

Case 2: Heineken: marketing strategies within European brewing (entry routes, branding, segmentation, targeting and positioning)

The market for beverages in their various guises is sizeable, as evidenced by the UK consumption of almost 700 litres per capita in 1999 (Table 1). The vast majority (80%) takes the form of soft drinks, hot drinks and milk, while the remaining 20% comprises alcoholic drinks. Of the alcoholic drinks, not unexpectedly, beer has the highest volume consumption with 104 litres per capita in 1999. However, the brewing industry is concerned by the continued decline in beer volume sales per capita consumption shown, to be almost 10% between 1989 and 1999, in favour of wine, cider and spirits.

Changing patterns of consumption

Europe accounts for around 40% of global beer production and is in the mature stage of the industry life cycle. Since 1990, changing patterns of consumption have been evident with declining volumes in high-consuming Germany, Belgium, Denmark and the UK set against rapid growth in southern Europe in traditionally lower-consuming Spain, Italy, Portugal and Greece, partly in response to tourism demand which is predicted to continue to grow. Rapid increases in the Central Eastern European (CEE) countries are also expected.

Despite some regional differences, there is also evidence that European tastes are converging, in response to increasing social pressures, as consumers and governments become more health conscious. In particular, the brewing industry has to accommodate:

- *Efforts to reduce levels of alcohol consumption.* Governments conduct promotion to change public consumption, e.g. anti-drink and drive behaviour. Associated with this is increased regulation on the nature and style of alcohol advertising. For example, it is prohibited in Austria, Denmark, Finland, Norway and Sweden. Alcohol promotion has been banned on TV in France since 1993 and, in the UK, airway advertising time is restricted until after 9.00 p.m. to reduce its influence on younger TV and radio audiences.
- *Provision of environmentally friendly packaging.* In Germany and Denmark drinks require returnable bottles for re-cycling and, since 1995, at least 65% of packaging has had to be re-usable. In Denmark cans are banned for in-country production, although, due to European Union (EU) competition rules, import exemptions allow high imports of canned beer, from Germany in particular. These regulations incur short-term increases in the costs of packaging and distribution as new technology is introduced to meet the requirements.

Structure of the brewing industry

Traditionally, brewing has been a highly fragmented industry comprising a large number of regional and national breweries that satisfied distinct local consumer tastes. Generally, such markets are too small to allow brewers to survive in the longer term, consequently, geographical expansion has been undertaken, to provide national and international coverage. In the 1990s, leading brewers sought to gain access to larger markets with associated economies of scale largely through joint venture, merger and acquisition activity. By 1999, the three global leaders accounted for half the world production of beer

with Anheuser-Busch having a quarter (25%), Interbrew (13%) and Heineken (12%) in volume terms (Table 2). In 2001, Heineken had the highest profit/earning ratio (30.3), followed by South African Breweries (SAB) (15.0) and Interbrew between 8.0 and 14.0; Scottish and Newcastle (S&N) had a much lower 8.3 level (Bilefsky, 2000) (Table 3).

Heineken dominates the European market, having 20% of production in 1998 (Table 4) where, apart from the Netherlands, it is especially strong in France and Spain. However, the effects of the 11 September 2001 terrorist acts, the war in Iraq, bad weather in North America and parts of Europe, the SARS epidemic in the Far East and the associated slowdown in economic growth has adversely hit profits. This has been aggravated by the more recent, anti-smoking measures in New York and in France which have tended to reduce social activity (Jones, 2003). The strengthening of the euro against the dollar is also hurting Heineken, which predicted a negative impact of €80 m. (£56 m.) on 2004 net profits if the exchange rate continues at the same level.

