|  |  |
| --- | --- |
| *www.IowaABD.com* | *Lynn M. Walding, Administrator* |

|  |  |
| --- | --- |
|  | e - NEWS |
| *September 10, 2004* | |

1. [3 Owners of Liquor Stores Speak Out](#First)

2. [Liquor Sales Climb 11 Percent Locally](#Second)

3.  [Bacardi's Test: Care, Feeding Of Grey Goose](#Third)

4. [Meeting Set to Evaluate 19-Only Law](#Fourth)

5. [Diageo Sells 30pc Stake in Edward Dillon](#Fifth)

6. [Absolut to Try Television Ads](#Sixth)

7. [Vodka has Become America's Favorite Hard Liquor, Bar None](#Seventh)

**1. 3 Owners of Liquor Stores Speak Out**

By William Petroski – *Des Moines Register*   
September 10, 2004

**Turning over the state's monopoly to private businesses would hurt them and raise prices, they tell a legislative panel.**

|  |
| --- |
|  |

DES MOINES, IA -- Iowans could pay steeper prices for alcoholic beverages and many small liquor stores would close if the state's wholesale liquor monopoly were turned entirely over to private business, lawmakers were warned Thursday.

Three owners of liquor stores told a subcommittee of the Iowa Legislature that they strongly oppose plans by Senate Republicans to consider handing over the state's liquor operations to private firms.

"If the state gets out of this, it is going to allow the large corporations and the supercenters to buy massive amounts of liquor at lower prices than I can buy it for. They will be able to run me right out of town," said Bob Roe, owner of Marshall's Liquor in Sioux City.

Frank Merrill, co-owner of Wine & Spirits Shoppe of Algona, said: "If we have to compete with the big boys with the big money, we are going to be out of business." The eight people working at his store would lose their jobs, he said.

Beverly Goslar, owner of Quinn's Liquor & Wine in Cherokee, said consumers also would be losers. "They would pay more at the store. They would have less selection," she said.

State government is the sole wholesaler of liquor, generating nearly $48 million from sales of distilled spirits during the past state budget year. Overall, the Iowa Alcoholic Beverages Division turned over $75.7 million to the state treasury for the 12 months ending June 30.

Under the current system, both small and large retailers pay the same wholesale prices for liquor. That situation undoubtedly would change if private operators took over, store owners said.

State Sen. Mary Lundby, a Marion Republican who is co-chairman of the Iowa Legislature's Government Oversight Committee, said Republicans are unhappy with a decision earlier this year by the Iowa Alcoholic Beverages Division to have state government take over the distribution of liquor.

The state's liquor warehouse in Ankeny had been run by the J.A. Jones Co., which also operated trucks that delivered liquor statewide to retailers.

The state agency took over J.A. Jones' contract after it filed for bankruptcy, angering Iowa trucking company officials who contended the work should have remained in private hands. State officials have promised to consider competitive bids from private firms to assume some of the work.

Senate Republicans now want to take a hard look at having private firms run the state's liquor operations, Lundby said.

Lynn Walding, administrator of the Iowa Alcoholic Beverages Division, said it's been estimated liquor costs could increase at least 18 percent under a private liquor wholesale system.

That's because private wholesalers would insist on an additional profit because privatization would add an additional tier to the liquor distribution system that doesn't exist now, he said. The state

generally charges a wholesale markup on liquor of 50 percent above the vendor's price.



**2. Liquor Sales Climb 11 Percent Locally**

By Vanessa Miller *- Iowa City Press-Citizen*

September 9, 2004

|  |  |
| --- | --- |
| |  | | --- | | http://vh10018.v1.moc.gbahn.net/apps/pbcsi.dll/bilde?Site=D5&Date=20040909&Category=NEWS01&ArtNo=409090304&Ref=AR&Profile=1079&maxw=250&border=1  University of Iowa junior Eric Bagley stocks beer in the cooler of the front bar Wednesday at the Union bar in downtown Iowa City.  **Press-Citizen / Matthew Holst** | |

**Alcohol contributor to economy**

IOWA CITY, IA -- It's your typical love-hate relationship -- Iowa City and alcohol.

