

## Case 7

# Heineken N.V.: Global Branding and Advertising

In January 1994, senior managers at Heineken headquarters in Amsterdam were reviewing two research projects commissioned to clarify Heineken's brand identity and the implications for television advertising. Project Comet defined five components of Heineken's global brand identity and explored how they should be expressed in Heineken brand communications. Project Mosa, which involved a different team of executives, identified the expressions of taste and friendship that had the most appeal and explored how they should be expressed in Heineken television advertising worldwide.

Heineken's senior managers were interested in assessing whether or not the conclusions of the two studies were mutually consistent. They also wished to determine how far they should or could standardize Heineken's brand image and advertising worldwide.

### 7.1 Company Background

The Heineken brewery was founded in Amsterdam in 1863 by Gerard Adriaan Heineken. He was quoted as saying: "I will leave no stone unturned in attempting to continuously supply beer of the highest quality." The strain of yeast which continued through the 1990s to give Heineken beer its special taste was developed in 1886. Heineken beer won a gold medal at the 1889 Paris World's Fair and, by 1893, was one of the largest selling beers in the Netherlands.

One hundred years later, in 1993, Heineken N.V. recorded net sales of 9,049 million guilders and a trading profit of 798 million guilders. Beer accounted for 82% of sales, the remainder being derived from soft drinks, spirits and wine. The geographical breakdowns

of sales (in litres) for Heineken and the worldwide beer industry were as follows:

|                  | Heineken<br>1993 Sales | % Change<br>vs. 1992 | Total 1993<br>Beer Sales % |
|------------------|------------------------|----------------------|----------------------------|
| Netherlands      | 24                     | } (1.6)              | } 38                       |
| Rest of Europe   | 47                     |                      |                            |
| America          | 13                     | 5.3                  | 38                         |
| Asia/Australasia | 8                      | 23.7                 | 19                         |
| Africa           | 6                      | (1.5)                | 5                          |

In 1993, sales of beer brewed under Heineken's supervision reached 5.6 billion litres, second in the world only to Anheuser-Busch with 10 billion litres. World beer production in 1993 totaled 120 billion litres.

Sales of the Heineken brand were 1.52 billion litres in 1993. The company's other brands with some international distribution were Amstel (formerly made by the second-largest Dutch brewery, acquired by Heineken in 1968) which sold 630 million litres; Buckler, a nonalcoholic beer, which sold 90 million litres; and Murphy's Stout, recently acquired and sold principally in Ireland and the United Kingdom. As a result of acquisitions, Heineken also oversaw the brewing of many local and regional beer brands marketed by its subsidiaries, such as Bir Bintang, the leading Indonesian brand.

### 7.2 International Presence

The Heineken brand had long been available in markets outside the Netherlands. In 1937, Heineken granted its

first license to a foreign brewer to produce Heineken beer according to the original formula. While licensing agreements also aimed to specify how the Heineken brand should be marketed, Heineken could not influence how a licensee marketed its own brands. In management's view, some licensees did not maintain a sufficient price premium for the Heineken brand over their own national brands. By the 1980s, Heineken was seeking majority equity stakes in its existing and prospective partners to ensure tighter control over production and marketing. The ideal national brewer partner, from Heineken's point of view, was one that did not have international ambitions for its domestic brands.

By 1993, Heineken's worldwide brewing interests were as follows:

|                      | Wholly<br>Owned<br>Subsidiaries | Majority<br>Equity<br>Stakes | Minority<br>Equity<br>Stakes | Licensees |
|----------------------|---------------------------------|------------------------------|------------------------------|-----------|
| Europe               | 3                               | 5                            | 0                            | 2         |
| American             | 0                               | 4                            | 10                           | 2         |
| Asia/<br>Australasia | 0                               | 2                            | 8                            | 2         |
| Africa               | 0                               | 4                            | 10                           | 2         |

In Europe, for example, Heineken owned outright its operations in the Netherlands, France, and Ireland. It held majority interests in breweries in Greece, Hungary, Italy, Spain, and Switzerland and licensed production to breweries in Norway and the United Kingdom (Whitbread). Heineken was not bottled in the large United States market, but was the number one imported beer. In Germany, the heaviest beer-consuming country in Europe (144 litres per capita), national brands still dominated the market and Heineken was available only through imports.