Impact of European Union liberalisation

Implementation of the Single European Market (SEM) enabling freedom of movement of goods and services, people and capital across national borders brought opportunities and threats to the brewing industry. It has allowed firms to invest equity to acquire full-ownership of established breweries across Europe, rather than minority holdings. At a production level, it has encouraged the location of breweries and associated logistics distribution centres to be made on cost-efficient criteria rather than regional or national obligations, enabling an international, and even global, approach to beer production. At

the same time, the European logistics industry has been liberalised in the lead up to 1992 with the removal of national licences, quotas and control within the road-transport sector, although there remains a dominantly national flavour to its provision (Stone, 2001).

As yet, the unification of taxation, especially excise duties across Europe which could ease administration, is only under discussion. The difficulties of implementing the proposals are considerable. However, with the current variations in excise duties encouraging a black market, especially between the UK and France, movement is afoot to reduce the extreme variations. The publicity associated with the substantial cross-Channel movement (or 'bootlegging') of alcohol and tobacco products between France and the UK, with adverse repercussions for UK suppliers and tax collection for the Exchequer, has concentrated minds on finding a solution to the taxation disparities.

The brewing industry relies on economies of scale in both production and distribution to be successful. The removal of trade barriers, with the chance to capitalise on economies of scale, is helping companies, especially those operating within small domestic markets. Both Heineken in the Netherlands and Carlsberg in Denmark have been obliged to internationalise as their own domestic markets are too small to provide sufficient scope for economies of scale for desirable growth. Expansion through joint venture, acquisitions and mergers, together with licensing and strategic alliance, has enabled an extension of brand franchising and complementary brands.

From the early 1990s, considerable consolidation took place within the European brewing industry as firms strived to grow. In 1992, in the euphoria prior to the introduction of the SEM, Guinness acquired the Spanish Cruzcampo, a privately owned company. However, it was challenged to recoup the relatively high price paid and was burdened by the high investment necessary to re-structure Cruzcampo. Ultimately, in 1999, Guinness, by then part of the Diageo group, sold Cruzcampo to Heineken, the Dutch group for €649 m. (US \$628 m.) more than 16 times earnings before taxation, depreciation and amortisation (William, 2000). Cruzcampo was merged with Heineken's El Aguila brewing interests to become market leader in Spain.

In 1999, SAB (formerly South African Breweries) the London-listed emerging markets brewer expanded into Central Eastern Europe (CEE) by purchasing Pilsner Urquell, the Czech Republic's largest brewing group, for US \$629 m. (12.5 times the 'Ebitda' industry trade guide level). SAB expected to compensate for the high price through beer price rises within the consolidated market and the growth opportunities of exporting Urquell, the original Pilsner lager, to other eastern European countries where SAB had interests.

Within the UK further consolidation took place, in particular in 2000 when Interbrew, the privately owned Belgian group, acquired Bass for £2.3 bn (US \$3.3 bn.) as the UK No. 2 brewer's parent wished to focus on International Continental and Holiday Inn hotels. Interbrew expected to increase its production capacity with the associated economies of scale benefits. However, Interbrew already had interests in Whitbread, the UK's third

largest brewer, through a licensing agreement whereby it brewed Interbrew's Stella Artois premium lager providing about half of Whitbread's profit. Consequently, in 2001, in dispute with the UK Competition Commission which expressed concern about its market domination, Interbrew sold 70% of the Bass equity to US Coors. In this way, by 2002, through a strategy of international expansion, Interbrew owned 60 or so breweries in 20 countries enabling it to operate as a 'local' brewer within a global business. By 2000, Interbrew had 33% of the UK market (Table 5) through ownership of brand leaders (Carling, Bass, Stella Artois and Heineken) in the UK, and had a major share of the market in Belgium, Canada and the Ukraine. Its international position was further evident in Mexico, the Netherlands, Russia and South Korea where its brands were in second position (Table 6).

As part of its international growth strategy, the UK-based Scottish and Newcastle (S&N) agreed a joint venture agreement in Portugal in 1998 and, in 1999, it acquired Danone's brewing interests in France, Italy and Belgium for a cautious FFr 1.8 bn. (€274 m. or US \$266 m.) (William, 2000). In 2001, S&N went further by purchasing Kronenbourg, France's leading brewer and farther afield, in 2002, it developed interests in India.

