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***Understanding the role of the Scotch whisky
distillery and brand owner in the brand distribution***

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1 Introduction

The brand distribution of Scotch whisky might take place in various ways that might involve events as well. For instance, The Spirit Whisky Events ("The Spirit"), a small medium enterprise with less than ten employees, is a whisky event organiser located in Amsterdam who organise several annual whisky festivals, such as The Spirit of Amsterdam and The Spirit of Maastricht. The first festival was organised in 2013 in Amsterdam. On these events brand ambassadors and distilleries present their spirits and whiskies to the visitors. The company's main task in these events is to bring whisky customers and suppliers together so that the visitors can taste the whiskies and get to know the people behind the brand. This is due to the fact that all Scotch malt whiskies are imported by different distributors. As an event organiser, maintaining such relationships with the distributors, parent companies and distilleries is an intensive but crucial process.

In order to stay relevant as a whisky festival, it is important to have many interesting brands and distilleries represented at the festival. The current Scotch whisky industry counts 108 active malt distilleries. All of these distilleries are owned by 17 different parent companies that own two or more distilleries each. 16 malt distilleries are single and independently owned (Ronde, 2015). Every parent company features even more whisky brands than their number of distilleries that they own. This is due to the fact that they use the whisky from several distilleries to produce a blended whisky. Diageo is such parent company that owns 28 Scottish distilleries. With all these resources at their disposal they produce the blended Johnnie Walker Red Label whisky, which is made from 30 different single malt and grain whiskies.

Over the years, the whisky industry has gotten more complicated due to a separation of ownership and management at the whisky distilleries (McKendrick and Hannan, 2010). Within the primary activity 'Marketing & Sales' of Porter's value chain as depicted in Figure 1, it has gotten hard to understand where the decision is made concerning the marketing strategy and their presence at whisky events (Porter, 1985). Companies like The Spirit do not have a proper understanding of the value chain in the current whisky industry and the relevant decision making units (DMU) in the marketing departments of the brand owners and distilleries. They possess good relations with the importers of the whisky brands in foreign countries, with the major retail organisations and with the liquor stores. However, in order to stay relevant as a whisky event organiser in the event industry, event organisers like The Spirit need to establish such relations with the international owners of the whisky brands, the international headquarters and the distilleries worldwide. If they fail to keep up with the changes and is not able to attract the relevant brands and distilleries, the quality of their events will decrease as will their amount of visitors. Eventually, they may not be able to organise such events anymore. Research will help to solve this problem, as it will not only identify the role of the distillery and parent company, but also point out the DMU's at the whisky brands and distilleries.



Figure 1. Porter's Value Chain

However, research on whisky marketing has not been conducted on a large scale. As perhaps the only scientific book on Scotch whisky, Russell et al. (2003) target the serious scientific student seeking to extend or update their knowledge across the subject of Scotch whisky. For this specific research, only chapter 10 of the book is relevant where the marketing of whisky is discussed. Grant E. Gordon, author of the chapter, owns an MBA title and has over 20 years of marketing experience at Williams Grant & Sons whisky brand. He describes the distribution of Scotch whisky to be essential in its success, because when managed properly it helps implement and support the brand's positioning strategy in a consistent and right manner to the point of consumption. Whisky event organisers such as The Spirit are part of this distribution chain and the final step in bringing the product to the visitor of the event who consumes the whisky. Gordon states clearly multiple times that the whisky industry should keep their eyes firmly upon the consumer during all stages of the marketing process. Public relations and event marketing are very effective ways of getting the message through to the intended audience.

Whereas Russell et al. (2003) mainly describe the marketing approach of Scotch whisky, Sturgeon (2013) takes a wider approach by analysing the current structure and origin with regards to global value chains. It describes the consequences of the increasing interdependence in the world economy among multiple dimensions. Many advantages in IT, schemes, transport and logistics increase the potential of economic globalisation. It becomes more likely that value chains in large, economically important enterprises and industries will be spread across multiple countries. Because some of the Scotch whisky distilleries are owned by multinational enterprises (MNE), it is interesting to find out to what extent activities are concentrated around the owning company, thus, taking away activities being performed by the distillery itself.