In the early 1990s, the brewing industry was becoming increasingly global as the leading brewers scrambled to acquire equity stakes and sign joint ventures with national breweries. This trend was especially evident in the emerging markets where population expansion and increased per-capita consumption promised faster growth than in the developed world. In Europe, in particular, overcapacity and minimal population growth resulted in price competition, margin pressures, and efforts to segment further the market with no- or low-alcohol beers, specialty flavored beers, and “dry” beers.

Despite the increasing globalization of the industry, there remained substantial differences in per-capita beer consumption, consumer preferences and behaviors, and

the mix of competitors from one market to another. For example, annual per capita consumption ranged from 132 liters in Ireland and 88 liters in the U.S.A. to 56 liters in Japan and 30 liters in Argentina. Heineken executives believed that the beer market in each country followed an evolutionary cycle and that, at any time, different countries were at different stages of market development. Exhibit 1 depicts the beer market development cycle while Exhibit 2 notes Heineken's principal marketing objectives in selected markets.

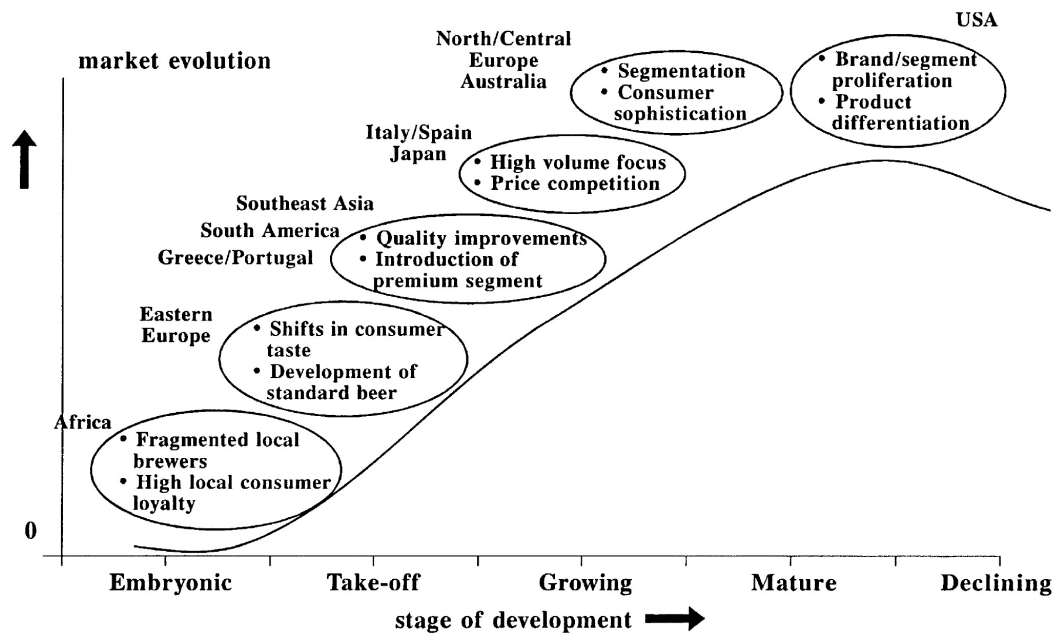
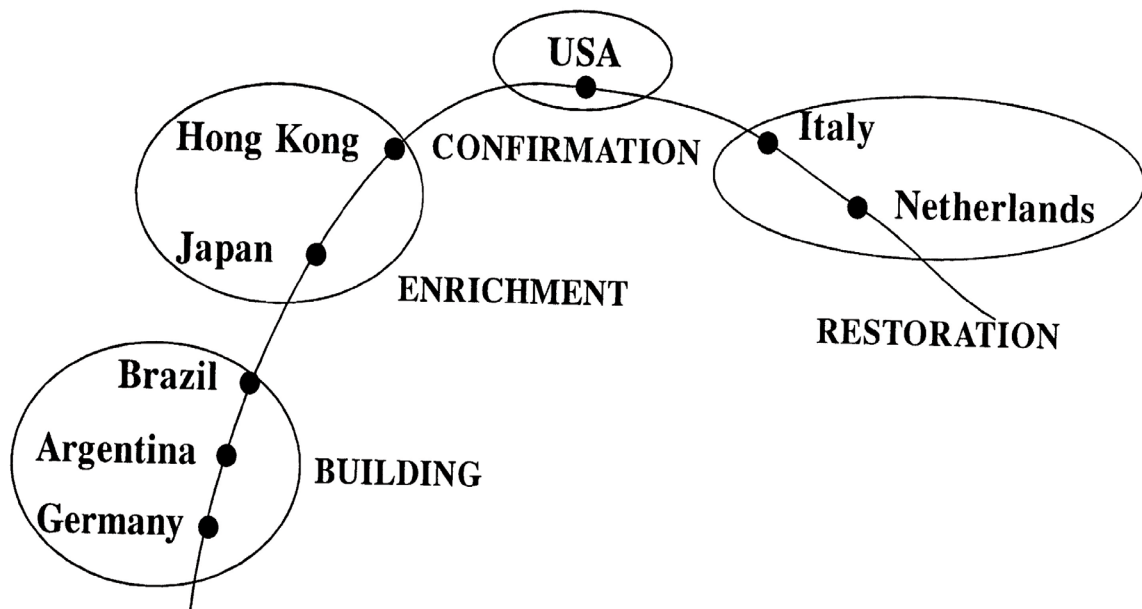
At the end of 1993, the Heineken brand held a 24% volume share in the Netherlands, several share points ahead of its main competitor, Grolsch. As the market leader, Heineken was viewed as a mainstream brand. Sales volume was declining and the brand image needed some revitalization. Outside the Netherlands, however, Heineken had consistently been marketed as a premium brand. In some markets, such as the United States and Hong Kong, Heineken had successfully established a distinct image for the brand. The image was sometimes narrowly drawn such that Heineken was seen as appropriate solely for special occasions when making a social statement was important rather than for daily consumption. In other markets, such as in Latin America, Heineken was viewed as just one among many European imported beers. But across all markets, the Heineken brand was acknowledged as a lighter beer of superior quality presented in attractive packaging.

