Pair who would like to drive you to drink

But the owners of mixers company Fever Tree are in a sweat over whether to throw ads into the cocktail of how they market their business

CASE STUDY: SALES

CHARLES Rolls and Tim Warrillow have just spent £150,000 on a targeted print ad campaign selling their range of drinks mixers. And it's left them feeling a little queasy.

The problem is that despite some rapid growth since Fever Tree, their London-based business, was launched five years ago, the pair think there is still a large untapped market out there and a direct consumer campaign was the only logical way to reach it.

But what started with a budget of £50,000 soon escalated with ads running in the likes of *The Week*, *The Spectator* and *Private Eye*, and now the self-proclaimed advertising sceptic Rolls is asking how much more they should spend – if anything at all.

"We we went out on a limb putting in more money than we intended to," says Rolls, a one-time head of Plymouth Gin who launched Fever Tree with Warrillow, and which has subsequently been backed by two rounds of private funding.

"We own this brand and this business so we think about every pound that we spend," he says. "We have to establish the effectiveness of this ad money versus the other marketing."

That other spending includes tastings and seminars aimed at the trade buyers.

"The thing is," adds Rolls, "this is new territory for me. I never used consumer advertising at Plymouth Gin and I am a sceptic. I'm analysing our figures store by store to try to work out if this ad campaign is having a significant – or even any – measurable impact on our sales."

Turnover this year is on track to hit £6m, half from the UK and half from the US and Europe. With plans to roll out the Fever Tree brand globally, that percentage of an increasing take should rise to 65pc says Rolls. They sell around 800,000 cases a year – 20m bottles – of tonic water, bitter lemon, lemonade, soda water, ginger beer, ginger ale and a lower calorie tonic.

The mixers are produced and bottled in Somerset. But it's the sourcing of the ingredients from across the world such as natural quinine, Rwandan bitter orange oil and natural cane sugar that, says Rolls, gives Fever Tree its unique selling point (USP). "It's with the ingredients that our competitors cut costs. They add things like saccharin." Competitors include Cadbury Schweppes, which controls the mixer market, says Rolls.

Domestic sales are split evenly between the on-trade – the hotels and restaurants – and direct to consumers via off licences and

> “*It's not just about generating sales. It's also the issue of awareness*”

supermarkets. But it's a premium price – £2.99 for a four-pack of bottles – and they know it's not a mass market product. "It's a niche. Not everybody is going to be prepared to pay twice as much for quality," says Rolls.

Even though half the business's UK revenue comes from the trade, there is still room there to grow, believes Warrillow. "We have about 500 on-trade accounts in the UK, and conservatively there are 10 times that number of premium accounts to approach." The dilemma is that focusing too much on the consumer market may leave budgets tight to reach the on-trade sector.

Fever Tree sells its mixers to high-end clients like The Ritz and Claridges and boasts to be on the drinks list at seven of the world's top 10 restaurants, including the UK's number one, the Fat Duck at Bray, Berkshire. It is that kind of endorsement that gives the brand its credibility, says Rolls. That client list is already filtering down to include the gastropubs.

In the mix: Tim Warrillow, left, and Charles Rolls pride themselves on the natural ingredients used by Fever Tree, which, they say is its unique selling point

Fever Tree went into profit soon after first being featured by the Business Club in August 2006, when it was selling £1m worth of drinks. With growth exceeding expectations and all targets beaten, many would think it needn't worry about advertising.

"The issue is how much do you keep back and how much to spend on growing the business?," says Rolls. "But for the first time this year we had a significant surplus and we thought right, we can use some for an ad campaign."

That ad highlighted the less than pure content of its rivals. "What we were saying was, if three quarters of your drink is the mixer, then that mixer had better be good. It gets people thinking. Most didn't realise that the main stream mixers were full of horrible things.

