

# Heineken n.v.: global branding and advertising assignment

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**OVERVIEW** The Heineken brewery, founded in Amsterdam in 1863 by Gerard Adriaan Heineken, is one of the largest brewers in the world. With sales throughout Europe, America, Asia, Australia and Africa, Heineken was second in volume of beer brewed behind only Anheuser-Busch in 1993. While Europe, particularly the Netherlands, provided the majority of its sales revenue, international expansion provided the majority of sales growth from 1992 to 1993.

As the trend toward international expansion and the globalization of the brewing industry increased, the importance of effective advertising strategies and projecting an appropriate brand image became increasingly important. Expansion into emerging markets forced Heineken to deal with many new challenges. Heineken began losing control over advertising and pricing when it licensed foreign brewers to produce Heineken beer. Also, the landscape of the beer industry was quite different in emerging markets when compared with the European beer industry.

Variables such as per capita consumption, consumer preferences and behaviors changed considerably depending upon the country and its stage on the beer market evolution scale. Simultaneously, the European market was also changing as sluggish growth created increased price competition and margin pressures. As a result of all these pressures, the Heineken brand was being inconsistently communicated through fragmented marketing strategies to its worldwide base of customers. Heineken executives viewed this as a potential problem that needed to be addressed if the company was to continue as a leader in the beer industry. See Exhibit 1) **INDUSTRY**

**TRENDS** In the early nineties, major changes were taking place within the <https://assignbuster.com/heineken-nv-global-branding-and-advertising-assignment/>

beer industry. The brewing industry was becoming increasingly global causing major brewers, particularly in emerging markets, to expand by way of acquisitions and joint ventures. The untapped Chinese market, for instance, offered vast growth potential. By late 1993, China would surpass Germany as the second largest beer drinking nation in terms of volume (Beer Companies Set up Role in China Market).

Industry experts forecasted double digit growth for years to come as China's per capita beer consumption increased, eventually making China the world's largest beer drinking nation. Other emerging markets presented similar opportunities such as Mexico and other Latin American countries. Along with these opportunities, however, came the challenge of gaining acceptance in foreign markets and meeting the unique needs of its consumers. As new markets emerged, the more traditional markets were showing the effects of being in latter stages of the beer market evolution scale.

The U. S. market like many in Europe, for instance, had reached the point of stagnation as a result of its aging population. Sales of domestic beers within the U. S. had fallen 2. 1% in 1992. Of the U. S market, only 4% was comprised of imports. Sales of Heineken, the leader in the import market, made up 22. 8% of the segment. As noted in a 1992 industry article, " The Brand's \$11 million advertising budget, hefty for an import, dwarfed all but the smallest domestic beers" (Imports Brew New Success, 1992). However, U. S. onsumer's price sensitivity and increased competition continued to keep the import segment at a low percentage of overall sales. Other trends stemming from consumers personal preferences also began to emerge

during this time. For instance, the number of Heineken's glass shipments to U. S beverage businesses increased considerably. Glass shipments were up 4% in 1993 (" Glass of 94", 1994). This was most likely a result of consumers' preference for a higher quality or " premium" glass container to hold their beverage as opposed to a can or plastic bottle.

Increased sales of " premium" glass containers showed that more consumers were choosing premium products over the " lesser quality" domestic beers, a trend that continues today. However, meeting these varied consumer needs in such dynamic markets would prove quite challenging for the brewery industry. PROJECT COMET & PROJECT MOSA In the early 90's, Heineken executives commissioned two projects to explore the possibility of creating a unified worldwide marketing program. The first project was called Project Comet.

Established by Heineken's international marketing manager, Project Comet's goal was to enhance the company's competitive advantage by consistently projecting Heineken's brand image as " the world's leading premium beer. " Through its research and analysis, the Project Comet team concluded that regardless of the country or market the desirable brand image for Heineken was " good taste. " The team then identified five core brand values to support this single brand image. These five core brand values were: taste, premiumness, tradition, winning spirit and friendship.

Although incorporating each of these values into each advertisement could prove challenging, the project team believed it could be done in an impactful and state of the art manner. The second project, Project Mosa, was started a

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couple years later by Heineken's international advertising manager. The project consisted of commissioning focus groups in eight countries to understand (1) what male beer drinkers meant by taste and friendship in relation to premium beer drinking and (2) which expressions of taste and friendship could be used by the Heineken brand in advertising.

Focus groups in eight countries were shown boards with visual and message stimuli depicting expressions of taste and also expressions of friendship. The project team collected data based on the participant's reactions to these boards in order to decide how to best reach Heineken's target audience. The results of Project Comet and Project Mosa directly conflicted with one another. The results of Project Mosa show that indications of beer taste vary, sometimes greatly, depending upon geographic location.

In addition, it showed that the reactions of Heineken consumers to expressions of taste and friendship are not uniform throughout the world. As a result, the findings of Project Mosa indicate that advertising a consistent worldwide brand image (as proposed in Project Comet) could have a negative impact on Heineken's customers and ultimately on Heineken's brand image. Furthermore, Project Mosa showed that not every core brand value (taste, premiumness, tradition, winning spirit and friendship) affect consumers' buying habits.

As consumer's ideas of taste, tradition, winning spirit, etc. vary by country, creating consistent advertising and marketing strategies becomes difficult, if not impossible. Another issue with these two projects is that neither Project Comet nor Project Mosa could possibly provide a basis for a meaningful

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marketing strategy because both were unfairly biased from the start. In the case of Project Comet, a Heineken project team developed a single, desirable brand image, a set of core brand values and the means of conveying these core values to consumers.

