The heineken marketing dispute over product cost

Business, Marketing

Marketing Channel Essay

This essay analyzes the article “ UK Pub Chain, Heineken clash over beer cost” by Shawn Pogatchnick and posted in Business Week on December 9, 2014. This article says that Dublin (AP) which is one of the largest UK pub chains has dropped Heineken products after Heineken demanded that its distributors should sell its products at higher prices in Ireland (Pogatchnik 2014). This is in the spirit of anti-competitive practices in Ireland in which Heineken and Diageo are aiming to prevent Whetherspoon’s from successfully exploiting Irish beer market and forcing competitors to cut average price by almost half. Heineken also refused to supply Forty Foot, a newly owned pub of Wetherspoon’s. Heineken could lose a lot of profits if it ends its relationship with the pub chains of Ireland.

Wetherspoon’s chain is well known for selling food and drinks at cheap prices in UK. It’s entry into the Irish market would mean that competition would increase and prices would be driven down; Heineken is not happy with this, so it has demanded its distributors in Ireland including Wetherspoon’s and Dublin to sell its products at high prices (Pogatchnik 2014). Wetherspoon’s has a plan of opening 30 pubs in Ireland by buying failed businesses in the country as an entry strategy.

This article is relevant to the concept of marketing channels. The types of marketing channels are direct selling, selling through intermediaries, dual distribution, and reverse channels. The method used by Heineken in this article is the dual distribution mechanism whereby the company uses more than one channel simultaneously in the same market. For example, Heineken sells to Whetherspoon’s and Duplin at the same time to reach the market of Ireland. The concept of marketing channels suggests that the dual distribution channel may cause conflict among channels (Venugopal 2001, p. 67). This is what happened with Heineken as some of its distributors rejected its products.

The company also utilizes intermediaries and agents to sell its products which involve Manufacturer-Agent-Wholesaler-Retailer-Consumer. This marketing channel is used to reach the market indirectly to target markets (Venugopal 2001, p. 130). For example, Heineken sells to the market through pubs such as Duplin and Whetherspoon's which in turn sell to retailers or sell directly to consumers.

I think it is necessary for Heineken to avoid putting restrictions on its distributors because that action may cause conflict among distributors and interfere with the relationship between the manufacturer and its distributors. Heineken needs to use other competitive and marketing strategies to maintain its market share and make profits in Ireland rather than interfering with the price strategies of distributors. The company may use its brand image and differentiation strategies to maintain its sales and profits in the market. It may also use direct selling in Ireland now that its distributors have rejected its products. Direct selling involves the manufacturer selling directly to consumers using its retail stores. This will enable the company to have its own price control and avoid intermediary costs.

Works cited

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