In this way by 2002, with the consolidation of the global brewing industry, there were few remaining attractive opportunities for acquisition within Europe apart from smaller brewers such as BBAG, the Austrian group and Binding Braerei, part of Germany's Oetker group. Any larger brewery acquisition would place the purchaser under the scrutiny of Competition legislation, as evidenced by Interbrew's experience with Bass in

the UK. Consequently, major brewers have been expanding their operations to CEE countries and even to Russia. In February 2002, S&N ventured into the Russian beer market with a €2 bn. (£1.2 bn.) bid for Hartwall, the Finnish company that co-owns Russia's leading brewer (Jones and George, 2002). Hartwall, as Finland's leading beer and soft drinks producer, had 45% of the Finnish market. It also owned 50% of Baltic Beverages Holdings (BBH), a joint venture with Denmark's Carlsberg Breweries that controlled 30% of the Russian market. It is also the market leader in Estonia, Latvia and Lithuania and the number three in Ukraine.

Heineken's market entry and marketing strategies

Heineken was founded by Gerard Adriaan Heineken in 1863 and continues to be family controlled with Charlene de Carvalho inheriting from her father, Freddy Heineken in January 2002 (Heineken 2000a). The group's strategic goal is to 'defend and strengthen its global market position and preserve its independence by retaining its place among the largest brewing groups in the world in terms of beer sales and profitability, based on a portfolio of strong brands with Heineken as the leading international premium brand' (Heineken, 2003).

Heineken is the third largest brewer in the world with a turnover of €10,293 m. (£7,143 m.), net profit of €398 m. (£276 m.) (Tables 2 and 7) and sales of almost 110 hectolitres in 2002. The company has a well-established global organisation with operations in over 170 countries and about 48,250 employees. Its earnings are predominantly from Europe (56%), supplemented by exports to the US (23%), the Africa/Middle East (13%) and

Asia/Pacific (4%) (Table 8). The Netherlands, France and Spain account for well over half of all European sales.

The company has taken care not to over-extend itself, ensuring solid return on assets and on equity ratios as shown by the high profit to earnings ratio of 30.3 in 2001 (Table 3). In 2002, 12% of its workforce was at its home base in the Netherlands, with a further 53% in the rest of Europe; 23% in Africa and the Middle East, 10% in Asia and the Pacific and 3% in the Western hemisphere, mostly in Latin America (Table 9). Trade with the US is mostly by direct export. Heineken wishes to extend its US presence in higher-volume beer-drinking regions to compensate for reduced earnings caused by weakening demand in its north-eastern heartland and currency exchange effects (Bickerton, 2003b).

Heineken has a pragmatic view taking a cautious approach to entering new markets. While it encourages organic growth, it has expanded by using a combination of direct export, licensing, joint venture, strategic alliance and acquisition. While it exports its premium Heineken brand from its plant in Amsterdam in the Netherlands, it is also involved in local regional production. A typical entry strategy has been to begin by exporting using intermediaries such as local distributors, and then to develop licensing production agreements through joint ventures with local brewers. Ultimately, the goal is to acquire full ownership and control of the local production wherever possible.

The Netherlands

Heineken has been the dominant market leader in its home base in the Netherlands having 53% of the market in 1991, well above its competitors Grolsch (15%) and the

15% taken by Interbrew's subsidiary Verenigde Brouwerijen. Unfortunately, the Heineken brand market share, 45% in 1980, itself dropped to only 30% in 1991. In response Heineken introduced the Amstel and Buckler brands, the latter being the first non-alcoholic beer available on draft (Dibb and Simkin, 1994).