However, the project doesn't appear to consider any opinions outside of the Heineken project team. No third party market research appears to have been used when developing the core brand values or the means of conveying them to consumers. Similarly, Project Mosa makes some major assumptions at the outset of the project which inevitably bias its results. First, focus groups only select male beer drinkers. Presumably male beer drinkers are its largest demographic, however, this decision would preclude advertisements from targeting female beer drinkers, a potentially large segment.

Second, project team members produce the boards for the focus groups and only solicit reactions to the boards. By controlling the questions, project team members restrict the feedback that focus group participants are able to contribute. Finally, the selection process for the focus groups is questionable. It doesn't appear that these focus groups were randomly selected. Rather, it seems they were deliberately selected based on the project team's idea of a Heineken customer. All of these biases would have a major impact on the results of the project and call into question the validity of the data collected.

**RECOMMENDATIONS** Heineken cannot standardize its advertising and communication methods throughout the world if market characteristics differ dramatically from market to market. For instance, emerging markets with

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developing beer industries and low per capita beer consumption require very different strategies compared to Heineken's traditional European market which is in the declining phase of beer market evolution. In the European market, Heineken will act as more of the "differentiated defender" where it has a large share of the market and is looking to maintain this status.

The "differentiated defender" strategy requires ability to compete on quality, service, marketing and sales in order to protect itself against competitors. In the emerging markets, Heineken should be the "prospector" and be prepared to react to new opportunities, deal with volatile markets and adapt to consumer's needs and tastes. These two distinct strategies would require distinct marketing efforts in order to reach very different target audiences with unique needs, tastes and cultures, depending on a market's stage in the beer evolution lifecycle (Marketing Management: A Strategic Decision-Making Approach, 2007). (See Exhibit 2) In order to create effective marketing to support these strategies, Heineken must first understand the intricacies of each market and the varying needs of the consumers in those markets. First, Heineken needs quality market information to better determine where and how it can be an effective "differentiated defender" versus an effective "prospector".

For instance, the "differentiated defender" strategy requires expert marketing activities that track changing customer needs and competitive actions as well as top-notch sales efforts that communicate a product's unique advantages. The nature of the market research methods used in Project Comet and Project Mosa cause a lack of confidence in the data.

Heineken's marketing activities can be greatly improved by using observation methods and in depth interviews rather than just non-random focus groups as primary qualitative sources of information.

Heineken can further improve its research capabilities by obtaining quantitative data through secondary sources to determine consumer behavior patterns, preferences and buying habits. Heineken can leverage this research to identify key consumers needs or emerging consumer needs and adjust their product offering or marketing communications to cater to these needs (Marketing Management: A Strategic Decision-Making Approach, 2007). Once Heineken has analyzed each market, it can then begin to create marketing strategies that effectively target consumers.

Each market shouldn't require a unique marketing strategy; rather similar markets could leverage the same strategy. For instance, if market research shows a strong correlation between customer's tastes in Australia and the United States then those two geographic regions can be combined in terms of marketing strategy. So while a single standardized marketing strategy doesn't make sense, combining markets and/or countries where appropriate could streamline Heineken's marketing efforts while effectively reaching target audiences.

Developing a strong brand, particularly a premium brand, requires deep insights into consumers' tastes and preferences. In a recent Just-Drinks article a Heineken executive was quoted as saying, " The premium positioning of the Heineken brand is crucial to our growth strategy.

Maintaining this position requires a combination of the highest quality

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brewing process delivering the highest quality beer and creative and compelling marketing. As the brand extends its global market share, and its positioning become more consistent, our marketing is becoming increasingly international.

However, within the marketing mix, there will always be a requirement for locally driven campaigns and support. " (Global Market Review of Premium Beer ??? Forecasts to 2013: Premium beer consumers and marketing strategies, 2007) Only the willingness to change and adapt any aspect of Heineken's branding or advertising will allow its premium product to succeed in the dynamic, global brewing industry. Exhibit 1: SWOT of Heineken in 1993-1994 Strength Weaknesses ??? High Quality Lager ??? " Premiumness" of brand ??? Tradition: Star in label is 500 years old Comedy: Smiling " e" ??? License agreements: not having full ownership or majority equity stake sacrifices advertising ??? Use of Focus groups to project population's preferences for taste and friendship ??? No use of third market research or secondary information Opportunities Threats ??? Growing emerging Markets ??? Enhancing brand by capturing each market's uniqueness and cultures ??? Owning wide network of breweries : fresher product ??? Expanding network of breweries: fresher product ??? Using a " one size fits all" marketing strategy ??? Use of biased and narrow research Loss of brand value in customer's mind due to inconsistent messages ??? Sluggish revenue growth forecasted in Europe Exhibit 2: Alternative Corporate Growth Strategies Current Products New Products Market penetration strategies ??? Increase market share ??? Increase product usage Increase frequency of use Increase quantity used New applications Product development strategies ???

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Product improvements ??? Product-line extensions ??? New products for same market Market development strategies ??? Expand markets for existing products Geographic expansion Target new segments Diversification strategies ??? Vertical integration Forward/backward integration Diversification into related bus (concentric diversification) ??? Diversification into unrelated businesses (conglomerate diversification) Current Markets New Markets WORKS CITED Imports Brew New Success; Pricier Beers to Grow 7%, Gary Levin, October 5, 1992, Lexis-Nexis. com Glass of '94, Eric Sfiligoj, Beverage World, Jun 1994. Proquest. com Marketing Management: A Strategic Decision-Making Approach, Mullins, Walker & Boyd, Sixth Edition, pages 214 ??? 267, 2007. Global Market Review of Premium Beer ??? Forecasts to 2013: Premium beer consumers and marketing strategies, Michael Mayers, Just-Drinks, August 2007.