



Marketing philosophy of Heineken

A report of STAP of an open presentation of a lecture by Anthony Ruys, former president of the Board of Directors of Heineken Inc.; October 2005.

The Heineken holding

The management of Heineken is founded on four notions:

1. Vision: Make sure that Heineken beer is available even in the remotest areas of the world.
2. Creativity: To materialize this vision.
3. Power: Make sure that Heineken always is of good quality, tastes the same everywhere, and is available anywhere.
4. Consistency: Do not confuse consumers, always maintain the same strategy.

The Heineken family economically owns 25% of all the company's shares, but via the holding has a participation share of 51%. Since Freddy Heineken took over the company, its value has multiplied by a factor of 3000. This growth can be attributed mainly to export. Heineken sells strong local brands, sticks on the Heineken label and profits from the incorporated business licenses. In each individual case, Heineken chooses between brewing the beer locally or exporting it from the Netherlands.

USA

In the USA, Heineken consciously decided not to brew locally. Americans know that the real Heineken beer comes from the Netherlands. Heineken can charge twice as much for this unique, 'made in Holland' product. Moving production to the US would mean a loss of these margin options. It also hardly costs anything extra, because Heineken has managed a good deal with the port authorities. Annually, Heineken exports 90.000 sea containers. The total American beer production is produced in two Dutch breweries. The official drinking age limit of 21 is problematic for Heineken, and Ruys speaks of it rather disdainfully.

Burma

Burma seemed a good market for Heineken. Heineken had begun successful production there, Dutch government had agreed to it. In the US, messages about child labor in Burma cropped up, and the question was asked whether Heineken was aware of the problem. The American consumer association pronounced a day of Heineken boycott. This resulted in the immediate decision to withdraw from Burma, since just one day of consumer boycott in the US would cost more than the possible gains of 5 years of production in Burma.

South Africa

This remains uncertain. According to Ruys, success depends on Heineken's creativity in connecting to the African situation. He does not elaborate on what this might entail specifically.

Russia

Russia clearly is an growing market for Heineken. At the moment, this market is growing by 20 percent every year. Heineken incorporates local breweries, and has in this way become the third brewery in Russia. For Heineken, Russia is the world's most important country. Spain occupies second place, France third, and the Netherlands itself takes up the seventh or even eighth position. The Netherlands therefore does not present a large share in the total market for Heineken.

Heineken intends to consistently expand its market in Russia. The company confers with other suppliers in Russia about the promotion of beer as alternative to hard liquor (such as vodka). Heineken at this moment has a portfolio of 140 different brands. The Heineken home brand constitutes about 20 percent of the total turnover in Russia. At present, Heineken produces 12 million hectolitres for Russia. Heineken has set itself the goal of becoming the second or even first brewery in Russia.

China

Compared to Russia, Heineken aims at a similar kind of growth in China.

The Netherlands

The home market always carries a special significance, but the Dutch market does not show any potential for growth anymore. European regulations from Brussels are a matter of concern for Heineken. When you own over 30% of the market, you are not allowed to make any long-term deals with bars. Heineken owns nearly 50% of the Dutch market. A competitor who for instance owns 29% of the market, is allowed to settle five year deals, and often does this at lower prices. The consequence is that breweries with a smaller market share can successfully offer cheaper quotations for longer time spans to bars who have proven to be successful when still contracted to Heineken.

Growth

In the 1990s, the beer market in the rest of Europe and the US became rather saturated and has even shrunk a bit. This can, among other things, be attributed to the rise of shop brands, and the imitation of Heineken's strategy by other breweries. Heineken dropped from second to fourth position in the global ranking. Mergers of breweries have also added to this process, Stella Artois has particularly presented problems to Heineken. In Colombia and South America, growth is deemed impossible, respectively because of another brewer and a range of family businesses that own monopoly positions. Because of the notion of Consistency, Heineken is not prepared to change anything about the taste of its beer, so attention is mainly directed towards new packaging and applications. The 'beer tender' is an example of a successful innovation. About 100.000 of these were sold in the last eighteen months.

Mission

Ruys has implemented a rejuvenation cure within the Heineken concern. Heineken's mission therefore is that the Heineken Company and its product are youthful, vital, relevant and sexy. The goal of a youthful product is expressed by the continued titillation of consumers. The goal of a youthful company is expressed by keeping the business attractive for the best university students, so that good management can be guaranteed in the future.

Responsibility

According to Ruys, Heineken definitely has certain responsibilities. The company is at the centre of media and Internet attention. Though Ruys emphasizes Heineken's responsibility, he readily admits that it is hard to strike a balance between making as large a profit as possible, and taking one's responsibility. He maintains that many general practitioners will agree that alcohol is even a good treatment, and he makes a slip of the tongue when he states that Heineken sells a healthy product. He recovers and says that Heineken sells a not-unhealthy product.

He feels that Heineken should express to the consumer that alcohol is fine, but only at certain intervals. In the Netherlands, this tendency is already apparent in the shape of the well-known

national "Enjoy, but Drink with Moderation" campaign. In other countries, such activities are left mostly to the Heineken company itself (!).

Ruys posits that the theme of responsibility especially needs to be given attention within his own company. For the longest time, it was good measure that a Heineken representative would even during the day, in every bar he visited, drink something with the bar owner to celebrate the closing of a deal. It is this culture that Heineken needs to shake off, a hard feat according to Ruys. The BoD has therefore ordered short instruction movies for her personnel, warning about this matter. The intention is that the 50.000 employees convey that they love Heineken very much, but know how to deal with alcohol. "That way, we as a company can emanate this."