While officials work to regulate sales and curb underage and high-risk drinking, Johnson County appears to be consuming more liquor and alcohol sales are seeing double-digit increases.

According to the Iowa Alcoholic Beverages Division:

• The county's consumption of hard liquor increased nearly 10 percent for the 2004 budget year, which ended June 30, in comparison to the previous budget year.

• The county's hard liquor sales increased at an 11.3 percent clip, climbing more than $800,000 to $8.3 million for the same period.

• That's an average of more than $100 for the year for every resident of drinking age.

Jim Clayton, co-coordinator of the Stepping Up Project -- a coalition against high-risk drinking -- said that if sales and consumption are increasing, it is due to residents' increasing willingness to pay more for liquor and establishments ability to offer more drink specials.

"The trend in consumption of alcoholic beverages is to a more upscale beverage ... it's had an appeal on a certain segment of the market," Clayton said. "And the prices bars are charging for alcohol encourages people to drink more. Low prices encourage consumption."

The Johnson County sales increase is slightly higher than the statewide increase of about 10 percent, said Lynn Walding, administrator of the Alcoholic Beverages Division.

"Liquor sales have been trending up for the past decade, since 1995," Walding said, adding that cheaper prices for liquor contribute to that increase. "Every year it goes up." The revenue totals are based on liquor sold wholesale into the county, Walding said. The amount of alcohol consumers actually purchase in the county might vary.

Tracey Donels, beer manager for Johnson County's No. 4 seller, To Your Health at 411 Second St. in Coralville, said he hasn't noticed a dramatic increase in liquor sales, adding that wine sales have risen.

|  |
| --- |
| **Top-selling liquor brands**  Top-selling liquor brands in Johnson County from July 2003 through June 2004:  1. Jagermeister Liqueur  2. Captain Morgan's Spiced Rum  3. Jack Daniel's Whiskey  4. Absolut Swedish Vodka  5. Jose Cuervo Especial Reposado Tequila  6. Barton Vodka  7. Crown Royal Canadian Whiskey  8. Tanqueray Gin  9. Smirnoff Vodka  10. Bacardi Light Rum |

The top alcohol vender in town during the 2004 budget year was Regal Liquor, the alcohol store attached to the Hy-Vee Food Store at 1720 Waterfront Drive. The Iowa City area's four Hy-Vees are among the top six liquor-selling businesses. Hy-Vee officials could not be reached for comment late Wednesday afternoon. Officials with the No. 3 top seller, Liquor House at 326 S. Clinton St., also could not be reached.

The Iowa City area's increase in liquor sales over the past year despite the tremendous turnover of bars -- including the transfer of downtown bars Joe's Place, the Sports Column, Malone's Irish Pub and the Union bar -- suggests that much of the product sold was consumed outside a restaurant or bar, Walding said.

That sentiment is supported by the fact that of the top 15 liquor-selling establishments in the Iowa City area, none are bars or restaurants.

"But liquor is doing well in the market," Walding said. Despite that trend, however, beer still is the largest seller. "Beer dominates the alcoholic beverage industry in Iowa and all other states."

According to a Beer Industry Economic Impact study released last week by The National Beer Wholesalers Association, which represents more than 2,200 beer distributors nationwide, and the Beer Institute, representing America's brewers, 1.6 million Americans are employed directly and indirectly by the beer industry. Of that total, there are 15,720 jobs provided in Iowa, including 2,900 in Iowa City's congressional district, made up of seven counties including Johnson, Linn and Cedar counties.

That represents a total economic contribution to Iowa City's congressional district of more than $161.99 million, including about $56.82 million in wages.

"I drink beer mostly," said Molly Miller, a 20-year-old University of Iowa junior, adding that many of her female friends choose the flavored mixed-drinks. "A lot of girls drink Long Island Ice Teas and things like that."

Mike Porter, who has owned One-Eyed Jake's at 18-20 S. Clinton St. for 15 years and the Summit Restaurant and bar at 10 S. Clinton St. for more than two years, said his older restaurant has better beer sales, while the other's strength is liquor sales.