UK

In the 1960s, when Heineken entered the UK, the beer-drinking public was not familiar with the strong beer being drunk in other European countries. Consequently, it made a licensing arrangement with Whitbread to brew a weaker version of standard Heineken brand (3.6% alcohol by volume (abv)) that proved popular with lager drinkers. By 1990, about 10% of all lager drunk in the UK carried the Heineken brand. As beer drinkers became increasingly familiar with the continental brands, the Heineken Export Strength (5.0% abv) was introduced which Whitbread also brewed under licence.

In 1993, the UK was the second largest market for beer in Europe, consuming 224 pints per head of population, although that level dropped to 218 pints per head in 2002 (Tighe, 2003). The pattern of consumption is different from the rest of Europe with more than 80% being drunk in pubs, many of which are linked, or tied, to breweries. Heineken's route was through access to Whitbread's distribution network through a licensing agreement. Interestingly, these ties were broken in the early 1990s when the Conservative government introduced legislation to increase competition. This obliged Bass to dispose of its 7,500 pubs most of which were expected to become independent small businesses. In practice, most were acquired by Pubmaster which currently owns 8,500 pubs,

reflecting the continued concentration of ownership within the brewing distribution network.

Ireland

In 1993, Guinness and Heineken dominated in Ireland with a combined market share of about 85%. From the 1970s the Heineken brand was produced under licence until Heineken acquired its own production site in 1983. Murphy's stout was a particular success story, becoming the number two brand of stout (behind Guinness) in both Ireland and the UK; by 1993 it was also being sold in the US and France.

Italy

Heineken entered the Italian market in 1960 when it acquired a minority stake in a small brewer. This was extended in 1974 when Heineken and Whitbread each bought a 42% holding in the company, renamed Birra Dreher. By 1980, Heineken was the sole owner of Dreher having acquired Whitbread's 42% share. Mergers with two former Henniger breweries strengthened Dreher so that, by 1993, it had a 25% share of the Italian market behind the market leader Peroni with about 40%. Despite the decline in the Italian beer market being more severe than in other European markets, Dreher maintained its margins although its market share fell. The Heineken brand retained its position, while its Buckler brand benefited from the increasing growth of the non-alcoholic segment. As in other countries, Heineken, in this case through Dreher, increased its control of the distribution network by purchasing a number of drinks wholesalers. In 1991, Heineken began

importing its other Heineken brands into Italy to provide more effectively for the premium beer segment.

During this time, in 1987, the Canadian brewing group Labatt bought the family owned brewery Morati, located in Udine, close to the Italian/Austrian border. In turn, Interbrew bought Labatt and its subsidiaries, including Morati, in 1995 but subsequently sold Morati to Heineken in 1997. In this way, Heineken became increasingly dominant in Italy.

Greece

In 1965, Heineken entered a joint venture agreement for Athenian Brewery to produce the Amstel brand. By 2002, it had 98.8% ownership and a dominant 70% or so of the Greek market. This enabled it to strengthen its own Heineken and Amstel brands, and to import its associated Dreher and Coors beers. Heineken still dominates the Greek market.

France

In 1982, Heineken acquired Albra, which had an 8% market share and owned two breweries in France. In 1984, Albra was merged with Brasseries et Glacieres International to form the Sogebra group which in 1993 had 25% of the beer market, challenging the market leader, BSN Kronenbourg (50%). With the successful re-organisation of the Sogebra group, Heineken's fortunes continued to improve. However, the poor economic climate of the early 1990s, together with the increased competition for limited shelf space among retailers, has been challenging.

Spain

In 1984, as Spain was preparing to join the EU, Heineken purchased 37% of the local El Aguila brewer and increased its holding to a 51% controlling interest by 1993. El Aguila suffered from outdated production techniques and poor branding which necessitated investment in production and some re-structuring with resulting labour redundancies and short-term losses. The Aguila Pilsner brand was positioned for the standard market segment and a new Adlerbrau brand was introduced targeted towards the premium segment; Adlerbrau was then itself replaced by Aguila Master. Spain was a challenging market where many small family breweries operated within a federal infrastructure so hindering the implementation of economies of scale. Nevertheless, the Spanish market was attractive, with beer consumption the third highest in the EU, and increasing from 51 litres per capita in 1978 to 71 litres in 1989. Not surprisingly, by 1991 other companies were intent on acquiring a slice of the market through similar joint venture arrangements. They included Guinness/Carlsberg (Cruzcampo), the French group BSN (Mahou) and San Miguel Philippines (San Miguel).

