

A brief history of heineken - company analysis



**ASSIGN
BUSTER**

Heineken is one of the global leading brewers. The company is headquartered in Amsterdam, the Netherlands, and spreads its business all over the world. In this report, we have taken a deep look into the Heineken Company. We will generally display the company portfolio, and then followed by the company's past 5 years performance. Afterwards, the report will focus on Heineken's international marketing activities with detailed explanations of its international marketing strategies. Ultimately, the report will extend to discuss miscellaneous topics of Heineken Company, and ends up with an exhaustive conclusion.

Introduction

Heineken is one of the world's biggest brewers and is committed to remaining strong and independent. The brand is named after the founder's name - Heineken - can be found all around the world. Heineken has become one of the most valuable international premium beer brand since last century and it is still growing stronger.

Heineken is also one of the experts of beer brewing and has built quite a number of specialty beers around the globe. In addition to the Heineken brand, there are more than 170 specialty beers which meet a variety of consumers' needs from every corner of the world. The famous brands include Amstel®, Europe's third-largest selling beer, Cruzcampo®, Tiger®, Zywiec®, Birra Moretti®, Ochota®, Murphy's® and Star®.

Heineken has wide international presence through a global network of distributors and breweries. Heineken owns and manages one of the world's leading portfolios of beer brands and is one of the world's leading brewers in terms of sales volume and profitability.

<https://assignbuster.com/a-brief-history-of-heineken-company-analysis/>

History

The Heineken story began more than 140 years ago in 1864 when Gerard Adriaan Heineken acquired a small brewery in the heart of Amsterdam. Since then, four generations of the Heineken family have expanded the Heineken brand and the Company throughout Europe and the rest of the world.

Employees

In 2007, the average number of employees employed was 54, 004

170 brands

Heineken's leading brand portfolio includes more than 170 international premium, regional, local and specialty beers. Our principal brands are Heineken® and Amstel®. We continually seek to reinforce our brands through innovations in production, marketing and packaging.

139. 2 million hl

The Heineken brand is available in almost every country on the planet. We own more than 119 breweries in more than 65 countries brewing a Group beer volume of 139. 2 million hectolitres.

Segments

Heineken applies typical Global Area Structure to their organizational strategy. Global area structure is an organizational arrangement in which primary operational responsibility is delegated to area managers, each of whom is responsible for a specific geographic region. (International Business, 5th edition, Rugman & Collinson).

Heineken distinguishes the following geographical segments:

- Western Europe
- Central and Eastern Europe
- The Americas
- Africa and the Middle East
- Asia Pacific

Head Office/eliminations.

Segment information is presented only in respect of geographical segments consistent with Heineken's management and internal reporting structure.

Heineken runs its business in five regions, which is in charge of regional presidents. Regional subsidiaries, which remain high responsiveness to the group departments, are responsible for management, risk assessment and operation efficiency. The distribution models of Heineken's is of a big variety. Goods are delivered in multiple ways in every country, depending on the countries' conditions, usually direct to the wholesalers or via third parties. Hence, distributions diverse. The various distribution models are taken in charge by regional subsidiaries as well. In such a circumstance, no secondary segment information is in hand.

Targeting

Young adult consumers (core aged 18-25) around the world is the group Heineken targets at. Heineken is aware of the rise of popularity of mixers and other drinks in this market.

Positioning

<https://assignbuster.com/a-brief-history-of-heineken-company-analysis/>

The premium positioning of the Heineken brand is crucial to the growth strategy. Maintaining this positioning requires a combination of the highest quality brewing process delivering the highest quality beer and creative and compelling marketing.

As the brand extends its global market share, and its positioning becomes more consistent, its marketing is becoming increasingly international. However, within the marketing mix, there will always be a requirement for locally driven campaigns and support.

Product strategy

Theory

Product strategies vary depending on the specific good and the customers. Some products can be manufactured and sold successfully both in the United States and abroad by using the same strategies. Other products must be modified or adapted and sold according to a specially designed strategy.

A number of factors can compel an MNE to use moderate to high product modification. These include economics, culture, local laws, and product life cycle.