Additionally, Leonidou et al. (2002) examine the impact of uncertainty, distance and conflict on key elements compromising the quality of the relationship between US industrial exporters and their overseas customer. The meta-analysis performed by Leonidou et al. (2002) reveals that the implementation of a well-designed export marketing strategy can indeed determine the export success. In particular, variables incurring high costs for the exporting organisation, such as personal visits, advertising and sales promotion exhibit stronger positive relationships with sales-focused measures of export performance as opposed to profit-oriented ones. So, in order to achieve export success for the Scotch whisky firms, it would pay off to undertake high costs exporting activities such as personal visits and sales promotion. According to Leonidou et al. (2002) the high-cost presence at festivals strongly determines the export success of the particular export product.

In addition to the relationship between exporter and importer, Sheth and Parvatiyar (1995) examine relationship marketing as a new phenomenon. During the industrial era and rise of mass production, the primary focus of marketing was on transactions and exchanges. However, through the development of marketing as a field of study, the orientation shifts from transactions to relationship marketing. This shift in the current post-industrial era is caused by the rebirth of direct marketing between producer and consumers and several macro-economic factors. These forces include rapid technological advancements, the adoption of total quality management, the growth of the service company, organisational developments leading to empowerment of individuals and teams, and an increase in competitive intensity leading to concern for customer retention. When producers and customers directly deal with each other, there is greater potential for emotional bonding that transcends economic exchange. Both can understand and appreciate each other's needs and constraints better, are more inclined to cooperate with one another, and thus, become more relationship oriented.

Despite a number of literature on the marketing approach in the whisky industry, it is still unclear to what extent the involvement of the Scotch whisky distilleries and brand owners influence the marketing strategy of the distributors. Therefore, the ultimate goal of this research is to understand the role of the Scotch whisky distilleries and brand owners in the local marketing strategy. In order to achieve this ultimate goal, it is necessary to understand the current ownership structure in the whisky industry and its impact in decision makings for the marketing strategy. This structure will clarify which whisky distilleries belong to the larger brand owners and which distributors are responsible for importing certain brands. By this understanding, it would be possible to determine the correct DMU within the value chain of the whisky brand and distillery. Additionally, the extent to which every DMU has an influence on the local marketing strategy will be determined.

2 Methodology

This research investigates the role of the Scotch whisky distillery and parent company on decision making for the brand distribution of their whisky brand in order to understand of the current industry dynamics. Qualitative research is selected to investigate the topic, as it is the goal to gain more insight in the role of the parent company and distillery on the marketing strategy of their product (Sekaran, 2003). Due to the lack of available knowledge and existing research on this topic, primary qualitative research seems the best approach to analyse strategy and policies of the population. This type of research gives the opportunity to categorise the data by words, rather than numerical with quantitative data (Saunders et al., 2012).

Primary data is collected through semi-structured interviews. The period of the interviews is June 2016 and April 2017, which is sufficient to cover fifty percent of the total active distilleries. Initial contact was made with every company in order to get in contact with the brand or marketing manager who is responsible for all marketing related activities. A list of themes and open-ended questions is prepared that need to be covered, although these may vary from interview to interview. During the interview notes are taken with regards to the collected data. According to Ronde (2015) there exist about 108 active Scotch malt whisky distilleries and 39 parent companies. These 39 companies consist of a wide variety of companies, such as MNE's, medium sized UK-based firms and small independent distilleries. Table 1 depicts the overview of these companies, from which the interviewees are selected. The interviews were conducted mainly by telephone with 15 interviewees, who were the brand owners that were responsible for the decision making in their marketing strategy. These interviews from 15 different companies represent the results of 50% of all active distilleries. The lack of standardisation with semi-structured interviews may lead to concern about reliability, which is the issue whether alternative researchers would reveal similar information. However, findings derived from non-standardised research methods are not necessarily intended to be repeatable since they only reflect reality at the time and moment they were collected, in a situation that may be subject to change. Another limitation is the interviewer's bias, which can be in the comments, tone or non-verbal behaviour of the interviewer that influence the way the interviewee responds to the questions asked. To deal with this limitation, well preparation on the topic to be discussed has been made clear by proper introduction on the topic, so that the interviewee would notice the researcher is well prepared and knowledgeable about the topic, inviting him to share even more information. It also allows asking in-questions when necessary to gain more in-depth information (Saunders, Lewis and Thornhill, 2012).