Germany

In 1993, Heineken entered the German market, one of the largest beer markets in the world with a consumption of 142.8 litres per capita per annum. Its late entry was related to legal protection implemented by beer purity laws dating from a 1519 Act whereby beer can only be made from hops, malt, yeast and water, a requirement that also applies to imports. The German consumer remains fiercely loyal to the 1,200 local German

breweries so posing a particular challenge to the newcomer introducing a global brand. The regional administrative control further hinders achievement of an efficient national distribution network.

Central and East Europe (CEE)

Eastern Europe has high potential as beer is already accepted and enjoyed in these countries, despite shortages due to production and distribution problems. Heineken is considering direct export of its Heineken brand to this market.

Entry into Hungary, which is considered to be one of the more sophisticated markets, has already been achieved by acquiring a majority interest in Komaromi Sorgayar, a local brewery which produces 350,000 hectolitres of beer per annum. In 1993, its four brands, Talléros, Matros, Aranytaller and Kapsreiter, together accounted for 4% of the Hungarian market. By 2002, Heineken had consolidated its holdings into 100% ownership of Amstel Brewery Hungary producing the Heineken, Amstel, Buckler, Talléros, Fregatt, Zlatý Bazant brands (Table 10).

In other parts of the CEE, Heineken has joint ventures in Bulgaria, Macedonia, Poland and the Slovak Republic, and the fully-owned Bravo International brewery located at St. Petersburg in Russia which produces Heineken and Amstel, as well as its own regional brands (Table 10).

Strategic marketing approaches

Heineken has its roots in Amsterdam in the Netherlands but continues to seek ways of expanding into new markets while moving towards increased market share domination in those it already occupies. The company has a global philosophy with internationally known brands, but shows an appreciation and commitment to local markets, production and brands. Interestingly, unlike some of its competitors, it has not diversified from its brewing roots, rather it has focused on global growth strategies that will help it to achieve cost leadership and associated economies of scale for its mass market brewing.

It seeks to differentiate its brands through market segmentation targeting international and national markets with the group brands, Heineken, Amstel and Buckler. However, a pragmatic approach accepts the benefits of local brands that meet the tastes of smaller, often regional segments, so that it markets both global brands and local, indigenous brands. Typically, Heineken promotes four types of brand, premium, standard, speciality and local, which are positioned to target different market segments (Heineken, 2000c):

- Premium Heineken for the prestige market. This may be brewed locally or exported direct to the country concerned. Its image and quality is carefully monitored through headquarters in the Netherlands.
- Standard quality beer at a reasonable price, e.g. the Amstel brand;
- Speciality, distinctive and superior beers at a moderate to high price, e.g. Murphy's Irish Red and Irish Stout;
- Local brands for the high volume mass market segment, e.g. Dreher, Birra Messina and Birra Moretti in Italy, "33" Export in France, Zagorka in Bulgaria, Zywiec in

Poland; even the Tiger brand in Cambodia, China, Malaysia and Singapore, and Vietnam.

In this way, Heineken has successfully promoted its core brand names globally while also using the benefits of local brands with differing attributes to suit national and regional markets. Its international brands are distributed in each territory alongside locally produced and sold beers.

