White Paper:

The Value of Brands:
Evaluating Heineken's Global Branding Strategy

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Abstract

This paper examined the role of branding and the importance of developing a brand image for a product. Brands are important to consumers because they act as a guarantee of quality, a signal of consistency and assist consumers by making it easier to purchase products. Similarly, brands are important to producers because they differentiate the product in the eyes of the consumer, and also allow the holders of a premium brand to charge more for their services. One of the driving forces behind branding is the value of brand equity, which examines the influence of the brand as a driver of consumer behaviour. The paper concludes with an examination of the global branding strategy available to Heineken and is based on a case developed by the Harvard Business School. The conclusion is that even for a strong global brand like Heineken, developing an effective and consistent global brand strategy can be more difficult that expected.

Disclaimer

Authors note: Several advertisements are intended to accompany this paper. These ads are available by contacting the author at Tim@Glowa.ca.

Introduction

Brands are the combination of factors that gives one particular product or service its identity and thereby differentiating it from its competitors. Brands are the essence of products, the only component that cannot be outsourced to others, and includes a complex bundle of images, promises and experiences that communicates a belief about the benefits of a particular product offered from a particular company. The fundamental role of brands for consumers is to save them effort and time in making choices.

Brands also play an important role for manufacturers. In some instances, manufacturers might market directly to the consumer (as Ernest and Julio's Turning Leaf wine does), while in other instances, they market to some form of intermediary (for instance a wholesaler or distributor). In other instances, both occur. In any case, the role of the brand is to save the purchaser time and effort in making a decision, and this applies whether the purchaser is an individual consumer making a decision on which airline to fly, or a committee at that airline deciding on which seat manufacturer to select for an upcoming aircraft purchase. In both instances, the purchaser will likely be influenced, to some extent, by brands.

The value of a brand can be enormous. A good brand name is of such importance to a company that it has led to the concept of brand equity, the added value a given brand name gives to a product beyond the functional product benefits (Berkowitz et al., 1998).

The purpose of this paper is twofold. First, the issue of what branding is and what it is not is explored, followed by a discussion of why branding is important and the backlash against brands. This is followed by a review of the elements of branding and brand strategy. Second, this paper focuses on an empirical example of successful branding, Heineken beer.

What Branding is not

EXXON

Microsoft

The depiction of a company's brand name or symbol (or both) is called a logo. Many people believe logos are interchangeable with brands. This is not necessarily the case. While a logo may often prompt a consumer to think of the brand, a brand is more complex because it contains all of the personal associations consumers have built up for the product. For example, when two different consumers hear "Exxon", they may visualize the same brand logo (the red stylized word "Exxon" as illustrated above), but think still have different feelings towards the company. One consumer may think of

Exxon as a convenient, friendly, retailer of petroleum. Another may think of Exxon as the instigator of the 1989 environmental tragedy when the *Exxon Valdez* ran aground and leaked oil spilling over 250,000 barrels of crude oil into the water around Alaska's Prince William Sound. While many consumers treat gasoline as a commodity and may not be able to differentiate one brand from another, a retailer's logo is an attempt to suggest that that their product is not generic but somehow different, whether that difference is real or perceived. While the product may be a commodity, retailers position themselves differently whether by offering other services (convenience store, service station) or other loyalty building activities (points or rewards that entice loyalty).

Similarly, while two individuals will see the same Microsoft logo, they may have very different opinions about the company. One may see a progressive company that produces easy to use widely available software, while another may think Microsoft uses its size to thwart competition, producing software that is not compatible with previous versions thereby forcing the consumer to upgrade, and delivering a product that is riddled with technical bugs. Thus, both individuals see the same logo, but have different perceptions of the brand itself; a logo is on a product, but a brand is in someone's head (Keegan et al., 1995).

This emphasizes a critical but important difference between a logo and a brand: a brand can be influenced but not controlled. A company can control its logo (by changing the color, design, font used or size, or even can change its brand name, as PwC consulting recently announced that it will become "MONDAY:") but it can only influence its brand image[1].