Conglomerate / MNE Multinationals with their own importer	UK Based firm	Distillery
<i>Diageo</i>	<i>Diageo UK</i>	
Auchroisk	Glendullan	Mannochmore
Benrinnes	Glen Elgin	Mortlach
Blair Athol	Glen Ord	Oban
Caol Ila	Glen Spey	Roseisle
Cardhu	Glenkinchie	Rosebank
Clynelish	Glenlossie	Royal Lochnagar
Cragganmore	Inchgower	Strathmill
Dailuaine	Knockando	Talisker
Dalwhinnie	Lagavulin	Teaninich
Dufftown	Linkwood	
<i>Pernod Ricard</i>	<i>Chivas Brothers</i>	
Aberlour	Glenburgie	Miltoduff
Allt-a-Bhainne	Glen Keith	Scapa
Braeval	Glenlivet	Strathisla
Dalmunach	Glentauchers	Tormore
Glenallachie	Longmorn	
<i>Bacardi</i>	<i>John Dewar & Sons</i>	
Aberfeldy	Craigellachie	Royal Brackla
Aultmore	Macduff	
<i>Louis Vuitton Moet Hennesy</i>	<i>Glenmorangie Co.</i>	
Arbeg	Glenmorangie	
Conglomerates	UK-based firm and their distilleries	
<i>International Beverage Group</i>	<i>Inverhouse Distillers</i>	
Balblair	Knockdhu	Speyburn
Balmenach	Old Pulteney	
<i>Emperador</i>	<i>Whyte & Mackay</i>	
Dalmore	Jura	
Fettercairn	Tamnavulin	
<i>Beam Suntory</i>	<i>Morrison Bowmore & Beam Suntory & D. Johnston Company</i>	
Auchentoshan	Glen Garioch	Laphroaig
Bowmore	Ardmore	
<i>Distell Group</i>	<i>Burn Stewart Distillers Ltd.</i>	
Bunnahabhain	Deanston	Tobermory
<i>Brown-Forman</i>	<i>BenRiach Distillery Co Ltd.</i>	
Benriach	Glendronach	Glenglassaugh
Gruppo Campari	Glen Grant Distillery Ltd	Glen Grant
The Marubeni Corporation	Tomatin Distillery Co Ltd.	Tomatin
Remy Cointreau	Bruichladdich Distillery Ltd.	Bruichladdich
La Martiniquaise	Glen Turner Company	Glen Moray
Asahi Group Holdings Ltd.	Ben Nevis Distillery Ltd	Ben Nevis
Picard Vins & Spiriteux	Terroirs Distillers	Tullibardine



UK-based firm with multiple distilleries

<i>The Edrington Group</i>	Glenrothes Glenturret	Highland Park Macallan
<i>William Grant & Sons</i>	Ailsa Bay Balvenie	Glenfiddich Kininvie
<i>Loch Lomond Group</i>	Loch Lomond	Glen Scotia
<i>J&A Mitchell & Co Ltd.</i>	Springbank	Glengyle
<i>Angus Dundee Distillers</i>	Tomintoul	Glencadam
<i>Ian Macleod Distillers Ltd.</i>	Glengoyne	Tamdhu

Owning company	Distillery name
Single-owned independent distilleries	
Isle of Arran Distillers	Arran
Signatory Vintage Whisky	Edradour
J&G Grant	Glenfarclas
Gordon & MacPhail	Benromach
Harvey's of Edinburgh	Speyside Distillery (Spey)
Kilchoman Distillery Co	Kilchoman
Cuthbert Family	Daftmill
Mark Tayburn	Abhainn Dearg
Aurora Brewing Limited	Wolfburn
Strathearn Distillery Ltd	Strathearn
Annandale Distillery Company	Annandale
Adelphi Distillery	Ardnamurchan
Wemyss Malts	Kingsbarn Distillery
Ballindalloch Estate Distillery	Ballindalloch
Isle of Harris Distillers Ltd	Harris
Glasgow Distillery Company	Glasgow

Table 1 List of distilleries and their parent companies

Prior to the collection for primary data, secondary data is used to create an overview of the current ownership structure in the malt whisky industry. This data is collected through existing literature, books, distillery websites and the 'whiskypedia' on Scotchwhisky.com.

3 The world of Scotch whisky

This research is limited to solely Scotch malt whisky (figure 2), which is defined by the Scotch Whisky Association (2009) as a Scotch whisky made from exclusively malted barley, must be distilled using pot stills at a single distillery and must be aged for at least three years in oak casks of a capacity not exceeding 700 litres. The amount of new malt whisky spirit produced at Scottish distilleries increased from 99,5 million Litres Pure Alcohol (LPA) in 1984, to 277,7 million LPA in 2015.