Comparative data on the Heineken brand's market position in seven European countries are presented in Exhibit 3. Premium brands accounted for around 25% of beer volume in 1993 and around 30% of measured media beer advertising. Heineken was the most heavily advertised premium brand in Europe and worldwide. Over 90% of Heineken advertising took the form of television commercials.

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### 7.3 Project Comet

Managers at Heineken headquarters were concerned that Heineken's brand image was not being consistently projected in the brand's communications around the world. Two television advertising executions were used in multiple country markets in 1991, but, particularly in the larger markets, local Heineken managers had the resources to develop their own commercials and justified their decisions to do so on grounds of unique competitive conditions, industry structures, and/or consumption behaviors.

**EXHIBIT 1 Beer Market Evolution for Selected Countries and Regions****EXHIBIT 2 Key Heineken Marketing Objectives in Eight Countries**

**EXHIBIT 3**      **Comparative Heineken Usage Data for Seven European Markets**

|                                                   | Netherlands | France | Greece | Ireland | Italy | Spain | United Kingdom |
|---------------------------------------------------|-------------|--------|--------|---------|-------|-------|----------------|
| Main brand usage <sup>a</sup>                     | 17          | 14     | 44     | 25      | 7     | 5     | 11             |
| Trial/awareness ratio                             | 92          | 89     | 99     | 91      | 86    | 66    | 90             |
| Regular/total usage ratio                         | 46          | 40     | 54     | 42      | 28    | 25    | 41             |
| Monthly brand penetration <sup>b</sup>            | 60          | 48     | 79     | 57      | 53    | 63    | 60             |
| Market share position <sup>c</sup>                | 1           | 2      | 1      | 2       | 3     | 7     | 7              |
| Advertising share of voice position <sup>d</sup>  | 1           | 2      | 4      | 5       | 4     | 6     | 6              |
| Per capita beer consumption (litres) <sup>e</sup> | 90          | 41     | 40     | 123     | 24    | 71    | 103            |

<sup>a</sup>Percentage of beer drinkers naming Heineken as their main brand.