**Top-selling liquor brands**

Top-selling liquor brands in Johnson County from July 2003 through June 2004

1. Regal Liquor, 1720 Waterfront Drive, Iowa City

2. Hy-Vee Wine & Spirits, Lantern Park Plaza, Coralville

3. Liquor House, 326 S. Clinton St., Iowa City

4. To Your Health, 411 Second St., Coralville

5. Hy-Vee Food Store, 1201 N. Dodge St., Iowa City

6. Hy-Vee Food Store, 812 S. First Ave., Iowa City

7. John’s Grocery, 401 E. Market St., Iowa City

8. Wal-Mart, 2801 Commerce Drive, Coralville

"And liquor sales are definitely getting higher," Porter said, adding that mixed drinks and liquor is becoming cheaper to buy. "I think there are a lot of reasons ... cost, variety, taste, ease. But price is probably the biggest thing."

The most popular liquor brands Porter sells are Jack Daniel's Whiskey, Captain Morgan's Spiced Rum and Jagermeister Liqueur, he said. Erik Anderson, co-owner of the Union bar at 121 E. College St., said his establishment's most popular sellers also include Captain Morgan's Spiced Rum and Jack Daniel's Whiskey.

According to the state's Alcoholic Beverages Division, the most popular liquor sold in Johnson County is Jagermeister Liqueur followed by Captain Morgan's Spiced Rum and Jack Daniel's Whiskey.

Iowa City officials do not have numbers specific to alcohol sales, but about $99.3 million or 12 percent of the taxable retail revenue came from eating and drinking establishments in 2003, said Steve Nasby, the city's community and economic development coordinator.



**3. Bacardi's Test: Care, Feeding Of Grey Goose**

*The Wall Street Journal*, Page B1

September 1, 2004

Last month, Bacardi Ltd. made a $2 billion bet on a small, but gold-plated, vodka brand. Now it must be careful not to kill the goose that laid it.

Liquor importer Sidney Frank Importing Co. of New Rochelle, N.Y., turned Grey Goose vodka into a top seller by portraying it as a drink for wealthy people with impeccable taste. Now Bermuda-based Bacardi faces the classic test of an industry giant acquiring an entrepreneurial business: how to make the little brand much bigger without damaging the fragile formula that made it grow in the first place.

Bacardi acquired Grey Goose from Sidney Frank because it wants to broaden its presence in premium vodkas, one of the fastest-growing segments of the liquor market. While annual sales of Bacardi rum are far larger than those of Grey Goose -- eight million cases vs. 1.4 million cases -- rum sales are growing much more slowly.

In 2002, Bacardi rolled out a superpremium vodka, Turi, from Estonia, but analysts say Turi has yet to gain traction. As for Grey Goose, it faces considerable hurdles: As the brand becomes more popular, it risks losing the marketing sizzle that gave it cachet in the first place. At the same time, an array of competing high-end vodkas have lately come to the market.

"That is the thing Bacardi will have to be both careful and realistic about," says Bryan Spillane, analyst for Banc of America Securities. "Vodka is a very fickle category. Grey Goose has some staying power. It's a good product with good packaging, but people are always looking for that next thing."

Bacardi insists it is well equipped to continue the growth of Grey Goose. The company has a giant distribution network that will help it boost sales in markets where Grey Goose is now weak, like California. And while Bacardi is better known for mass-market liquors than high-end drinks, it had success with Bombay Sapphire, a premium gin it bought in 1998. "We are a very strong marketing company. This is something we have been doing since 1862 ... I think that this is really our core," says Ruben Rodriguez, chairman of the board of Bacardi.

Sidney Frank's success with Grey Goose came from convincing drinkers that they were paying high prices for the best product available. To emphasize that message, the company trained bartenders to remind drinkers that Grey Goose was imported from France. He used the results of a Beverage Testing Institute blind taste test to promote Grey Goose as the world's best-tasting vodka.