Figure 2 Categories of Scotch whisky

Porter's Value Chain (figure 1) disaggregates a firm into its strategically relevant activities in order to understand the behaviour of costs and the existing and potential sources of differentiation. A firm gains a competitive advantage by performing these strategically important activities more cheaply or better than its competitors. Primary activities are those activities that are involved in the physical creation of the product and its sale and transfer to the buyer as well as after-sale assistance. When looking at the primary activities in Porter's value chain, it can be concluded that this research is particularly focused on the marketing and sales activities of a product (Porter, 1985). The value chain describes the full range of activities required to bring a product or service from conception through the different phases of production, delivery to final consumers, and final disposal after use (Kaplinsky and Morris, 2001; Sturgeon, 2013).

Even though many whisky distilleries started as being family owned and -run, nowadays many distilleries are owned by larger parent companies. As an example, Dalmore distillery is owned by Whyte & Mackay, whereas Emperador Inc. has recently bought Whyte & Mackay for \$725 million. Additionally, Diageo PLC is one of the largest multinationals owning 28 malt distilleries and several other American and Canadian whiskies (Ronde, 2015). This division of ownership and operation has caused unclarity with regard to which firm is responsible for the performance of certain activities in the marketing & sales part of the value chain.

In order to understand which companies are involved in the whisky value chain, figure 3 depicts an example to the value chain of the whiskies of Pernod Ricard.



Figure 3 Whisky value chain

As seen in the above mentioned example, every stakeholder within the value chain influences the marketing strategy. This is in-line with Kotler (2002), who defines marketing strategy as a pattern of decisions and actions that create value for customers and build profitable customer relationships. It consists of specific strategies for target markets, positioning, the marketing mix and marketing expenditure levels (ibid.). With regard to the Scotch whisky context, it seems that the top-down approach has been a common practice. Firms usually have a global marketing strategy (GMS) in place to determine the marketing of their products (Kotler, Bowen and Makens, 2010).

Traditionally, managers divide the business processes in separate production terms, as can be seen in figure 4. The traditional steps include: create the product, make the product and sell the product. The more comprehensive marketing value delivery system covers more steps in the value creation process of a product. The strategic marketing part is important to explore with regards to this research topic, as that strongly influences the tactical marketing processes. This is also described by Russell et al. (2003) in naming the brand's positioning to be essential in the process of distribution. The final steps in communicating the value are where the actual presence at festival and events takes place. However, the process in the Scotch whisky industry is slightly more complex than this traditional business process due to the involvement of different types of stakeholders. These stakeholders contribute in different ways to the decision making process.

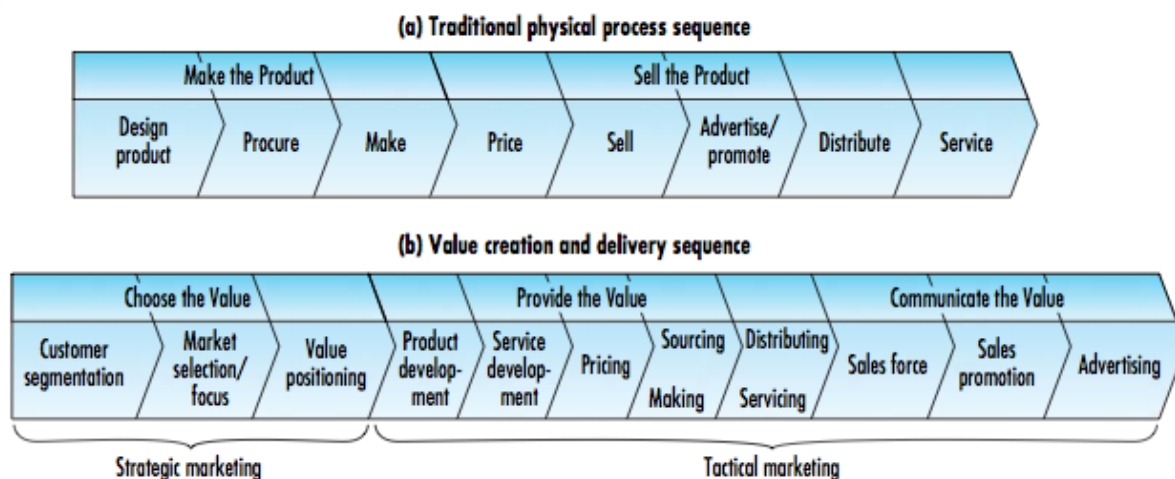


Figure 4 Value delivery system (Kotler, Bowen and Makens, 2010)

Based on the value chain, each unit of the chain might contribute to the decision making process. In decision making with regard to the marketing strategy, Kotler et al. (2014) define the decision-making unit (DMU) as all individuals and units that play a role in the business purchase decision-making process. For the Scotch whisky industry, this means the decision-making unit is the company or department that decides on the marketing strategy and presence at festivals.