Importance of Branding

Branding is important to consumers because it simplifies shopping, helps to ensure quality, and often satisfies certain status needs. Firms also benefit from branding. Branding encourages the development of a continuing relationship with consumers – encouraging brand loyalty – and protects the firm from competition.

Branding works and provides strategic value in several ways. First, brands are a signal of consistency. McDonald's makes virtually identical Big Mac's all over the world. While some may argue that a Big Mac is anything but quality fare, it is nevertheless comforting for many to know that what a consumer tries in Missoula Montana will be virtually identical to their lunch in London England. Brands are products that consumers can count on and that they do not have to think about; a company cannot build consistency if it keeps changing either the product or the message (Schultz 2000). Second, brands reduce the risk of complicated buying decisions. Third, brands are familiar (a shopper who regularly purchases Tide laundry detergent does not have to worry about complicating their detergent purchase decision).

[1] The Monday: branding experiment was very short lived. Despite paying US$110M to brand consultancy Wolff Olins, PwC was acquired by IBM on July 30, 2002, just two months after launching the new brand.

An understanding of the relationship consumers have with their preferred brands can reveal a customers willingness to pay. Some customers are willing to pay 14% more for a brand they "love" than people who just "like" the brand (Heinrich 2002). The brand name is the first point of contact between the message and the consumers mind (Ries and Trout 2001). While branding is intended to assist consumers in decision making, a study by Clancy (2001) concluded that significant brand differention in many categories is non existent (for example, what is the essential brand difference between American Airlines and United Airlines, or between Lloyds-TSB and Barclays banks in the UK), and that some consumers place greater emphasis on price than on brand.

Branding is becoming an increasingly important topic among marketing professionals and academics. Kalpesh and Keller (2002) discuss the importance of ingredient branding, in which key attributes of one brand are incorporated into another brand as ingredients. Brand extensions are also a popular research topic. Swaminathan et. al (2001) find that positive mutual effects of brand extension trial exists, and are particularly strong among non-loyal users of the parent brand.

Schultz (2001) argues that the true heart of the brand it is the brand promise, or brand value proposition. It is the single, concise, relevant element that makes up the essence of the brand. It is what the brand means, what it stands for, what it does and how it acts. In short, it is a summary statement of all the elements that make up the brand.

Branding and Advertising

While advertising is a form of marketing communication, it is not the sole reason for branding. Branding is about providing a unique value proposition in the marketplace, it just happens that advertising (usually) communicates this message. Creating, or reviving a brand is more than introducing a new ad campaign, visual identity or logo, it is providing a product or service that a distinct group of customers value and perceive as being different from competitive offerings (Schultz 2001). Starbucks is an excellent example of a company that understands that an advertising campaign does not make a brand; the Seattle based specialty coffee retailer rarely advertises, yet has an extremely strong brand. Aaker (1994) suggests:

> Too often there is the illusion that brands can be created by advertising without a product or service that really deliver quality and value – that image is a "problem" of advertising. The reality is that the product drives the image… the Beetle phenomenon of the 1960's very likely could have been transferred to the Rabbit in the mid-1970's if it were not for the initial mechanical problems that plagued the Rabbit in its early years.

Even advertising great David Ogilvy (1985) argues that the fundamental aspect of a brand is product quality "It is often charged that advertising can persuade people to buy inferior products. So it can – *once*. But the consumer perceives this product to be inferior and never buys it again… The best way to increase the sale of a product is to *improve the product.*"

Similarly, while advertising may create demand for a product, and drive customers to the point of purchase, the brand must consistently and reliably deliver on the brand promise in order to keep these customers. In order to accomplish this, all elements of the firm must work together to ensure that the brand delivers as promised. What is the value of creating a brand that is desired by customers only to have front line staff fail in their service of customers? Tosti and Stotz (2001) suggest that effective branding is more than advertising externally, and that it is equally important to communicate the brand message to audience internal to the organization, including all employees.