Mr. Rodriguez calls Mr. Frank's marketing "cutting edge" and "brilliant." But as Grey Goose increases its volume, consultants say the challenge will be to prevent competing brands from stealing its share of the premium vodka market. In the late '90s, Grey Goose and other high-end vodkas entered the market priced as high as $25 a 750 ml. bottle. That compared with $17 for a 750 ml. bottle of Absolut, once considered the premier imported vodka, which subsequently lost market share.

To regain sales lost to Grey Goose, Absolut Spirits Co., the unit of Sweden's V&S Vin & Sprit AB that makes Absolut vodka, launched Level, a superpremium vodka, in March. Similarly, Allied Domecq PLC is slowly rolling out Stolichnaya Elit, which it calls an "ultraluxury" vodka, for $60 per 750 ml. bottle.

Darrell Jursa, a managing partner of Liquid Intelligence, a Chicago beverage-marketing agency, says Grey Goose must continue to find a way to distinguish itself from other premium vodkas. "We are beyond the days of tastings and talking about how it's produced. Because there are so many vodkas out there, Grey Goose continues to need to fight for share," he says, adding that Bacardi may be able to further capitalize on Grey Goose's flavored vodkas.

Sidney Frank had already begun to make adjustments before selling the vodka business. Last year, Grey Goose sponsored the Golf Channel's coverage of the British Open. As part of that deal, Sidney Frank bought Grey Goose's first-ever TV commercials. More recently, Sidney Frank bought time for five separate commercials on several cable channels with the tagline: "Grey Goose, the World's Best Tasting Vodka." Bacardi is building on these moves by adding a new holiday spot to air in December.

Grey Goose's sales are now concentrated in Northeastern urban markets like New York, which gives Bacardi plenty of territory to expand into. In particular, Grey Goose lacks strong distribution in discount warehouse chains that account for heavy spirits sales in states like California and Arizona. Grey Goose now sells only about 150,000 cases in California, according to Impact.

In trying to make inroads into these markets, Bacardi plans to deploy tactics it developed for Bombay Sapphire gin. When it acquired that drink from Diageo PLC for $1.98 billion in 1998, the gin was selling roughly 250,000 cases a year based on a simple but elegant ad campaign that emphasized the brand's famous blue bottle and an unusual, designer martini glass. Bacardi built on Bombay Sapphire's association with the world of design by increasing its presence at major design events as well as sponsoring a global martini-glass design competition.

Bacardi also widened the array of outlets that offered Sapphire, which had been only available in small, exclusive high-end bars, and trained bartenders and wait staff on how to make cocktails such as the Buck, which combines Bombay Sapphire with lemon juice and crème de menthe. The efforts paid off as Bombay Sapphire sales grew to 650,000 cases in 2003.

In the same vein, Bacardi plans to increase Grey Goose's association with the arts and charities by sponsoring events such as Night of Olana in New York, a benefit to preserve Olana, the historic home of landscape artist Frederic Church near Hudson, N.Y., and the Carousel of Hope, a juvenile-diabetes benefit in Los Angeles.



**4. Meeting Set to Evaluate 19-Only Law**

By Vanessa Miller -*Iowa City Press-Citizen*

|  |
| --- |
|  |

September 3, 2004

IOWA CITY, IA -- Becky Tuite can go to the bars.

She can't legally drink, but the 20-year-old can get into most alcohol serving establishments in Iowa City.

That is because last fall, amid a profusion of controversy and residential outcry, the Iowa City Council decided that rather than enacting a law banning those under age 21 from the bars, they would prohibit those under age 19 after 10 p.m.

Now, after one year of enforcement and what city officials have deemed enough time to determine its effect on the community and underage drinking, councilors will meet Sept. 28 to evaluate the new law.

If the situation has not improved, they could decide to up the bar-entry age.

"I don't think it has had any impact," said Tuite, a University of Iowa junior from Geneva, Ill. Tuite said she would prefer councilors remove all age restrictions on bars. "It they go 21, so many people have fake ID's ... they have friends that can let them in. It will never be 21-only, so there is no point in changing it. It's part of Iowa City."