To add to the complexity of the industry, these decision-making units might be part of a big conglomerate within the beverage industry, which can be defined as a business enterprise with different economic activities in several unrelated industries. Usually, these firms emerge through mergers and acquisitions or investments across a diverse range of industries. The reasons may vary from minimisation of risk to access to financial and management resources (Khemani and Shapiro, 1993). As depicted in table 1, despite the limited number of conglomerates identified to be active in the Scotch whisky industry, they possess a broad range of products in the market.

4 Discussion

Within the Scotch malt whisky industry, different types of ownership structure are identified from the active companies. Table 2 depicts the overview of the ownership structure. Each ownership structure is discussed further in the following parts, where the involvement of the distilleries in the distribution of their brands is explained.

Division of company types in Scotch whisky distillery ownership							
Multinational Enterprise	Independent importer / distributor	Beam Suntory	Brown Forman	La Martiniquaise	Asahi Group Holdings	Emperador Distillers	Distell Group
		Gruppo Campari	Remy Cointreau	Marubeni	Picard & Vins	Interbev Group	
Conglomerates	Own importer / Local office	Pernod Ricard	LVMH	Diageo	Bacardi		
UK-Based firm	Multiple spirits / distilleries	William Grant & Sons Ltd	Ian Macleod Distillers	J&A Mitchell & Co Ltd.	The Edrington group	Angus Dundee Distillers	Loch Lomond Group
Independent	Single firm	Adelphi	Wemyss Malts	Arran Distillery	Signatory Vintage	Aurora Brewing Limited	
		Harvey's of Edinburgh	Annandale Distillery	Gordon & Macphail	Kilchoman	Strathearn	
		J&G Grant	Mark Tayburn	Ballindalloch Estate	Isle of Harris	Cuthbert Family	

Table 2 Type of company overview

Multinationals with own distributor

A number of distilleries are owned by a multinational company, which is mostly a public listed company. Among others they are Pernod Ricard, Diageo, Moët Hennessy and Bacardi, that have their own local subsidiary as importer due to the advantages it brings with marketing their complete beverage portfolio. Pernod Ricard owns Chivas Brothers, which is a subsidiary and the operator of all 14 malt whisky distilleries. Diageo, headquartered in London, is the largest whisky company owning 29 malt distilleries. Moët Hennessy – the wine and spirits arm of French multinational luxury goods conglomerate Louis Vuitton Moët Hennessy (LVMH) – operates two distilleries (Glenmorangie and Ardbeg) through the Glenmorangie Company Ltd. Finally, Bacardi is the parent company of five distilleries (Aberfeldy, Aultmore, Craigellachie, Macduff and Royal Brackla) that are run through their subsidiary John Dewar & Sons.

Diageo is directly involved in the marketing of their brands due to their broad range of Scotch whisky offer in their portfolio. Distilleries that are owned by Diageo seem to have no influence over the marketing strategy of their whisky. All marketing and sales related activities are centralised in their London headquarter. The headquarter of Moët Hennessy, the international owner of two distilleries, regularly meets with representatives from their distilleries to discuss the Global Marketing Strategy (GMS) of the brands. This GMS is then communicated to the local subsidiary who is responsible for the implementation.



The distilleries that are owned by Diageo do not have any influence over the marketing behaviour of the local subsidiary of Diageo. Diageo regards their distilleries as solely a spirit producing company, rather than also taking care of marketing and sales. The Diageo headquarter in London decides on a general GMS for their brands. This strategy is then communicated to local subsidiaries that decide on how to put their brands on the market. The headquarter of Moët Hennessy communicates the GMS of the brands to their local importer. This local subsidiary of LVMH is then responsible for putting the country plan into place and for undertaking the marketing activities.

At Moët Hennessy, the local offices undertake all the marketing activities according to the GMS of the headquarter. The distilleries itself do not undertake the marketing activities, nor does the headquarter of LVMH. The distilleries of Diageo also do not undertake their own marketing activities. Diageo and the local subsidiary handle the marketing. However, Diageo does have distillery specific brand ambassadors who work for Diageo rather than the distillery.