Advertising does effect brand perceptions. Cobb-Walgren et al (1995) conclude that brands with higher advertising budgets have substantially higher levels of brand equity. Brands with higher equity, in turn, generate significantly greater preferences and purchase intentions.

Brand strategy

A company has a number of different brand strategy options, one of which is to brand name each individual product or to use a family brand name (Boyd and Walker 1990). Individual branding requires the firm to provide each product with a distinctive name. Procter and Gamble (Tide, Crest, Pringles), General Foods (Post cereals, Jell-O) and PepsiCo (Pepsi, Mountain Dew) use this type of branding. Individual brands reduce a companies risk, in that failure of an individual brand is not readily associated with its other products. In addition, it allows a firm to complete via multibrand entries within the same product class. This is an increasingly popular practice – as in dog foods, soaps and detergents and breakfast cereal.

Alternatively, another strategy is family branding which uses the same brand name to cover a group of products (for example Campbell soups or Kellogs Special K). The advantage of using family branding is reduced costs and the transfer of customer satisfaction from one product to another bearing the same name.

A multiple brand strategy exists when a firm deliberately decides to compete against itself by introducing several brands into the same category. Examples include Procter & Gamble (Cheer versus Tide Laundry detergent), General Motors (Chevrolet versus Saturn versus Pontiac versus Oldsmobile versus Buick versus Cadillac), or Molson (Molson Canadian versus Molson Dry versus Black Label). A multiple brand strategy usually involves directing and positioning each individual brand towards a specific market segment (see Glowa 2001 and Glowa 2002a for a discussion of market segmentation).

Another brand strategy option is to produce private labels. The most common situation is where a company manufacturing and selling a product under its own brand name produces the essentially the same product (with minor differences in features or appearance) for sale under another company's name. For example, Whirlpool produces major appliances for Sears (Boyd and Walker 1990) and Fuji produces film for a range of private labels.

Branding commodities

Although branding is traditionally thought of as being applied to products or services, it also can be applied to commodities. Commodities can either be a primary product that is used in the manufacture of processed products (such as oil which is used to make plastic), or it can be sold as a sourced product (such as drinking water which is packaged and marketed in bottles). In a commodity market, nearly identical products can be bought from different producers, which can lead to cut-throat competition for customers and relatively low profit margins (Pope at al., 1998). Producers of commodities are pursuing a branded approach with the goal of achieving stronger customer and retailer support, and increasing overall profitability. Examples include either geographic branding (Alberta Beef, New Zealand apples, or Florida Oranges) or by a firm (Dole Pineapple).

Brand extensions or brand stretching

Another brand strategy involves the use of brand extensions (also called brand stretching) and is the ability of a company to stretch a successful brand name across a number of products or services. Led by founder, chairman and owner, Sir Richard Branson (arguably one of the world's best known business figures), Virgin Group is the parent of more than 200 entertainment, media and travel companies around the world. Virgin has successfully and profitably applied their name to products completely outside their mainstream business, extending from music into airlines, vodka, cola, financial services, trains, retail stores, automobiles, mobile phones, utilities (electricity and gas), cosmetics, cinemas and even to its bridal emporium.

Court et al. (1999) suggest there are two kinds of strong brands: those that are focused (as Dell is in only making computers) or those that are diversified (as Disney is with its theme parks, publishing, software, cruise lines, hotels, animation and even an entire town, Celebration Florida). Further, Court et al. suggest that diversified brands provide an average return to shareholders that is higher than focused brands. Dranikoff et al. (2002) suggest that one hundred dollars invested in a focused company in 1990 would be worth $353 by the end of the decade while the same amount invested in a diversified firm would be worth $469[2].