<sup>b</sup>Percentage of beer drinkers who had consumed a Heineken in the previous month.

<sup>c</sup>Overall market share position. In most markets, Heineken was the largest-selling brand in the premium segment.

<sup>d</sup>Overall SOV position among beer brands advertised. In all markets except the United Kingdom, Heineken SOV ranked first or second in the premium segment.

<sup>e</sup>Based on consumption of all beer, not just Heineken.

Project Comet was established in 1991 by Heineken’s international marketing manager to recommend how to enhance Heineken’s competitive advantage by more consistently projecting the brand as “the world’s leading premium beer.” The project team concluded that Heineken’s desired brand image was “good taste”:

- Because of Heineken’s flavor, its roots, commitment to and pride in brewing a high-quality lager.
- Because Heineken is a symbol of premiumness, taste, and tradition around the world.

The team believed that no other brand in the world could claim superior good taste with as much credibility as Heineken.

The brand’s good taste image would be built on five core brand values:

- Taste
- Premiumness
- Tradition
- Winning spirit
- Friendship

Taste and premiumness were regarded as the price of entry. They had to be communicated in advertising messages but would not, in themselves, be enough to differentiate Heineken from its competition. A unique,

differentiated image would depend on effective communication of the other three core brand values. Project team members acknowledge the challenge of communicating all five values in each advertisement. However, they thought that all five could be reflected in one way or another through the locations, situations, relationships, casting, lighting, style, and tone used in each commercial.

The team detailed how each of the core brand values should be portrayed in Heineken brand commercials:

**Taste** The product should be shown in slow-pouring shots where its golden color, sparkling texture and refreshing coolness would celebrate its taste. Actors should be portrayed genuinely enjoying Heineken with no gulps or “knocking it back.” The slogan used should be competitive but not comparative.

**Premiumness** The production quality of every execution should be at the level of excellence to be expected of a premium brand. In some geographies, Heineken’s premiumness might be a unique reason for purchase; in such cases, this attribute could be presented as part of the brand promise.

**Tradition** The genuine aura of the brand should be especially evident in the casting and tone of voice of each commercial. Heineken should be the preferred brand of people who believed in true values and whose brand choices reflected their personal value set.

**Winning spirit** Tone of voice was thought to be especially important in conveying this value “because

winners are confident and relaxed, take a quiet pride in everything they do and do not shout.”

**Friendship** Heineken should not be portrayed as a solitary beer or a “mass-gathering” drink. The Heineken group should be a few (even two) people who clearly enjoy their relationship. The “Heineken moment” should show people as themselves, content, relaxed with each other and confident. Interactions should be sincere, self-confident, warm and balanced, displaying mutual respect and free from game-playing.

The project team next tried to develop guidelines for the visual images—the people, the relationships and the settings—to be included in Heineken commercials.

The Project Comet report concluded as follows:

*All of our advertising must be consistent with these guidelines. We also need impactful advertising. Heineken advertising is therefore never safe. It should always be leading edge and state of the art, taking calculated risks and initiatives to achieve the desired effects.*

## 7.4 Project Mosa

In late 1993, Heineken’s international advertising manager commissioned focus groups in eight countries<sup>a</sup> to understand (a) what male beer drinkers meant by taste and friendship in relation to premium beer drinking and (b) which expressions of taste and friendship could be used by the Heineken brand in advertising. The project team identified in advance the following expressions of taste which “appealed to the head” and expressions of friendship which “appealed to the heart:”

| Taste (Head)   | Friendship (Heart)                    |
|----------------|---------------------------------------|
| Brand vision   | Trust                                 |
| Quality        | Sports                                |
| Brewing skills | True friends                          |
| Tradition      | You can count on Heineken as a friend |
| Availability   | Respect                               |

a The countries were Netherlands, Italy, and Germany in Europe; USA, Argentina and Brazil in the Americas; and Japan and Hong Kong in Asia.