Mayor Ernie Lehman said that during the upcoming meeting, councilors will hear evaluative reports from the Police Department and City Attorney's Office. They also will set aside an hour for public comment.

"I have no feel for how effective or ineffective the 19-only ordinance has been, but we will take input and if they feel the situation is more manageable, things will remain the way they are," Lehman said. "If they are not, we will have a discussion relating to a 21 law."

He said UI officials and many community members favor increasing the bar-entry age.

"But my guess is that if the 19 ordinance has had a positive impact on downtown, it will have done what we hoped it would do," he said, so more stringent regulations would not be needed.

A City Council majority enacted the law on Aug. 1, 2003. Councilors initially had proposed the age be 21 but were convinced to lower it after UI students and bar owners insisted a 19-only law teamed with auxiliary efforts to crack down on underage drinking would have a preferable impact.

"The licensed community has made great strides," said Lynn Walding, administrator with the state's Alcoholic Beverages Division, about bars' extra doormen, new wristband systems and additional training. "But you are still having underage consumers in establishments getting alcohol. They are getting it from friends, fake ID's, or acquaintances are providing it to them. Despite the efforts, there is still underage consumption going on."

Councilors began taking a more active role in regulating underage and binge drinking in 2001 by banning some drink specials and taking more authority to revoke or suspend alcohol licenses. From 2001 to 2002, arrests made for possession of alcohol under the legal age more than doubled from 988 to 2,271, police records show.

In addition to individual citations, more than 30 alcohol-serving establishments have been charged with one or more alcohol-serving violation since 2001.

"Part of the frustration for the community is that no matter what strides are being taken, those that are underage are on the premises and consuming," Walding said.



**5. Diageo Sells 30pc Stake in Edward Dillon**

*BizWorld*

September 5, 2004

Diageo has sold its shareholding in the Irish drinks distributor Edward Dillon and Co. for an undisclosed sum.

The Guinness parent is thought to have had a 30pc stake.

The move means, according to reports, that Dillon will lose brands like Godron’s Gin and Black and White Whisky, which Daigeo will now distribute itself.

These account, however, for only 6pc of the company’s turnover, so their loss will not hugely affect the firm’s business.

The Diageo stake is now being bought by the firm’s other shareholders Bacardi, Brown-Forman and Moet Hennessy.

Dillon and John Pearson said the Diageo brands were transferring in “good health”.

Dillon had an 11pc rise in pre tax profits to 8.2m euro for the year to September last on a turnover of 129.5m euro, up from 126m euro the previous year.



**6. Absolut to Try Television Ads**

**By Stuart Elliott**

http://graphics7.nytimes.com/images/misc/spacer.gifSeptember 3, 2004

|  |  |
| --- | --- |
| |  | | --- | | 03adco | |

To introduce a raspberry-flavored version of its flagship brand, the Absolut Spirits Company will boldly go where no Absolut vodka has gone before in the United States: onto television.

The campaign for Absolut Raspberri, the sixth flavored variety, will include four television commercials, scheduled to begin Monday on national cable networks like E, FX and VH1. The commercials are the first on TV in this country for Absolut, coming 13 years after a spot that ran during in-flight programming on the MGM Grand Air airline and four years after commercial vignettes started appearing on the Absolut Web site (absolut.com).

The expansion into television for Absolut is noteworthy because the success of the brand over the last two decades has been attributed almost entirely to a distinctive print campaign, which presents seemingly infinite variations of the unusual looking Absolut bottle and runs in hundreds of national and local magazines and newspapers.

During that time, Absolut has grown from negligible sales into the country's best-selling imported vodka and the No. 3 liquor brand over all, behind Bacardi rum and Smirnoff (domestic) vodka. But more recently, the American vodka market has become increasingly crowded, as brands like Grey Goose, Ketel One and Skyy have challenged Absolut.

Several Absolut competitors, including Smirnoff and Grey Goose, have already made their way onto TV, which is considered the most powerful medium because of its ability to reach large numbers of consumers quickly and frequently.