Throughout promotion of each beer, branding is critical. 'Above the line' advertising is undertaken at great expense, as typified by the Guinness Lippizzaner horses 60-second commercial which cost more than £1 m. to produce before being put on the media (Hatfield, 1999). In conjunction with this traditional advertising Heineken, like the other leading brewers, invests heavily in 'below the line' promotion, especially sponsorship in support of its brand strategies. Indeed, over the last decade, sponsorship has acquired an ever-greater role in the total communication of the Heineken and Amstel brands (Heineken 2000b). Heineken brand sponsorship includes supporting top tennis competitions such as the Grand Slam championships (e.g. the US and Australian Opens) and the Davis Cup, as well as regional championships such as the Heineken New Zealand and Shanghai Opens. Since 1999, Heineken has been the major sponsor of the European Rugby Cup. It also supports musical activities, often at a local level (e.g. the Heineken Jazzfest in Puerto Rico and the Heineken Music Nights in Hong Kong). Films with a setting compatible with the Heineken image, such as 'James Bond', 'Austin Powers', 'Notting Hill' and 'Random Hearts' are used for product placement. Amstel has for many

years been a major sponsor of football championships and in 1999 it extended the sponsorship contract with the Union of European Football Associations (UEFA) Champions League for a further three-year period. It also sponsors the African Cup of Nations. In 2003, in a novel and perhaps risqué approach Heineken sponsored '6Pack' a short, sharp and, sometimes shocking, youth television show broadcast in the Netherlands (Bickerton, 2003a). The success of this approach remains to be assessed.

Future strategic marketing

Heineken's strategy of giving autonomy to local operating companies in the markets it enters has led to the production of beers which appeal to local tastes and preferences. It has enabled the company to use this foothold to learn, understand and anticipate market trends. The use of stratified segmentation, offering brands to the lower, mid- and premium segments in each market has prevented it becoming trapped as a niche player. Heineken benefits from having a range of brands targeted at distinct global and local markets and it is likely to continue this successful strategy in the foreseeable future.

Acknowledgements

Thanks are given for the support received from Professor Graham Stewart, International Centre for Brewing and Distilling at Heriot-Watt University, Edinburgh who read and commented on the contents of the case.

Table 1: UK beverage consumption (1989-1999)

Drink type	Per capita consumption	Per capita consumption	Share of alcoholic consumption	Share of alcoholic consumption	Share of total drinks consumption	Share of total drinks consumption
	Litres	Litres	%	%	%	%
	1989	1999	1989	1999	1989	1999
Beer	115	104	84	77	17	15
Wine	13	17	9	13	2	3
Spirits	4	5	3	4	1	1
Cider	5	8	4	6	1	1
Total alcohol	138	134	100	100	21	19
Soft drinks*	141	174			21	25
Hot drinks	276	272			41	39
Milk	119	115			18	17
Total	674	695			100	100

*Soft drinks includes packaged water, carbonates, fruit juice and dilutables, iced tea and energy drinks

Source: Adapted from Canadean Beer Service reported by Savage, M. (2000) Research, August, p. 20.

Table 2: World's largest brewers by sales volume (1999)

Brewer	Hectolitres***	Volume share
1. Anheuser-Busch	155	25
2. Interbrew*	80	13
3. Heineken	74	12
4. Ambev	59	10
5. South African Breweries (SAB)	55	9
6. Miller**	52	8
7. Kirin/Lion Nathan	40	7
8. Carlsberg	37	6
9. S&N/Kronenbourg	33	5
10. Coors	30	5
Total	614	100

* including Bass

** owned by Philip Morris

*** 1 hectolitre = 100 litres

Source: Adapted from ABN Amro: Reuters and companies reported by Bilefsky (2000)

Table 3: Profit/earning ratios for world's largest brewers (2001)

Brewer	Profit/earnings ratio
Heineken	30.3
SAB	15.0
Interbrew	8.0 to 14.0 (estimated)
Carlsberg	13.4
Grolsch	12.5
S&N	8.3

Source: Adapted from ABN Amro: Reuters and companies reported by Bilefsky (2000)

Table 4: Top 10 leading brewers in Europe (1998)