### EXHIBIT 4 Sample Project Mosa Concept Boards: Taste Expressions

**“I consider a bad bottle of Heineken  
a personal insult”**



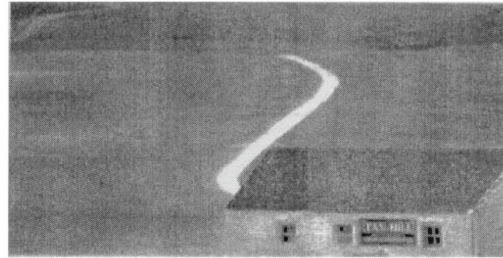
Alfred H. Heineken  
Chairman



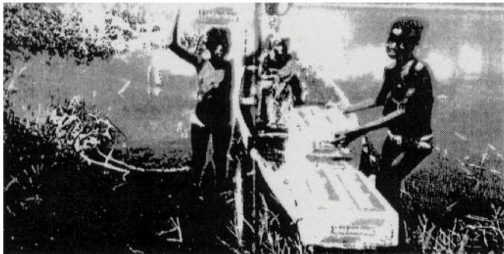
**Heineken. The clear beer for the  
purest taste.**

**EXHIBIT 5 Sample Project Mosa Concept Boards: Friendship Expressions**

Nevada, USA.



Yorkshire, UK.



Cameroon, West Africa.



Papeete, Tahiti.

**Wherever you are, you can always count  
on Heineken**



**Heineken. When true friends get together.**



Boards with visual and message stimuli depicting each of these expressions were used in the focus groups to elicit reactions. Examples of these boards are presented in Exhibits 4 and 5. Eight focus groups were run in each country, four with 21-27 year olds and four with 28-35 year olds. Four groups in each country explored taste cues, four explored friendship cues.

Members of the focus groups dealing with taste were asked to identify which of several factors they perceived as strong or weak indicators of beer taste. These responses are summarized in Exhibit 6. Members of the other four focus groups dealing with friendship discussed the different social occasions when a standard versus a premium beer would be appropriate. On this issue, there was substantial agreement across national markets. The conclusions are summarized in Exhibit 7.

Participants in the focus groups were then exposed to a variety of advertising boards for Heineken, each of them highlighting a particular attribute. Those in the focus groups dealing with taste were exposed to twelve boards while those in the friendship focus groups were exposed to ten. The objective was to elicit consumer reactions to both the visual and message claims presented on each board and to establish each claim's relevance to and overall suitability for promoting the Heineken brand. The overall suitability rankings, first for the four focus groups concentrating on taste cues and, second, for the focus groups concentrating on friendship cues, are presented in Exhibits 8 and 9.

## EXHIBIT 6 Indications of Beer Taste: Summary of Focus Group Responses

|                      | Netherlands | Germany | Italy | USA | Average 8 Countries |
|----------------------|-------------|---------|-------|-----|---------------------|
| <b>Manufacturing</b> |             |         |       |     |                     |
| Ingredients          | -           | +       | -     | -   | -                   |
| Water quality        | +           | +       | -     | -   | 0                   |
| Scale of plant       | +           | +       | -     | +   | +                   |
| <b>Product</b>       |             |         |       |     |                     |
| Taste experience     | +           | +       | +     | +   | +                   |
| Balanced taste       | +           | +       | +     | +   | +                   |
| Aftertaste           | -           | -       | +     | +   | 0                   |
| Freshness            | +           | -       | -     | +   | 0                   |
| Foam                 | +           | +       | 0     | +   | +                   |
| Drinkability         | +           | +       | -     | -   | +                   |
| Day After            | +           | +       | -     | -   | 0                   |
| <b>Marketing</b>     |             |         |       |     |                     |
| Price                | -           | +       | -     | +   | 0                   |
| Advertising          | +           | -       | +     | +   | +                   |
| Packaging            | -           | +       | +     | +   | +                   |

Note: A minus sign (-) indicates the factor is an unimportant or negative indicator of quality.