"The essence of the Absolut brand has been leveraged so creatively via print," said Robert Passikoff, president of Brand Keys, a brand and customer loyalty consulting firm in New York. "The folks at TBWA took advertising and made it an art form."

TBWA/Chiat/Day in New York, part of the TBWA Worldwide division of the [Omnicom Group](http://www.nytimes.com/redirect/marketwatch/redirect.ctx?MW=http://custom.marketwatch.com/custom/nyt-com/html-companyprofile.asp&symb=OMC), has produced the Absolut campaign since 1981.

"But these days, the competition being what it is," Mr. Passikoff continued, "Absolut can't afford to ignore any opportunity." That is particularly true in seeking to reach free-spending, brand-fickle consumers ages 21 to 29, he said, calling them "the new generation so used to multimedia, especially cable TV and the Internet."

The commercials for Absolut Raspberri do not mean the brand is abandoning print. The spots are one element of a multifaceted campaign for the new flavor, with a total budget estimated at $9 million to $10 million, that also includes print, outdoor and interactive advertising as well as promotions. Indeed, the commercials, which show artists festooning the new flavor's bright red bottles with colorful designs, are intended to complement the print ads, which display the bottles after the artists have finished them.

"We look at it as bringing the print ads to life," said Carl Horton, president and chief executive of Absolut Spirits in New York, part of the V&S Absolut Spirits division of V&S Vin and Sprit of Sweden.

"Our campaign has continued to evolve over the years," he said. "TV is another part of the mix."

The budget for the campaign for Absolut Raspberri - which joins Peppar, Citron, Kurant, Mandrin and Vanilia, and the original - is about $2 million more than Absolut Spirits spent last year to introduce the vanilla flavor with a campaign that did not include television.

The arrival of Absolut on American television - the brand is already sold on TV in Europe - is emblematic of a rapidly changing media landscape, particularly with the proliferation of cable networks offering original programming to challenge the traditional national broadcasters. Only since 1996, when the United States liquor industry lifted a decades-old voluntary ban on television and radio, have distillers been able to buy commercial time on the electronic media.

And only since late 2001 have such commercials become widespread. Today, although the big broadcast networks - ABC, CBS, Fox and NBC - still refuse liquor spots, they are accepted by more than two dozen cable networks, about 150 local cable systems and more than 420 local stations affiliated with the broadcast networks. Those outlets now run commercials by most major distillers, including [Allied Domecq](http://www.nytimes.com/redirect/marketwatch/redirect.ctx?MW=http://custom.marketwatch.com/custom/nyt-com/html-companyprofile.asp&symb=AED), Bacardi, Brown-Forman, [Diageo](http://www.nytimes.com/redirect/marketwatch/redirect.ctx?MW=http://custom.marketwatch.com/custom/nyt-com/html-companyprofile.asp&symb=DEO) and Sidney Frank Importing.

And in April, when Absolut Spirits brought out Level, a vodka priced higher than Absolut, it, too, was advertised on television.

"TV is a viable alternative for us, now that more and more cable networks are available for liquor advertising," said Matthias Aeppli, vice president for marketing at Absolut Spirits. Other networks that will run the Absolut Raspberri commercials, which are scheduled to continue through December, include BET, Spike TV and USA.

One benefit of television that liquor marketers have long sought is its ability to "work faster as a medium to get the word out," said Patrick O'Neill, the group creative director for Absolut at TBWA/Chiat/Day. That can make it more effective than print for peddling new products.

The commercials "feel like a natural extension," he added, rather than a foray into TV for its own sake.

Each of the four 30-second spots begins by showing a 12-foot-high bottle of Absolut Raspberri on a stage resembling an artist's studio. The viewer then watches one of four artists - David Ellis, who is also the director of the commercials; Phil Frost; Maya Hayuk; and Kenji Hirata - making over the bottle in his or her own way as time-lapse photography chronicles the process.

Each spot ends with a fresh bottle and another artist about to take a turn using it as a canvas, suggesting a continuous skein of creativity.

