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# Vodka Tourism in Estonia: Cultural Identity or Clearly Commerce?

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## ABSTRACT

*Vodka has been produced in Estonia since the late 1700's. It has been said that 90% of Estonian Manor homes during that period had their own "vodka kitchen" for distilling the product. This cultural orientation of vodka changed to commerce with the introduction of a ferry service between the Finnish capital city of Helsinki and Estonia's capital Tallinn in 1968. So called "vodka tourism" began to appear. Today approximately 15% of the total alcohol consumed in Finland is purchased in Tallinn area stores. This research examines the role of vodka, and "vodka tourism", as it pertains to culture and commerce in Estonia.*

**Key words:** *cultural tourism; case study*

## INTRODUCTION

Estonia is a small European country of approximately 1.3 million people, with a long vodka history. Vodka has been produced in Estonia since the late 1700's and it has been said that almost 90% of Estonian Manor homes during that period had their own "vodka kitchen" for distilling of the product. Over the centuries vodka, as in other Eastern European countries, played a role in many aspects of local culture. For Estonia, this cultural orientation changed more to commerce with the introduction of regular passenger ferry service between the Finnish capital city of Helsinki and Estonia's capital Tallinn in 1968. So called "vodka tourism" began to appear, and today approximately 15% of the total alcohol consumed in Finland is purchased in Tallinn area stores. Thus, the focus of this research is to examine the positive and negative aspects of the role of vodka as it pertains to culture and commerce in Estonia, and to develop proposals for the future of this "industry".

## Literature

### *Estonian Culture and Vodka*

This study examines the research question of how should a country balance economic and cultural variables as they pertain to other issues such as health, image, and brand, particularly country brand. The first stream of literature that forms the basis of this study is culture in general, and the role of a culturally oriented product, in this case vodka. Estonian culture represents the key element of its continued existence, because as a country that has been occupied for almost its entire history, be it by Sweden, Denmark, and Russia prior to the 20<sup>th</sup> century, and Nazi Germany and the Soviet Union until 1991, there is a centralized focus on defining what it means to be Estonian. The Estonian language is the most prominent representation of that culture, while traditional cultural icons such as the role of song, story telling, and food help to complete the definition. As stated by the Estonian Institute, whose aim is to promote and provide education about Estonian society and culture, for the last 150 years the Estonian language has been the most important component of identity (Kalling, 2010). But there are

additional symbols of “Estonianess” such as food products including dark rye bread, Baltic herring, as well as the national drink, vodka.

Vodka has a long history in Estonia, well before Soviet period. The earliest mention of distilled alcohol in Estonia was in 1485, and by the late 1800’s production of vodka exceeded 8 million litres, an amount similar to today (Onistar, 2004). More recently, Estonia received an official decree by the European Union that “Estonian vodka will be the geographical nomination of vodka produced in Estonia”, (Kennedy, 2007). This was the result of an influx of inexpensive vodka from the United States which was bottled and labelled with the suggestion that the vodka was of Estonian origin. The result is that the regulation helps to prevent confusion in the minds of the consumer, as well as help to support the cultural aspects of the product. Therefore vodka has a strong association with Estonian culture.

### *Vodka Tourism*

A 1971 NY Times article appears to be the first mention of “Vodka Tourism” as it pertained to Finnish tourists to Estonia (Juckett, 1971). During Soviet times, tourism was primarily seen as a means of educating Soviet citizens into promoting “Homo Sovieticus” and not economic ends, while leisure tourism was viewed as “non-productive” (Gorusch, 2003). With respect to foreign tourism, Intourist was established in 1929 as the goal was for foreigners to meet people from their own sectors of life (farmers, teacher, etc.). By the 1950s travel to the Soviet Union increased with the realization that there were opportunities to profit, both financially and propagandistically, from tourism. The result was the building of hotels, resorts, and transportation systems. Beginning in 1968 the SS Tallinn passenger ferry boat began to operate between Helsinki, Finland and Tallinn, rapidly increasing the number of Finnish tourists to Tallinn. Also a company from Finland, in partnership with Soviet representatives, built the first ‘Western’ hotel in the whole of the Soviet Union, the Viru Hotel, in Tallinn, which opened in 1972. The hotel was approximately 100 meters from the major department store, Tallinna Kaubamaja, and other shops thus increasing access for Estonians to free spending Finnish consumers (Szporluk, 1975).

In terms of this cross-border shopping tourism, the price differences on a product such as vodka was a major incentive for Finnish visitors. Although this was no different than other cross-border shopping because of significant price differences (i.e. Canada and US), there are often other barriers that limit this behaviour, namely, geographic, cultural, or political issues. With respect to Finland and tourism to Estonia, beginning with the aforementioned SS Tallinn, and the present, where there are many ferries a day from Helsinki to Tallinn, from the fast 90 minute catamarans to the party overnight cruises, has substantially eliminated the geographic barrier. Thus, over 2 million Finns arrived in Helsinki from Tallinn by sea in 2008 (Merenkulkulaitos 2009).