**EXHIBIT 7    Standard vs. Premium Beer: Summary of Focus Group Responses**

|                       | Standard                                                                                                                                                                                                                                                                       | Premium                                                                                                                                                                                                                                                                                                               |
|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Company               | <ul style="list-style-type: none"><li>• nuclear family</li><li>• large groups</li><li>• your wife</li><li>• colleagues</li></ul>                                                                                                                                               | <ul style="list-style-type: none"><li>• intimate friends</li><li>• smaller groups</li><li>• girlfriend</li><li>• boss</li></ul>                                                                                                                                                                                       |
| Occasions and Moments | <ul style="list-style-type: none"><li>• after work</li><li>• at meals</li><li>• at home</li><li>• watching TV</li><li>• thirst-quenching</li><li>• (popular) bars</li><li>• beach</li><li>• to party</li><li>• daytime</li><li>• after sports</li><li>• sport events</li></ul> | <ul style="list-style-type: none"><li>• meeting people</li><li>• fancy meals</li><li>• away from home</li><li>• new encounters</li><li>• savouring</li><li>• traveling</li><li>• intimate moments and places</li><li>• elegant parties</li><li>• nighttime</li><li>• entertaining</li><li>• disco/nightclub</li></ul> |
| Role of Beer          | <ul style="list-style-type: none"><li>• social participation</li><li>• thirst-quencher</li><li>• alcohol effect</li><li>• problem solver</li></ul>                                                                                                                             | <ul style="list-style-type: none"><li>• ego enhancement/self-esteem</li><li>• a treat</li><li>• a communication tool</li><li>• signal function</li></ul>                                                                                                                                                              |

**EXHIBIT 8 Taste Expressions: Overall Heineken Suitability**

|                               | Netherlands | Germany | Italy | USA | Average 8 Countries |
|-------------------------------|-------------|---------|-------|-----|---------------------|
| Brand Vision                  | -           | +       | +     | -   | -                   |
| Quality                       |             |         |       |     |                     |
| Two years Amsterdam training  | +           | +       | +     | +   | +                   |
| 24 quality checks             | +           | +       | +     | +   | +                   |
| Bottles returned to Amsterdam | +           | +       | +     | +   | +                   |
| Brewing Skills                |             |         |       |     |                     |
| 100% malt                     | 0           | +       | 0     | +   | 0                   |
| Smooth taste                  | -           | +       | +     | +   | 0                   |
| Pure taste                    | +           | -       | +     | +   | 0                   |
| Matured longer                | -           | 0       | -     | -   | -                   |
| Tradition                     |             |         |       |     |                     |
| Family since 1863             | -           | +       | -     | +   | 0                   |
| Original recipe               | +           | +       | 0     | +   | +                   |
| Where beer was born           | +           | +       | +     | +   | +                   |
| Availability                  |             |         |       |     |                     |
| More bars/more countries      | +           | 0       | -     | 0   | 0                   |

**EXHIBIT 9 Friendship Expressions: Overall Heineken Suitability**

|                          | Netherlands | Germany | Italy | USA | Average 8 Countries |
|--------------------------|-------------|---------|-------|-----|---------------------|
| Friendship               |             |         |       |     |                     |
| Cat and dog              | 0           | 0       | +     | -   | 0                   |
| Rugby (sport)            | +           | 0       | +     | -   | 0                   |
| True friends             | +           | +       | 0     | +   | +                   |
| Always count on Heineken | +           | +       | +     | +   | +                   |
| Respect                  | -           | -       | -     | -   | -                   |