Application

A key strength for Heineken is the fact that the product is produced to be exactly the same, no matter which of 115 or more breweries it was produced at. The recipe has stayed the same for nearly 150 years, and Heineken's attractive packaging and red star are recognizable nearly anywhere in the world. Heineken's entire brand image is centred on it being a superior quality

<https://assignbuster.com/a-brief-history-of-heineken-company-analysis/>

beer with exceptional taste. Heineken has also won many awards for its beer, which reinforces their claim that Heineken is a product of the highest quality. One potential weakness is that Heineken lacks a production base in many markets, which inevitably leads to higher costs associated with getting the product to market in these areas. However, the flip side to that is the consumer's perception of "premiumness" that is often associated with an imported beer versus one that is produced domestically. Another important strength for Heineken lies in their innovation, as is evident by their recently released Heineken Draught Keg.

Since the Heineken beer is recognized all over the world, and the product life cycle is quite short, there is no need to do large modification to the beer itself. Meanwhile, its package changes several times within a year, which makes it "fresh" to consumers and also an efficient way to promote their products.

Company performance

This report also analyzes the Heineken Company performance in a horizontal scope as well as a vertical scope. We will first measure its regional performance, and followed by a last 5 year performance evaluation.

As we know, Heineken Company is a Multinational Enterprise. It has been doing business in different regions worldwide. Taking appropriate measures when dealing with business with typical customers is quite important.

The financial statement of year 2009 will be released on March 20, 2010. So the analysis is mainly based on the data from 2004 to 2008.

Key figures

Revenue:

In general, the Heineken Company enjoyed increasing revenues in last 5 years, from € 10062 million (2004) to €14319 million (2008).

EBIT:

Earnings before interests and taxes (EBIT) is used as a primary measure of profitability, without taking interests and taxes expenses into consideration. The higher EBIT, usually, the better. The EBIT was €1348 in 2004, €1249 in 2005, reached its peak at €1832 in 2006, and then decreased to €1418 in 2007, even declined further to €1080 in 2008, measured in millions.

Net profit:

Net profit calculated by profit before taxes minus taxes. The net profit has almost the same trend as EBIT: rose from €642 million (2004) to € 1211 million (2006), then it suffered a downwards shrink to €807 million (2007) and €209 million (2008).

Dividends:

Dividends is a portion of money a company paid to its shareholders. It can be used to measure a company's financial health. The dividends of Heineken kept growing from €173 million in 2004 to €343 million in 2007. In 2008, it fell by a small amount to €304 million.

Net cash flow:

<https://assignbuster.com/a-brief-history-of-heineken-company-analysis/>

Net cash flow is a part of cash flow statement, represented the cash receipts minus cash payments. Net cash flow was -€550 million in 2004, leaped to €401 million in 2006, and dropped to -€227 million in 2007, finally climbed up to €225 million.

Regional analysis

Western Europe

Have an eye on Western Europe, Heineken is doing excellent: Heineken is Western Europe's leading brewer and the region is the biggest contributor to Group profitability, thanks to the strong market positions and excellent brand portfolio. Heineken is Europe's number one beer. Heineken has market leadership positions in the Netherlands, UK, Spain and Italy; and it is the number two player in France, Ireland and Switzerland.

In the Western Europe, in the year 2004 to 2007, the revenues were around €5, 400 million. However in 2008, it jumped to €7661 million. Heineken even generated €8, 432 million revenue, with earnings before interests and taxes (EBIT) €792 million in 2009. The total assets were €3924 million in 2004, but almost tripled to €11678 million in 2008. And the group beer volume has doubled in past 5 years, reaching 56, 345, 000 hl (2008). It takes up 38% of the Group's consolidated EBIT. Western Europe is Heineken's main market.

Central and Eastern Europe

Central and Eastern Europe is Heineken's largest region by volume. The business is benefiting from integration of acquired breweries and the

outcome of portfolio optimization. The Heineken brand is increasing its popularity.

The beer market there is largely influenced by financial crisis last year. The high price of our products can also be an influential fact. Within this region, the company earned increasing revenues between €2, 526 million and €3, 687 million in last 5 years, and EBIT from €254 million in 2004 to €389 million in 2009. The total assets have a 20% growth within 5 years. Group beer volume generated a 50% increase.

Africa and the Middle East

The improved political stability continues to drive economic development and improve purchasing power, making beer more affordable. The popularity of the brands and of Heineken beer in particular, is rapidly growing.

Heineken is the number two brewer in Africa and the Middle East.

The revenue in this region in 2009 was €1, 817 million, and EBIT was €485 million. In the past 5 years, the revenue doubled and the EBIT tripled, total assets also grew from €825 million to €1919 million. And the market volume is still rapidly growing. Heineken Company has a long-term orientation in this market.

The Americas

The economic downturn led to lower on-trade consumption and downtrading in the off-trade, especially in the USA. In the fourth quarter volume of the Heineken brand showed a positive trend in Canada, the Caribbean and South America.

