's worth noting that Pernod's share price has remained relatively stable throughout the whole affair. Depending on personal perspectives, that's either reassuring or deeply disappointing.

It is tempting to cite consumer pressure. And indeed, the outcry was ferocious. #BoycottJameson was trending on social media, and politicians in Finland, Sweden, the UK and Ireland spoke out against the company.

There was also confusion. If a retailer had delisted Russian brands, should it now do the same with Pernod Ricard? Yes, sanctions play a role. But the moral implications are powerful, too.

And then there's the small matter that, while Pernod Ricard has hit the headlines, it's far from the only drinks company operating in Russia.



Consider the grey market. It's been widely reported that brands, especially the higher-end ones, can still be found in Russia, entering via countries including India and Moldova.

Additionally there's a loophole – for the most part, spirits imports into Russia from the UK and EU were never actually banned entirely. With the super-rich the target, it was only bottles priced over around €90 per 75cl bottle that were prohibited* as part of the wider luxury goods sanctions. Of course, brands can simply choose to not export to Russia.

Brand accountability

In the age of social media, companies will be held accountable. Brand reputation takes years to build and moments to crumble. But consumers can also be fickle. Nike, Nestlé, Coca Cola and McDonald's have all faced various levels of boycott over the years. They're all faring well now.

One of the main tenets of brand strategy is that consistency is key. Consistency builds trust, which makes a brand more persuasive. Once you can persuade your customers that your brand is right for them, they'll buy. Inconsistencies – especially on major emotive issues – erode that trust. And it's an uphill battle to win that back.



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The Moral Rating Agency, set up by BreakingViews founder Mark Dixon, tracks businesses operating in Russia post-Ukraine invasion. It described Pernod Ricard's move back into Russia as 'swimming against the moral tide'. Following the U-turn, it released a follow-up statement. "It was an outrageous idea to, due to content concerns to Russia," said Dixon.

And quote eBay director, Scott Cook: "A brand is no longer what we tell the consumer it is – it is what consumers tell each other it is." And drinks

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