"It's not just about generating sales. It's also the issue of awareness," says Warrillow. "It's so important to us that the people we want to target are aware of us. We have grown quickly and we think we have tapped into the 'knowing' consumer but we think there's a far, far bigger market out there; people who know their drink could taste better but are not aware of the alternative."

The issue now for Fever Tree is how much more to commit and where. "How much is a reasonable amount to be spending to have the effect we want: to raise the awareness and get the message through?" asks Rolls.

EXPERT VIEW

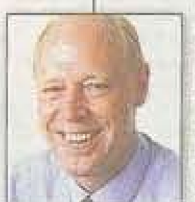
Colin Mills
CEO, the FD Centre

While "awareness creation" may be important for Fever Tree in the longer term, spending even more money on an advertising campaign against the like of Cadbury Schweppes is unlikely to make a large impact on sales growth right now. If it's sales growth the business is looking for, there are probably more effective ways to spend its money.

My view is that the key to any marketing campaign is to adopt a "test and measure" philosophy. Start with relatively small commitments in terms of money and measure the outcomes really hard. Expand and develop the things that are working and stop those that aren't. Ultimately it's the "cost of acquisition" that makes for successful marketing, i.e. how much money you spend compared to the additional sales you generate. The idea is to develop a number of marketing channels, and reduce the "cost of acquisition" for each.

Betting that one big campaign will work is very risky. When it comes to consumer markets you face the very real risk of spending large sums of money before you realise the spend may never pay for itself.

Simon Dolph
Director of marketing, Chartered Management Institute



The core issue is how to widen Fever Tree's appeal and tap into hitherto unreached segments. The market splits into the on-trade – hotels, restaurants, gastro pubs – and the off-trade – supermarkets and off-licences.

As someone who favours measurable, direct forms of targeting, I would concentrate my relatively scarce marketing resources on the on-trade, especially as Fever Tree only has a 10pc penetration of this sector. Forget above-the-line print-based advertising. Construct a simple, direct campaign based around your key proposition ("Why compromise carefully crafted spirits with poor quality mixers") and utilise the Drayton Bird principle of hitting them not once, not twice, but three times. Stage one could be an e-shot, stage two physical DM and stage three a direct phone call to set up an appointment for those who have not responded to stages one and two. A campaign of this type is measurable, quantifiable, will bring results and can be undertaken for less than £30,000.

I would also explore the use of web and social media as this can be done cost-effectively.

Michael Dean
Director, The National Computing Centre

Knowing what to spend on advertising isn't easy, and while many organisations spend about 2pc to 3pc of turnover on advertising, new brands need more advertising spend to help them grow. However, Fever Tree is missing out on intelligence that could help it get a bigger bang for its ad spend. It is a classic dilemma – the advertising appears to be working, but Fever Tree doesn't know which part of the spend is delivering the best results.

It makes sense to set measurable objectives and to review performance regularly to ensure spend isn't wasted. Once Fever Tree has some benchmarks it will be able to establish baselines for future spending. Direct response advertising is a better way to establish short-term effectiveness, whereas brand-building advertising has a longer-term outcome.

I suggest that Rolls also reviews his advertising agency. A good agency shouldn't just place adverts blindly, they should be able to provide pre and post advertising measurement and advice and guide on strategy.

GREEN SHOOTS

Recession blues fade as interior fitter profits from new ventures

By Philip Smith

THE Business Club's panel of experts has helped one Sheffield-based business to see a turnaround in fortunes. When we profiled Domino Commercial Interiors

selling his services and created a new division helping businesses make the most of their workspaces, instead of simply fitting out offices and shops. His moves were inspired, he says, by the advice from the Business Club panel.

about. Kevin Taylor [Chartered Institute of Public Relations] said not to write the year off but to look to create new opportunities, so we have repackaged and rebranded ourselves."

As a result, Domino has picked up a lot

people, rather than just selling them partition walls, carpets and furniture. It's getting into interior design. Tony Ford [B2 Group] said 'Look at becoming a specialist', so it links in to what he said."

Domino is also looking to work in