In 2009, the revenue was €1566 million while the EBIT was only €210 million. The revenue welcomes a peak at 2006, and has a moderate float in the rest of 5 years. EBIT tells almost the same story. Total assets have a 50% growth over 5 years. And the group beer volume up soared by approximately 5, 000, 000 hl.

Asia Pacific

The revenue in 2009 was €309 million, and EBIT was €103 million, the company also has a long-term orientation in this region. The revenue has a continuous decline, from €471 million to €297 million, with slight floating. EBIT began at €63 million, ended at €65 million, and topped at €95 million 2006. Total assets experienced an upward trend from 363 to 552, measured in millions of euros.

Management

Heineken Holding N. V. controls the Heineken Company. The Heineken N. V. Executive Board has two members, CEO and CFO. And it is chaired by the CFO Jean-François van Boxmeer. The CEO is responsible for Group Commerce, Group Supply Chain, Group Human Resources, Group Corporate Relations, Group Legal Affairs, and Manager Group Internal Audit.

The CFO is in charge of Group Control & Accounting, Group Finance, Group Business Development, Group Process & Technology Directors, Group Strategy Director, and Group Strategic Partnerships.

There are five operating regions, namely, Western Europe, Central and Eastern Europe, The Americas, Africa and the Middle East as well as Asia-Pacific. Each region has a Regional President.

The Executive Committee is consist of two members of the Executive Board, the five Regional President, s and five Group Directors.

The Executive Committee supports the development of policy and ensures the alignment and implementation of key priorities and strategies across the organization.

Segmentation:

Heineken sells its beer all around the world and has a global market share of 7%. The prime market of Heineken is Europe, in 2008 almost 50% of Heineken its sales were in Europe. Asia-pacific and the Americas cover the other 50%.

The Americas count for nearly 30% of Heinekens sales, and the Asia-pacific for 20%.

Heineken has divided all the types of beer it sales into groups.

Standard lager, premium lager are the hold most products sold all over the world for Heineken.

Together they count for almost 85% of all sales of Heineken. With standard beer counting for 55% of the total sales. Furthermore Heineken has got the groups specialty beer, ales shouts and bitters, and low or no alcohol.

The group specialty beer count for 10% of the sales, so ales shouts and bitters, and low or no alcohol are of hardly any part of the sales of Heineken.

Targeting:

Because Heineken is a beer brand it can only sell to people who are older than a certain age.

That age is set by the governments. The general age set by the governments for people to buy beer and other alcoholic drinks is set at 16 years in and older to 21 years and older.

So the target market of Heineken is everyone older than the age set by the government.

In what way does Heineken target the separate markets within those markets?

To target the young adults (age 18-30) Heineken uses music.

Heineken organizes for example a deejay-contest a lot of young adults are willing to go to that party.

Heineken makes sure that their name is all over the place and that the party is a huge success

Only Heineken beer is sold on that party, their name " Heineken" is everywhere you look.

In this way Heineken makes sure that their name is widely known. Their name is also associated with successful parties so every time those young

<https://assignbuster.com/a-brief-history-of-heineken-company-analysis/>

adults go to a party they will compare it to the Heineken party. That is the way of getting a good reputation among young adults.

Because of this reputation Heineken will sell more beer to those young adults, which is their goal.

Beer is very often associated with football.

Heineken is a sponsor of the UEFA Champions League. At the beginning and during a football match their name is on billboards on the sides of the field. Their name is also mentioned before the match begins, for example: this match is sponsored by Heineken.

In this way Heineken associates itself with football. Their target market with this type of advertising are the man who like watching football and who are allowed to drink, which is a big group.

They are indirectly targeting the young people who are not yet aloud to drink, because they are watching to that match to they associate watching football with Heineken, so when they are allowed to drink they will probably buy Heineken to drink during the match.

To target the women Heineken introduced Jillz and beer that is less bitter.

Jillz is a apple cider mixed with water and barley malt and fruit.

It is developed especially for women, because most women don't like beer. When you look at the commercial of Jillz you see four good looking men picking apples.

Because women like watching to those men they will buy Jillz assuming that by drinking Jillz they will encounter such a good looking guy.

Another way of targeting the women is by introducing a beer that is less bitter.

Heineken introduces products like Wieckse Witte a white beer, which is less bitter than normal beer and has got a reddish color. Heineken introduced this type of beer because they assumed that women don't like beer because of its bitterness.