The results of the artists' work - bottles covered in multicolored shapes resembling crystals, hearts and musical notes - are then displayed in the print and outdoor ads above the headlines "Absolut Release" and "Unleash the Raspberry."

"Print shows the outcome of creativity; it's done," Mr. O'Neill said. "TV can let you in on the process, show it coming to life."

Mr. Passikoff, the consultant, said he did not believe that Absolut's joining the ranks of liquor brands that advertise on television would dilute the image of an innovative leader, which the product has carefully developed over the years.

"It's only to Absolut's benefit" to be able to use TV, Mr. Passikoff said. "It's just the purists who are going to react less favorably."

The flavored segment of the vodka market is growing rapidly, and raspberry, which has previously been introduced by brands like Stolichnaya and Vox, is now ranked second among flavors after citrus.

The six flavors of Absolut account for more than 10 percent of its total shipments to the United States of four million cases a year, said Mr. Horton, the Absolut Spirits chief executive. Citron, the citrus variety, is the most popular Absolut flavor, he added, followed by Mandrin, the orange variety.



**7. Vodka has Become America's Favorite Hard Liquor, Bar None**

By Maureen Clancy *– Union-Tribune*  
September 8, 2004

It's odorless, colorless and tasteless – and we can't get enough of it.

|  |  |
| --- | --- |
| |  | | --- | | http://www.signonsandiego.com/uniontrib/20040908/images/2004-09-08vodka.jpg  HOWARD LIPIN / Union-Tribune | |
|  |

Raise a toast to vodka, one of the most outrageous success stories of recent decades.

The drink that was virtually unknown in the United States before the 1950s, the tipple more commonly known for fuzzy feelings than for flavor, is now the chic, stylish and hip way to go.

With more than $9 billion in annual retail sales, vodka is the leading single category of distilled spirits in the industry, accounting for more than 25 percent of all spirit sales in the United States today.

Moreover, it's the best seller in bars from Hoboken to Honolulu.

"Vodka is our No. 1 seller, far and away," said Damon Ast, bar manager at George's at the Cove in La Jolla. "Nothing else is even close."

Ast is responsible for the restaurant-bar's popular vodka infusion program. Five flavored vodkas are offered each day, including tangerine, pineapple and a snappy version that's infused with red bell peppers, jalapenos, garlic, tomato and basil before being strained and mixed with tomato juice for a Bloody Mary.

Vodka is flying off the shelves at Chive restaurant in the Gaslamp, too. General manager Michelle Kveen says the restaurant stocks about 26 types and offers a popular sampler that consists of four shot glasses filled with 1 ounce each of Absolut Kurant, Absolut Peppar, Charbay Meyer Lemon and Charbay Key Lime, all nestled in colored ice in a hollow glass brick.

"And once we sell one of the samplers, all the other tables see it and want one," said Kveen.

At The Bellagio in Las Vegas, vodka is at the top of the list of the hotel's best-selling spirits and wines.

"We consider our bartenders chefs, and they consider vodka one of their most important tools," said Leticia Gonzales, beverage director at the resort. "They can put it with any mixer, from fresh watermelon juice to fresh pomegranate juice, and create an incredible cocktail."

The St. Regis Monarch Beach Resort & Spa in Dana Point spares guests the torture of cocktail-hour decision-making with the Martini Flight, a sampler featuring four 2-ounce martinis, including traditional, Apple-tini, Cosmopolitan and Aqua Lemondrop. On Martini Mondays in the Lobby Lounge, from 5 to 9 p.m., the flights are served with live piano music and a dramatic sunset.

It doesn't take an advanced degree to figure out why vodka wins the Miss Congeniality award in every bar. For starters, there's its virtual lack of flavor. It's the ultimate mixer, capable of being teamed with almost any beverage and even adding an element of conviviality to a plain old glass of orange juice.

Secondly, the ladies-who-lurch on "Sex and the City" made anyone who didn't know what a Cosmopolitan was feel like a total idiot.

But perhaps most important are the vodka industry's aggressive marketing strategies, which include the creation of new flavors and styles and the constant pushing of the envelope with bottling and packaging.