Contact with WHO

Heineken wants to offer her employees good health service. In countries where such service is not the rule, such as in many countries in Africa, the company provides its own hospitals for expatriated Dutch employees. The WHO has criticised Heineken for distinguishing between Dutch and African employees, and for taking care only of employees themselves and not their family. In answer, Heineken has agreed with the WHO to take care of all people involved (80.000 people worldwide).

Heineken is the first company to settle such clear agreements with the WHO. Heineken and its employees are very proud of this decision. Heineken used to be held in ill regard by the WHO, and in some countries no dialogue was possible. Now Heineken and the WHO communicate well. Heineken gains on all accounts. Its own employees carry on working much sooner after medical problems, and its image towards the WHO has been much improved. Of course, Heineken does hope that the medical systems in the countries concerned will improve soon, because the extra care for the families of employees presents a lot of extra costs. Ruys even maintains that when an employee changes jobs to work for the competition, or becomes a criminal, the Heineken medical services remain available to that person. Ruys admits that care for the employees was not Heineken's sole goal; it was a good business decision, especially for the company.

(Ruys spent about 1/3 of his lecture on this subject and kept returning to the unique aspect of Heineken's caring attitude and the agreements made about this with the WHO, STAP).

Advertising

Advertising can create cultural changes in the way people think about beer. On the other hand, advertising needs to address the changing culture in any particular country. In developing marketing campaigns, Heineken takes into account where a brand is positioned globally, and conversely what the best way is to advertise there. It is, for instance, important to emphasize either achievement or enjoyment. In China, advertisements are based on achievement, connecting to the Chinese idea that you have to work hard to achieve something. In the US, emphasis is put on enjoyment, when Americans have enjoyed themselves the whole day, that in itself is an achievement to them. Though Heineken is a global brand, the company purposefully does not use the same advertisement style all over the world. The idea is that by connecting to 'local situations', the consumer will develop a greater emotional tie to the company ("for me" vs. "not for me").

In many foreign countries, Heineken invites a group of people between 20 and 30 years of age to think with the company about new concepts and commercials. This strategy fits with the notion of being open to the opinions of young people and of being in close contact to consumers. In this way, the idea of an aluminium bottle was developed in a discotheque in Paris. It was based on the wish to dance with a beer in hand. This is hard with a glass, much easier with an aluminium bottle.

As a way of concluding the lecture, Ruys shows the audience various foreign Heineken advertisements.

Slogans in foreign commercials:
Heineken, it's all about the beer.

Heineken, meet you there.
Heineken, never settle for less.
Heineken, welcome to the champion planet (advertisement during the Champions League).
If you drink and drive, think about others too (commercial with a drunken seeing-eye-dog).
It has to be Heineken.

Questions

Does Heineken do anything for alcohol addicts?

Heineken confers with the Jellinek organization concerning this matter. *(Ruys made this short remark in between other matters, and does not spend any more attention on this question, CP).*

In areas such as Africa and Russia, a culture of over-drinking is manifest, with the associated negative consequences (such as aggression within marriages). Doesn't Heineken add to these problems by increasing sales in these specific areas of the world?

"Alcohol is a part of society, and a legal product. Many general practitioners will concur that alcohol taken in limited amounts is quite healthy, and relaxing. Alcohol has always been a very regular manufactured good. In other words, Heineken offers a product that is not unhealthy, and that is a normal part of society; there is nothing wrong with that.

You just spoke of the rejuvenation cure which Heineken has implemented, and about the need to keep titillating consumers. How does Heineken address the "new consumers" of 16 years and older (to bind this new group to its brand)?

Heineken has made agreements with the STIVA, the company is not allowed to specifically target young consumers. Ruys does acknowledge the trend that young people are starting to drink at increasingly younger ages.

What do you do to get these consumers to drink Heineken beer at a later stage (when this actually is allowed)?

Heineken has also made agreements with competitors not to target this group, the struggle for these consumers therefore starts later.

(Unfortunately, I do not get an answer in the intended direction, even after a number of interruptions; Ruys chooses a different perspective, CP)

Do you at present see any new possibilities or trends in the area of alcohol?

There has been a clear trend in the US towards more drinking of light beer. That market is now in fact larger than the market for regular beer. Heineken has recently run a study in Great Britain, to see whether there could be a market for this type of beer in Europe, but the results showed that there is hardly any interest in this type of product in Europe. Therefore, Heineken will not offer light beer here. In the Netherlands, there are no trends visible at this moment. For a short while, there was some demand for 0% beer and Buckler even had a share of 8 percent at some point, but this disappeared quickly. At this point, Ruys does not recognize any other trends in the Netherlands.

Some details:

Place: Leadership Panel; Economic Faculty Association (EFV); University of Groningen
24 October 2005; Entrance: no fee, open to all

Career Ruys

Education: Trade Law, University of Utrecht + Harvard Business School

1974 - 1993: Unilever

1993 - 1996: member of the Board of Directors (BoD) Heineken Inc.

1996 - 2002: vice-president BoD Heineken Inc.

2002 - oct. 2005: president BoD Heineken Inc.

Active member of various boards and councils, among others Robeco Group Inc.

STAP; National Foundation for Alcohol Prevention; The Netherlands; www.alcoholpreventie.nl