Based on these examples, the distilleries owned by multinational company have no influence in marketing their brands, as it is determined by the parent company. The advantage of this situation is the fact that the parent companies are mostly companies who have expertise in branding with strong brand image attached to them. On the other hand, the distilleries are very much dependent on their parent company in the distribution of their brands. In other words, the multinational company plays a very important role in the value chain for their Scotch whisky brands.

Large conglomerates without own distributor

There are distilleries who belong to large multinational conglomerates and do not have their own local subsidiaries as importers. 26 malt distilleries of this type are owned by 11 different conglomerates, who are mostly public listed corporations. In contrary to the distilleries owned by multinational company, this type of distillery makes use of the external local importers. For instance, International Beverage Group (InterBev) is the parent company of five distilleries that are operated by daughter company Inver House Distillers. InterBev is the global drinks company behind the following five distilleries: Balblair, Balmenach, Knockdhu, Old Pulteney and Speyburn. Another example is Emperador, a subsidiary of conglomerate Alliance Global Group, who holds four distilleries (Dalmore, Fettercairn, Jura, Tamnavulin) that are run through Scottish distilling company Whyte & Mackay. Within this type of ownership structure there are nine more conglomerates that own malt whisky distilleries who are run through a UK-based subsidiary.

The Tomatin Distillery, a single distillery company owned by conglomerates The Marubeni Corporation and Takara Skuzo, focuses heavily on the communication of their brand message to meet the needs of the markets where the products are sold and to ensure proper implementation of their GMS. However, the interest of the parent company is not that high, because the distillery enjoys full responsibility and independence with regards to the operation.



InterBev has an influence over the marketing strategy through compiling the GMS and creating country specific activity calendars. As a global company, InterBev clearly states that their interest is to replicate their global marketing strategy (GMS) to all markets in order to maintain their brands' positioning. Due to the fact that they do not have any global power Scotch whisky brands, their focus is to make country specific plans in order to ensure their brands' positioning. While keeping the focus markets in mind, they want to create through-the-line initiatives. These are interactive messages targeting individual customers through multiple communication channels, rather than one-way messages disseminated through mass media (Bendick and Egan, 2009). The parent company influences the marketing strategy by means of best practise that is trialled and tested in other markets. The importer of their brands is pushed to implement the same strategy, although the importer sometimes pushes InterBev back. The brand owner then applies enough pressure to get their strategy implemented.

Beam Suntory is a conglomerate that owns five distilleries. Their influence over the marketing strategy reaches to the GMS that is in place and the regular meetings they have with their importer. The distillery does not have any influence over the marketing strategy in this case. Personnel from the Beam Suntory headquarters discusses the marketing strategy and performance with the importer. Tomatin distillery believes their marketing strategy is for most part a collaborative effort between them and the distribution partners in the market. However, the marketing strategy is being assembled by the sales and marketing team of the distillery.

The Tomatin distillery usually makes several local visits per year. These visits are for tastings, presence at festivals and to visit retailers. This is to promote their range but also to create a better understanding of the current state of the marketing that helps to develop future marketing strategies. Despite the foreign ownership of Tomatin Distillery, they possess full independence with regards to the operations, marketing and sales of their whisky. Beam Suntory and their distilleries do not undertake any marketing activities themselves. The marketing activities are fully outsourced to the local importer. InterBev has an activity calendar in place that tracks budgets, promotions and activities. While working extensively with the importer, any changes with regards to the local marketing are a joint decision between them and the importer.

Tomatin distillery has certain influence over their importer, although most part is a collaborative effort between them and the importer. By using their partner's knowledge on the local market and their experience in developing their brands they are able to deliver a far more effective marketing strategy. Tomatin makes several visits a year to discuss marketing activities with their importer.

Beam Suntory has a GMS in place which functions as aid for their importer to develop a country plan. Due to the country specific knowledge that their importer has, they give a certain amount of responsibility to the importer. Their distilleries work together with the importer to implement the strategy on local level.



Despite being part of large conglomerates, these distilleries may influence the distribution strategy to a certain extent. As seen from a number of distilleries above, they have direct interaction with the distributors to determine the positioning of their brands. On the other hand, the distributors may also have their own marketing strategy, as they are independent companies. This means the conglomerates have limited role in the value chain of their Scotch whisky brands.