Brewer	Hectolitres* (in millions)	Share of total %
1. Heineken (Netherlands)	38	20
2. Carlsberg (Denmark)	26	14
3. BSN Gervais Danone (French)	25	13
4. Bass (UK)	19	10
5. Interbrew (Belgium)	17	9
6. Scottish and Newcastle (UK)	17	9
7. Guinness (Eire/UK)	15	8
8. Oetker (Binding Brauereri) (Germany)	11	6
9. South African Breweries (South Africa/US)	10	5
10. BBAG (Austria)	9	5
Total	186	100

* 1 hectolitre = 100 litres

Source: Adapted from Canadean New Perspectives in Europe reported in William (2000)

Table 5: UK beer market (1999)

Leading brewers in UK after Interbrew acquisitions	Market share (%)
Interbrew UK (Bass/Whitbread)	33
Scottish Courage	27
Carlsberg-Tetley	13
Guinness	6
Others	21
Total	100

Source: Adapted from Canadean Beer Service in Savage (2000)

Table 6: Interbrew's market position (2000)

Country	Major brands
No. 1 Brand position	
Belgium	Jupiter, Stella Artois
Canada	Labatt brands
UK	Carling, Bass, Heineken, Stella Artois
Ukraine	Chernigivsky
No. 2 Brand position	
Mexico	Sol, Tecate
Netherlands	Dommelsch, Oranjeboom
Russia	Sibirskaya Korma, Bag Bier
South Korea	OB Lager, Cafri
US	Rolling Rock, Labatt Blue

Source: Adapted from Reuters, Interbrew in Thornhill (2000)

Table 7: Heineken financial results (2001-2002)

Financial measure	2001	2002
Net turnover (millions of euros)	9,333	10,293
Operating profit	1,125	1,282
Profit before tax	1,099	1,221
Net profit	384	398

Source: Heineken Holdings N.V. annual report 2002, p. 19.

Table 8: Heineken earnings' contribution by region (2002)

Region	Share of earnings in 2002
	%
Europe	56
Exports to US	23
Africa/Middle East	13
Asia/Pacific	4
Other	4

Source: Heineken annual report (2002) p. 30 and Jones (2003)

Table 9: Heineken employees by region (2001-2002)

Fully consolidated participating interests	2001	2002	2001 %	2002 %
Netherlands	5,620	5,527	14	12
Rest of Europe	20,646	22,440	52	47
Western hemisphere	839	1,451	2	3
Africa/Middle East	6,700	10,462	17	22
Asia/Pacific	1,308	1,377	3	3
Total A	35,113	41,257	88	86
Proportionally consolidated participating interests				
Rest of Europe	947	2,877	2	6
Africa/Middle East	537	631	1	1
Asia/Pacific	3,428	3,472	9	7
Total B	4,912	6,980	12	15
Total A+B	40,025	48,237	100	100

Source: Heineken Holdings N.V. annual report 2002, p. 32.

Table 10 Heineken's operating companies and participating interests (2002)

Country	Company	Heineken share (%)	Brands
Bulgaria	Zagorka	48.0	Zagorka, Amstel
	Ariana Brewery	47.5	Ariana
Hungary	Amstel Brewery Hungary	100.0	Heineken, Amstel, Buckler, Talléros, Fregatt, Zlatý Bazant
Macedonia	Pivara Skopje	27.3	Skopsco, Star Lisec
Poland	Grupa Zywiec	61.8	Heineken, Zywiec, Warka, Lezajsk, Specjal, Tatra
Slovak Republic	Heineken Slovensko	91.6	Zlatý Bazant, Amstel, Kelt, Corgon, Martiner, Gemer
Russia	Bravo International	100.0	Botchkarem, Ochota, Löwenbräu

Source: Adapted from Heineken Holdings N.V. annual report (2002) p. 76.