Positioning, Market entry and distribution strategies:

Waar verkopen ze en hoe krijgen ze de producten daar en hoe zijn ze in die markten binnen gekomen?

Heineken sell its products almost everywhere in the world. Because beer hasn't got a high value per liter. Distributing the beer by for example a tanker is too expensive, so Heineken has to have a lot of breweries to supply in the countries they sell their beer in. because of this Heineken has got approximately 120 breweries in more than 70 countries.

Heineken mainly sell its products through supermarkets/hypermarkets, specialist retailers and on-trade business. 7% of its products is sold on a different way.

Drawing a conclusion this mean that Heineken is depending on other retailers to sell its products.

Heineken doesn't have got a shop that sell only Heineken products. The only way in which Heineken is selling its own products is through internet. People can order Heineken beer on the official Heineken site, for example on www.Heineken.nl.

Product strategies:

There are a lot of different types of beer; there are bitter beers, sweet beers, sour beers, beers with a different amount of alcohol in it and different colors. This are some things that Heineken can differ its beer in. This shows that there are a lot of types of beer, but beer doesn't need a lot of modification.

Heineken has got many different types of beer, even in one country.

Heineken has got a total of 200 different products.

There are different reasons for those modifications. According to "International Business" a book from Alan M. Rugman and Simon Collinson, there are four points on which a product has to be modified:

Economics, culture, local laws and product life cycle.

Economics:

In each country the customers have got different needs. People want different amount of beer in a bottle, or they want more alcohol in their beer. Because of all these different needs Heineken has got to make a lot of different products, products that differ in size, alcohol percentage and shape.

In the Netherlands for example, Heineken sell their beer primarily through the super markets and in bars. So Heineken sells often sells its products in

<https://assignbuster.com/a-brief-history-of-heineken-company-analysis/>

bottles in crates, and in casks. The amount of beer in the bottles is approximately 33 cl.

Culture:

The history of beer a country and the time beer is present in a country causes many different tastes for and in those countries. In Germany for example people like to drink light beer(white beer). So when Heineken wants to sell beer in Germany it should not come up with dark beer with a high percentage of alcohol. So the culture of countries causes a lot of different demands for beer.

Local laws:

The laws of a country are very important for the beer products. When Heineken is not allowed to sell beer with a high percentage of alcohol in it, or when they are forbidden to use a certain ingredient, Heineken has got to come up with different products.

Product life cycle:

This concept states that a product has got to develop in order to maintain its sales.

So Heineken needs to modify the beer products in order to keep ahead of the competition.

Another reason to modify is to try and come up with other types of product before the demand of other products has declined to much, and to try and get to new markets.

<https://assignbuster.com/a-brief-history-of-heineken-company-analysis/>

An example for this is Jillz, Heineken wants to sell its product to women, it keeps ahead of the competition, because the competition didn't come up with the same idea, and it invents a new product before another product, Wieckse Witte, shows a decline in sales.

Pricing strategies:

According to "International Business" a book from Alan M. Rugman and Simon Collinson, there are four forces that influence the pricing.

Government controls, Market diversity, Currency fluctuation and Price escalation forces.

Government controls:

The government in the Netherland raises an excise on products that contain alcohol.

Because beer contains alcohol, the prices of Heineken beer are higher than they would have had without that tax. The excise on crates is the same for every company, so Heineken can compete to other beers. Because Heineken is a premium beer, the price for a crate of Heineken is a lot higher than other types of beer. Therefore Heineken competes with other premium beer brand.

Market Diversity:

The marker diversity between countries causes different prices between those countries.

A premium beer a Heineken can encounter a low demand for its beer.

Heineken is then forced to sell its products for a low price to gain market share or just to sell beer.

Heineken doesn't really have this problem, because they have over 200 different types of beer, so there is a high probability that Heineken does have the taste the people in that country like.

Currency fluctuations:

The currency fluctuations between countries cause higher or lower prices for Heineken beer that is exported.

When the value of a currency in a country, where Heineken has got a brewery, declines compared to an country where the beer brewed is exported to, the prices of Heineken beer will increase compared to local beer brands.

Price escalation forces:

When the prices of producing Heineken increase by 25 cents, Heineken will try to pass this along to retailers in the production cycle closer to the consumers. Every retailer in the production cycle wants to make profit, so they will add an percentage increase.

This increase in price will be larger the closer the product gets to the consumer.

The increase of 25 cents may increase the prices in the supermarket with 35 cents.

<https://assignbuster.com/a-brief-history-of-heineken-company-analysis/>