Global Branding

An added challenge facing firms operating globally is an understanding how their brand and image is portrayed in different markets. Some ensure that their brand and image are consistent across all markets (for example IBM), while others position the brand

[2] The parallel findings of Court et al 1999 and Dranikoff et al.2002 should be interpreted with some caution since authors work for the same consulting firm.

differently depending on the market; in North America Honda means quality and reliability, but in Japan where quality is assumed, the brand represents youth, speed and energy (Aaker and Joachimsthaler 1999).

The theory of consumer convergence proposes that the advance of communications technology and the narrowing gap in international living standards is creating global markets of consumers who crave similar products and services they have heard about, seen or experienced (Tragos 1998):

> ABSOLUT Vodka drinkers in Prague more frequently resemble counterparts in Milan or Sydney, in lifestyle and in purchase patterns, than their own next door neighbors. Now more than ever, target marketing on a global stage is less a question of geography than of intersecting psychographics.

This suggests that a unified global branding strategy is appropriate when the consumer has similar wants and needs and can be communicated to efficiently, irrespective of where in the world they live. It may be appropriate for ABSOLUT Vodka to pursue a global branding strategy, since their target customers are affluent, sophisticated, worldly and occupy the middle to upper socioeconomic classes. Alternatively, it may be entirely inappropriate for Tylenol or Aspirin to pursue a unified global branding strategy aimed at the lower classes since consumers occupying this socioeconomic class likely have little in common with their counterparts around the world; a consumer living in a economically depressed area of Rio de Janeiro likely has extremely different needs, wants, attitudes, opinions then a similar resident of rural Alberta.

This suggests that there are two primary approaches to global branding. The first is developing an international brand with a “one product, one message” theme, and the second develops an international brand but also allows for regional branding.

In the first case, the rugged image of the Marlboro cowboy is recognized all over the world. Coke, with a few exceptions, positions itself and runs advertising almost unaltered internationally. The ABSOLUT bottle and the ubiquitous two-word headlines that accompany it symbolize the brand in nearly 50 different countries.

These sort of products (tobacco, soft drinks and alcoholic beverages) are the trailblazers of international branding, and are products that consumers buy in part because of their expressive values – and therefore what the brand says about the consumer who is using it (Tragos 1998).

There are several advantages to the “one product, one message” approach to global branding. From an operational perspective, consolidating manufacturing, packaging and marketing can represent tremendous cost savings. Further, such a strategy reduces the need for ground-level marketing operations in each region, and therefore minimizes the tendency to duplicate efforts in each market.

The second approach is the "think global, act local" strategy, where the brand's master foundation is adapted to specific marketing conditions. While demographic convergence may be occurring, there are still cultural differences regarding the attitudes and feelings towards certain products that require such a strategy. Evian water, positioned around the world as the original premium bottled water, stresses health and fitness in the United States, but in Europe is marketed as a non-alcoholic alternative drink to the "café-set" (Tragos 1998).

Beckerman (2002) pointed out that a good brand transcends boarders, and does so with a consistent brand image, but incorporates local flare where appropriate. This is illustrated in the film Pulp Fiction where the characters played by John Travolta and Samuel L. Jackson discuss the subtle differences between America and Europe (see appendix 1 for a transcript, or the media file "pulp_fiction_clip.mp3). Travolta's character describes getting a beer at a McDonald's in Paris, and how McDonald's successfully adopts key products to local values by calling the 'Quarter pounder with cheese' a 'Royale with cheese'. While apparently trite, this example illustrates how powerful global branding can be when it provides a guarantee of quality and consistency across markets, yet still incorporates regional and cultural differences.

Developing a global brand can be a challenge for many firms. Developing a superior brand in one country can be difficult enough. Aaker and Joachimsthaler (1999) argue "Teams face several stumbling blocks [in developing global brands]: they need to gather and understand a great deal of information; they must be extremely creative; and they need to anticipate a host of challenges in execution" and suggest that instead of developing global brands, that firms create strong brands in all markets through global brand leadership. The authors define global brand leadership as using organizational structures, processes and cultures to allocate brand-building resources globally, to create global synergies, and to develop a global brand strategy that coordinates and leverages country brand strategies. The authors suggest that global brand development takes leadership, and is not something that can simply be directed from senior management "Companies must use organizational structures, processes and cultures to allocate brand-building resources globally, to create global synergies, and to develop a global brand strategy that coordinates and leverages country brand strategies" (Aaker and Joachimsthaler 1999).