### Bare basics

The story of vodka began sometime around the ninth century in Russia (though Polish fans insist they made vodka from grapes even earlier). In fact, the word vodka is said to come from voda, meaning water in Russian. At first, vodka, which was distilled from rye, was used for medicinal purposes. But it didn't take long for folks to figure out its potential as a party starter.

As the drink became more popular with the Russian masses, the potato took over as main ingredient. The potato, in turn, was mostly abandoned in favor of wheat when production segued from family pots to factory column stills. Russia's first recorded export of vodka was to Sweden in the early 16th century.

After the Russian Revolution of 1917, vodka was banned from the marketplace, and the Bolsheviks confiscated private distilleries. Many Russian vodka makers immigrated to foreign shores. In the 1930s, the Smirnoff Company opened for business in the United States. However, vodka was not an instant hit.

It was only around 1950, when a desperate U.S. distillery owner created the Moscow Mule cocktail, that vodka became a regular on the bar shelf.

The process for making vodka today is as simple as it was in medieval days. Take your most plentiful crop – rye, wheat, barley, corn, potatoes – and ferment it. Then distill the neutral spirit produced, which is about 96 percent alcohol by volume (ABV), to produce a pure, flavorless spirit.

Some producers then filter that spirit through charcoal or other substances to remove any residual impurities and odors. In some cases, the spirit is re-distilled several times and then blended with de-mineralized water to yield the minimum alcohol level of 37.5 percent.

However, not all vodkas are created equal.

The market is divided into four segments: Popular, under $10 for a 750-milliliter bottle; standard, from $10 to $15; premium, $15 to $20; and super-premium, $25 and up.

Recently, there has been noise about carving out a new category of ultra-premium vodkas, perhaps best personified by Ultimat and Stoli's Elit, which sell in discount stores for about $65 a 750-milliliter bottle.

Vodkas differ in their base ingredient: some type of grain, potatoes, molasses or even soybeans.

Some are organic; some are not. Some are distilled once; some "hundreds of times" (Effen Vodka). Some are filtered; some are not. Charcoal is the most common medium for filtering, but some companys opt for the cache of crushed crystal, quartz or marble.

Some use water, plain and wet. Others hype their Rocky Mountain water (Teton Glacier); limestone water (Rain); or Alpine mineral water (Dué).

Most of the vodka in the marketplace is made in big factories in vast tanks. However, some brands today are hand-crafted in small batches.

Vodkas also carry a dizzying array of passports. Much of the vodka available in American markets is from Russia, Poland, Scandinavia and, increasingly, the United States.

However, a glance at the special vodka menu at The Mews, a waterfront restaurant in Provincetown, Mass., shows many other countries getting into the act. Among the 150 brands (from 25 countries) offered at The Mews are fig vodka from Germany; plum vodka from the Czech Republic; Carmel brand from Israel; Inferno (spiced with chile peppers) from Canada; and Tall Blond, made in Estonia from blond grains.

### A matter of taste

Perhaps the biggest distinguishing feature among today's vodkas is the presence or absence of flavorings. Russian Stolichnaya kicked off the trend in the mid-1960s, though flavored vodka didn't really catch on until about 20 years ago.

Stoli now offers seven flavors, including orange, vanilla and raspberry. Other brands offer everything from pineapple, chocolate and blood orange to tangerine, kaffir lime and even a hazelnut-espresso mix from Crater Lake Vodka in Oregon.

Finding a favorite vodka boils down to a matter of taste. Ironically, vodka first became popular because it had none. Now we need a separate thesaurus for all the words used to describe the "flavor" of what the Bureau of Alcohol, Tobacco, Firearms and Explosives calls "a colorless, odorless, tasteless product of which the only ingredients are ethyl alcohol and water."

"Confectioners' sugar," "lemon peel," "wet stone" and "sake-like" are just a few of the descriptions bandied about today to describe the flavor of various vodkas. Among my personal favorites are "marshmallowy," "white toffee nose" and "plush, pillowy palate."

All vodkas that are served straight should be poured directly from the freezer, preferably into a frozen glass.