Independent UK-based firms with multiple distilleries

There are independent UK-based companies that own at least two distilleries and boast multiple spirits. The Edrington Group is such example of a privately owned company based in Glasgow, who owns four distilleries (Glenrothes, Glenturret, Highland Park, Macallan) and boasts several other brands in their portfolio. Additionally, William Grant & Sons is such type of company that owns four distilleries (Ailsa Bay, Balvenie, Glenfiddich, Kininvie) and features several other premium spirit brands in their portfolio. Within this category there are four other companies that each own two distilleries.

Angus Dundee Distillers is a UK-based firm owning two distilleries. Its interests in the marketing strategy is to increase the brand reputation and to sell more whisky through in-store sales. It has a non-conventional approach to marketing and therefore does not have an advertisement budget. Springbank Distillers' is the marketing arm of J&A Mitchell & Company who owns two distilleries. Its interest in the GMS is to make consumers aware of their brands and their association with quality. Springbank Distillers has a minimalistic approach to promotion and relies primarily on word-of-mouth and people sharing their Springbank or Glengyle experience on social media. The interest for the distilleries of the Edrington Group is to receive marketing budgets from the parent company.

Angus Dundee Distillers develops a general marketing strategy for its brands, after which it develops customised country plans with its importer. Therefore, the parent company has a strong influence over the marketing strategy of its whiskies. Springbank develops a marketing strategy for their brands, which includes product development, pricing and promotional events such as whisky festivals and tastings. The Edrington Group does not have any influence over the marketing strategy of its brands.

Angus Dundee does not have any influence over the marketing behaviour of its importer, because it believes the importer has more country specific knowledge. At J&A Mitchell & Company, the importers portray the brands through the philosophy that is set by Springbank Distillers. The importers have certain independence due to the country specific knowledge. However, when the parent company does not like how the importer portrays the brand, it would communicate that to the importer and could ultimately move its brands to a different importer. The Edrington Group has joined venture importers, so there is definitely influence on the importer from the parent company's point of view.

At Angus Dundee Distillers, several marketing activities are undertaken by means of attending whisky festivals in The Hague and Groningen, the Netherlands. One of its brand ambassadors will represent the whisky brands together with the importer. At Springbank and Glengyle, the marketing arm of the parent company undertakes many marketing



activities. They prefer to conduct tasting with smaller groups of people rather than attend whisky shows with many people of whose attention is diluted. However, due to the small size of their brands, it is hard to make a distinction between marketing done by the parent company and marketing by the distillery. The Highland Park distillery undertakes their own marketing activities. The parent company Edrington functions more as distributor and investor.

As seen from these examples, typical independent UK-based firms with multiple distilleries tend to have a traditional approach for the distribution of their Scotch whisky brands. Direct marketing activities are still conducted without collaborative efforts with their distributors. This means the distilleries as the companies who determine their own brand positioning.

Single independent companies

There are distilleries who are owned and run as single independent companies. There are sixteen of these companies, which include some well-known distilleries like Benromach and Glenfarclas, but also several young and unknown distilleries like Daftmill and Abhain Dearg.

For Gordon & MacPhail (G&M), the independent parent company of Benromach distillery, the interest is to promote their range of single malts, whether it is the Benromach single malt or G&M independent bottlings. They are promoted as whiskies of high quality and craftsmanship. Isle of Arran did not mention a particular interest in the marketing of its whisky, because all the marketing is taken care of by the importer.

G&M has a number of key markets for which it has allocated marketing budgets for both Benromach and G&M. Subsequently, G&M develops its strategy together with their distributors according to a market plan. Isle of Arran does not have any influence over the local marketing strategy, as the importer is fully in charge for the complete marketing. This is most probably due to the lack of resources and production scale. Daftmill Distillery is very small and relatively young that it claims to not even have developed a marketing strategy yet. Wemyss Malts sets a marketing strategy from the headquarter that functions as guidance for their importer.

The importer of G&M is bound to the marketing plan that is set by the headquarter of the company. It functions as a guideline for the marketing activities of the importer. The parent company is open to suggestions from the importer, due to the country specific knowledge their importer has. Basically, G&M relies on the importer's knowledge and expertise of their own market. Isle of Arran distillery does not have any influence over the marketing behaviour of their importer. At Wemyss Malts, the distillery collaborates with the importer to decide on budgets, key initiatives and to discuss the type of outlets where the whisky would be distributed.

G&M pilots several social media campaigns from its headquarter. Additionally, the company attends several shows and conducts tastings and master classes. Wemyss Malts only does online social media marketing, as its importer undertakes other local marketing activities.