Further, they offer four requirements for successful global brand leadership. First, companies must chare insights and best practices across countries. Second, companies should support a common global brand-planning process that is consistent in all regions. Third, they should assign global brand building responsibility for brands in order to create international synergies and fight local bias. Finally, they need to execute brilliant brand-building strategies.

Despite the benefits and appeal of global branding, some markets are not suitable for these types of initiative, particularly if government regulations prohibit the free movement of goods and services. For instance, it would appear logical that pharmaceuticals could me marketed the same way worldwide, especially since the product has nearly identical effects on anyone with similar symptoms. However, political considerations often intervene, and in many countries, the National Health Service is the customer. Similarly, government restrictions on foreign ownership on everything from banks to airlines, or regional requirements placed on the production and distribution of alcohol or tobacco products may hamper a global branding strategy. While British Airways may want to position themselves as the worlds favorite airline, they are prevented from flying point to point (for example, New York to Los Angeles) within foreign markets.

Backlash against Brands

Brands are not without their detractors. Some claim that consumers are manipulated by big corporations and their brands (Economist 2001):

> Brands are in the dock, accused of all sorts of mischief, from threatening our health to destroying our environment to corrupting our children. Brands are so powerful, it is alleged, that they seduce us to look alike, eat alike and be alike. At the same time, they are spiritually empty, gradually (and almost subliminally) undermining our moral values.

Klein (2000) presents the strongest argument against the evils of brands and branding. Klein argues that in the new economy, brands represent a large portion of the value of company and contribute significantly to a firm's profit. As such, companies are switching from producing products to emphasizing the power of the lifestyle brand, and shedding such "unnecessary" functions such as production to cheaper offshore markets to concentrate on developing the brand. In the process, brands have become omnipotent, completely invading the lives of all consumers and leaving no space untouched as they manipulate everyone. Finally, Klein concludes that such brands (especially Starbucks, McDonald's, Shell, Wal-mart and Nike) are now the target of a backlash from a new generation of activists who attack such organizations over issues ranging from environmental terrorism, to child labour, to advertising in schools.

Klein's suggestion that consumers are helpless and unable to reject overtures from powerful brands is simplistic at best. Despite a recent number one ranking as the world's most valuable brand (Business Week 2001), Coke was forced to cancel the New Coke, and reintroduce Coke Classic as a result of massive the massive consumer backlash when the formula was changed. As long as consumers have choice, they are in control. If customers revolt against a brand, it will be forced to adapt or it will go out of business.

Brand Equity

There are many differing definitions of brand equity. One group of authors defines brand equity as the financial value that the brand adds to a product such as the incremental cash flow from associating the brand with the product (see Farquhar 1989 or Richards and Bevan 1998). A second group of authors defines brand equity as the series of assets a brand has that increases the value of its product. Aaker (1991) defines it as a "series of assets or liabilities related to the name and symbols of a brand that contribute positively or negatively to the value of its product" (see also Keller 1993). A final group of authors adopt a definition of brand equity that encompasses both the assets of a brand and the financial value of a brand. For Feldwick (1986), brand equity consists of three aspects: brand value, brand strength and brand image, while for Boisver and Coderre (2000), brand equity is defined as "the added financial value a brand gives a product".

Kamakura and Russell (1993) suggest that measuring brand equity is unquestionably a major problem for brand managers. Several authors have developed brand equity measures based on either perceptual assets of the brand, namely brand awareness, brand associations, brand perceived quality and brand personality (Winters 1991, Park and Srinivasan 1994) Others measure based either on the attitudinal assets (Blackstone 1990) of the behavioural assets (Swait et al 1993).