Furthermore, with the accession of Estonia to the European Union in 2004 (Finland had been a member since 1995) limits on the importation of vodka for personal use was eliminated. Statistics suggest that 80% of all Finnish tourists to Estonia bring back alcohol, but concerns about this have been voiced. As the Finnish Health minister stated in 2004, "EU legislation is at the root of our problems. They treat alcohol like an ordinary product, like tomato ketchup or milk. They have to allow us to develop a health-based policy on alcohol so we can limit the now limitless possibilities to bring alcohol in from other EU member states." (BBC News, 2004).

Although these issues have been acknowledged by the Estonian government, and there have been significant increases in the excise tax on alcohol in Estonia, the price of 1 litre of vodka continues to be

less than half of the cost in Finland. The tax difference does not seem to be the only reason for this, as the production, distribution and selling costs resulting from competition are much lower in Estonia. Officials in Finland track weekly data of travellers' alcohol imports, and have been doing so since the early ferry service in 1968 (Österberg 2000). A major difficulty today is that there is now no way in tracking the importation of the amount of travellers' vodka purchases from Estonia, while it is estimated that approximately 12% all distilled alcohol purchased by Finns comes from abroad (Karlsson & Österberg, 2009).

**Table I**  
**Vodka tax**

Comparison of Excise Tax Rates and Cost of 1 Litre of Vodka		
<u>Rate</u>	<u>Country</u>	<u>Avg. Retail Price (CDN)</u>
13%	Estonia	\$16-\$20
36%	Finland	\$40-\$43
52%	Sweden	\$49-\$52
36%	Canada	\$31-\$33
50%	Russia	\$6-\$13

Source: CEPS, 2009

Beyond the geographic proximity of Finland to Estonia, the cultural barriers are also low. The Finnish and Estonian languages are similar, as well as the fact most Estonians have moved away from learning Russian as a second language to English, something Finns are generally also highly skilled at speaking. Furthermore, Estonian media can be received in Finland, and retailers have established Finnish language options on their websites to advertise to these customers directly. In the last 15 years major Finnish product brands, and retailers have opened shops in Tallinn, further increasing reasons for cross-border shopping (Worthington, 2001).

This trend is expected to continue into the foreseeable future. As noted by Karlsson, Österberg & Tigerstedt (2005), an increased standard of living leads to a greater amount of leisure/vacation time, and thus the increase in short term getaways. It is less expensive for Finns to travel to Tallinn to celebrate birthdays, family events, and business meetings, than to have them in Helsinki (Komppula et al. 2006). This adds to an overall increase in tourism, and there are also estimates that this increase will be further spurred on by Estonia's official entry into the Euro zone in January 2011, eliminating the need for Finnish tourists to have to deal with currency exchange.

### **Discussion and Significance to Industry**

Tourism plays an important role in the economy of Estonia, representing over 20% of its GDP, and for 2011, Tallinn was awarded the title of "European capital of culture". In terms of "vodka tourism", the export of alcoholic beverages such as vodka has constituted between 10-20 per cent of Estonian exports since 1995. What then will/should be the future of "vodka tourism"? Hotels, restaurants, and shops have generally lobbied the Estonian government to not totally discourage this trade, but pressures from EU authorities in general, and Finnish representatives specifically continue to be voiced. Tallinn tourist publications continue to highlight the costs savings of vodka in Estonia in comparison to Finland, but there is general agreement that if this type of tourism will continue, is there

an opportunity to emphasize a less negative aspect of vodka tourism, and in fact use this as a basis to spread tourism to other parts of Estonia?

One possibility is that in a similar manner to the wine trails of Southern California (and elsewhere), and the malt whisky trails in Scotland (Martin and Haugh, 1999), it is suggested Estonia could also enter this type of tourism niche. Poria et al. (2001) noted that tourists have a desire to experience the authentic, and as noted, homemade vodka was a tradition hundreds of years ago in Estonian country manors. Thus, there can be the potential for linking tourism and vodka in a more positive light through the resurrection of the local, small batch, vodka distillation activity. There are currently a number of tours that visit the different manor home in Estonia, and by reviving the “kitchen distillation process” in these manors could have a positive effect of extending the vodka tourism business into having a closer link with Estonian cultural tourism. The heritage educational aspects of the sites could be linked with the entertainment value of seeing the product being made, bottled etc. (Markwell et al. 1997).

## **Conclusion**

Although evolving in its nature, the purpose of this research was to link the role of culture, and the brand image of a type of product that although has a long history, may be more identified with a foreign culture, vodka. Vodka, and vodka tourism has had a lengthy history in Estonia, one that has had a positive economic impact on tourism, but arguably a negative impact on country image. By exploring ways in which the culture and heritage of the product can be developed, without sacrificing the overall economic contribution, provides an interesting area for future study. This research suggests that there are implications as to how the promotion/suppression of such tourist experiences can extend beyond the Baltic States to countries with similar shared histories in terms of shaping country and city brand images.

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