For these single independent distilleries, they are completely in charge for their distribution. As typical small medium enterprises, they tend to have rather traditional approach in determining their marketing strategy. Various relationships can be seen from these distilleries with their distributors, that a number of distilleries have active participation with the distributors in the marketing activities, while others are completely relying on the expertise of their distributors.

Three roles of the brand owners

Based on the four types of ownership structure, three different categories are identified when it comes to the role that brand owners and distilleries play in the local marketing. The first category consists of the brand owners and distilleries that do not play a role in the local marketing. This category consists predominantly of independent single owned distilleries. These companies generally lack of the resources and production scale to have an influence over the local marketing or to undertake their own marketing activities abroad. Moreover, there are foreign conglomerates who do not play a role in the marketing of their brands by giving the distilleries full independence and responsibility for the marketing of their whisky. This group does not possess any DMU and thus plays no role in the local marketing of their whisky.

The second category consists of those brand owners and distilleries with mediocre influence over the local marketing. These consist of both conglomerates and multinationals with a lack of country specific knowledge. They develop a GMS and communicate this plan to their importer who should use it as a guideline for their strategy and activities. Additionally, there are distilleries owned by multinationals with their own importer, who have a little stake in the development of the GMS because they are involved in the process. The local subsidiary of the brand owner is from then on responsible for the performance and marketing activities according to the GMS. The brand owners and distilleries in this category cannot be identified as DMU, but rather as influencers on those who make the final decisions on the local marketing of the whisky.

The third category consists of brand owners and distilleries with a major role in the local marketing of their whisky brands. These units are the local subsidiaries of multinationals such as Diageo, Moët Hennessy and Pernod Ricard with a significant role in the marketing of their whisky brands. They undertake the marketing activities and decide on the country plan. Independent UK-based firms such as J&A Mitchell Company and Angus Dundee with multiple distilleries also belong to this category. Many of the marketing activities are done by the brand owners. They establish a GMS first, followed by the development of a country plan that tracks budgets, activities and other standards. Moreover, various single owned independent distilleries determine their own marketing strategy, set up country plans and undertake their own marketing activities. This also counts for several single distilleries such as Tomatin that are owned by a conglomerate. These companies in the final category play an essential role in the value chain of their whisky brands. They can be identified as the DMU with regards to the marketing strategy and activities.



5 Conclusion

The goal of this research is to get a better understanding of the Scotch malt whisky industry, in particular the role of the distilleries with regards to marketing strategy and decision-making, since the ownership structure of the distillery is critical in the decision making process. When trying to identify a general role for each type of ownership structure, one might argue that there is no clear specific role can be identified due to the dissimilar results within each of these different company ownership structures. Therefore, a generalised approach based on the relationship between the distilleries and their stakeholders, i.e., parent companies and distributors, has been done to draw the conclusion.

To conclude, based on the level of influences in defining the marketing strategy, three different roles of Scotch whisky distilleries have been identified. These different roles are shaped by the types of ownership structure, i.e., distilleries belong to companies with or without their own distribution channels that directly determine their value chain. The first role is non-influencer distilleries, predominantly independent single owned distilleries who do not possess sufficient resources for their distributions and need to depend on the expertise of their local distributors. The second role is the mediocre influencer distilleries who have limited autonomy in their distribution decision making. And finally, the major influencers, who are dominated by the distilleries belong to the multinational with own distributors. In the end, these different roles would arguably determine the positioning of their brands.



6 Recommendation

This research provides an overview of different types of ownership structure within the Scotch whisky industry. By understanding the dynamics of the brand distribution related to the ownership structure, the distributors would have better knowledge about the role of the distilleries towards their marketing strategy. With this knowledge, the distributors would be able to determine the appropriate approach and relationship management for the Scotch whisky distilleries they would have in their portfolio.

For event organiser companies like The Spirit, it would be better to focus their content marketing campaign on UK-based firms and distilleries, local subsidiaries of MNE's, independently operating distilleries owned by conglomerates and a handful of single owned independent distilleries. These companies have the most significant role in the marketing of their whisky brands and are therefore the most probable to attend the whisky festivals.

However, due to the diversity of the results it is also recommended to take a very individual approach and take a look at each company specific in order to contact the DMU. In order to vertically infiltrate in the value chain and decision making process of companies, it would be more effective to also include the 'influencers' in their content marketing campaign. By getting the headquarter of MNE's and conglomerate owners familiar with the identity of the event organisers, these companies might consider including the attendance at these events in the GMS or country plan. They could also force their local subsidiary or distributor to attend the festivals and represent the whisky brands.

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