References

- Bickerton, I. (2003a) '6Pack's muscle helps push up Heineken sales', *Financial Times*, 26 June, p. 13.
- Bickerton, I. (2003b) 'Heineken to extend its US presence', *Financial Times*, 11 September, p. 30.
- Bilefsky, D. (2000) 'Interbrew keeps a clear head', *Financial Times*, 30 October, p. 38.
- Dibb, S. & Simkin, L. (1994) '*Heineken: Global brands, locus focus*', in 'The Marketing casebook', Routledge, Ch. 10, pp. 81-89.
- Hatfield, S. (1999) 'An ad that costs £1 million should be making waves', 2 April, *Times*, p. 45.
- Heineken N.V. (2000a) 'The history of Heineken', February, Amsterdam.
- Heineken N.V. (2000b) 'Heineken's sponsoring activities', August, Amsterdam.
- Heineken N.V. (2000c) 'Heineken's brands and marketing strategies', September, Amsterdam.
- Heineken N.V. (2003) Annual report 2002, 25 February.
- Jones, A. & George, N. (2002) 'UK brewer bids £1.2 bn for Finnish group, which has big present in faster-growing emerging market', *Financial Times*, 15 February, p. 19.
- Jones, A. (2003) 'Heineken and Unilever fall on trading news', *Financial Times*, 24 June, p. 25.
- Stone, M.A. (2001) 'European expansion of UK third-party logistics service providers'. *International Journal of Logistics: Research and Applications*, Vol. 4, No. 1, pp. 97-115.
- Tighe, A. (ed.) (2003) '*Statistical handbook 2003*', British Beer & Pub Association, Brewing Publications, London.

Thornhill, J. (2000) 'Interbrew still thirsting for fresh acquisitions in its quest to consolidate the world's beers', *Financial Times*, 27 September, p. 31.

William, J. (2000) 'European brewers lineup for a seat at the bar', *Financial Times*, 21 March, p. 30.

Contact address

Heineken Holding N.V.
Tweede Weteringplantsoen 5
1017 ZD Amsterdam
The Netherlands
Tel.: +31 20 622 11 52
Fax.: +31 20 625 22 13

Websites

www.heineken.com
www.heinekeninternational.com

Abbreviations

ABV	alcohol by volume (%)
BBH	Baltic Beverages Holdings
CEE	Central and East Europe
EU	European Union
SEM	Single European Market
SAB	South African Breweries
S&N	Scottish and Newcastle
UEFA	Union of European Football Associations

Discussion issues

Consider the strategic approaches and methods used for market expansion by firms operating within the Single European Market (SEM). Discussion should critically examine the ways in which brewers have benefited from the implementation of the Single Europe Act (1986) and the associated liberalisation to expand across Europe. Heineken, the largest brewery group in Europe, with its headquarters in the Netherlands, operates throughout North America, Africa, Australasia and Europe. Typically, the steps that Heineken uses for its European entry strategy have been to begin by exporting through intermediaries, to make licensing agreements and to enter joint ventures with local brewers with the ultimate goal of acquiring control of local production in the targeted market.

Discuss the market entry methods that Heineken has used to enter and develop new markets across Europe.

(1) Critically assess the role of:

- exporting via intermediaries (local agent or distributor)
- licensing
- joint venture
- local production
- merger and acquisition to achieve full ownership

Heineken as a brand is available throughout the world. However, in most countries, differing competitive positions and consumer tastes have led to the company offering locally produced brands alongside its own premium brand, Heineken.

(2) Discuss the ways Heineken uses branding in its different markets.

- Evaluate the Heineken approach of using multi-branding with one standard product offer ('Heineken') supported by national brands.
- Consider how this multi-branding approach compares to those of other major brewers, e.g. Interbrew, Scottish & Newcastle and Guinness.

Throughout consideration should be made as to whether or not the implementation of market expansion by brewers (Heineken, in particular) has been to the benefit of the ultimate consumer. Examples should be used to support discussion.

Marilyn A. Stone
intwebsite/Heineken2
16.12.2003
Word count: 5,230