Erdem and Swait (1998) explored the question of why brands are important to consumers and argued that many of the academic papers and ad hoc approaches offered by brand consultancies and market research firms to measure brand equity fail to clearly define the role that brands play in consumer choices. They suggest that a firm typically has more information about their own and their competitors' products than consumers do, resulting in asymmetric information. This asymmetry causes consumers to be uncertain about what to expect. When consumers are uncertain about product attributes, firms may use brands to inform consumers about product positions to ensure that their brand claims are credible. Therefore, the role of brands in a choice situation is to serve as a short hand to reduce the perceived risk and lower information costs.

The essential element of brands, therefore, is to save consumers time and effort in making choices by insuring that the needs of the consumer are met. Erdem and Swait (1998) conclude that brand equity or value arises out of consumer choices, and that brands cannot have value independently of consumer choices.

This work was built on the foundation of an earlier study by Swait et. al (1993) that measured the behavioural assets of brand equity in terms of the equalization price:

> Given an existing market structure, brand images built over time advertising and product experiences, consumer brand perceptions and preferences, equalization price is a measure of the implicit value to the individual consumer of the brand in the market in which some degree of differentiation exists vis-à-vis its implicit value in a market characterized by no brand differentiation.

This is an significant contribution to the branding literature since the authors propose a method of quantifying the premium consumers are willing to place on brands with high equity. Further, by using multinomial discrete choice models, the authors are able to examine the equity associated with new competitors or pricing strategies. Multinomial logit models, an enhancement over traditional conjoint, are the workhorse of discrete choice modeling. This technique models the decision making process of consumers, and provides an understanding of the key variables (whether product attributes, price or brand) that influence consumer behaviour. Therefore, the application can be used to identify the relative strengths and a given brand relative to product or price in driving consumer purchases.

Empirically, understanding the value of a price premium attributed to strong brands is (or should be!) important to companies. Heineken (2001) recognizes the value that a premium beer offers "premium beer is the umbrella term for lagers that on the basis of their quality and good brand image can realize a selling price that is significantly higher than that for mainstream beers".

In an earlier paper Glowa (2002b) examined the influence of brand on the choice of quick service restaurant. I suggest that the ability to determine how a given brand affects the behaviour of an individual consumer appears more relevant to the marketing manager than an eclectic combination of attitudinal questions, and proposed the following definition of brand equity:

> For a brand to be strong, it must accomplish two things over time: retain existing customers and attract new ones. To the extent that a brand does these things well, it will grow stronger relative to the competition. Therefore … brand equity (or brand utility) can be thought of as the differential effect that brand knowledge or perception has on the consumers' response to the marketing activity. This definition is important because it links the relationship of the brand directly with consumer behaviour; a brand with significant equity should independently influence consumer choice.

This definition of brand equity builds on the work of Swait et. al, and reinforces the importance of the brand and its influence on directing customer behaviour.

Creating strong brands

There are a variety of factors that build and affect brand equity. Keller (2000) identifies ten traits that the worlds strongest brands possess. These brands:

- excel at delivering the benefits customers truly desire;
- stay relevant;
- have a pricing strategy is based on consumers' perception of value;
- are properly positioned;
- are consistent;
- have a brand portfolio and hierarchy makes sense;

- make use of and coordinates a full repertoire of marketing activities to build equity;
- have brand managers who understand what the brand means to consumers;
- are given proper support, and that support is maintained over time;
- have a company which monitors sources of brand equity.

Aaker (1994) identifies seven areas of strategy that contributed to Saturn becoming a strong brand after only two years existence. These elements are:

1- Strong product: From the beginning, the driving concept behind Saturn was to create a world-class compact car that could match or exceed Japanese imports. One example of this commitment to quality was the decision to offer a money back guarantee; within the first 30 days or 1500 miles, a customer could return the Saturn for a full refund or replacement car.

2- Team approach: In order to develop the Saturn model, General Motors realized that it could not be created within the confines of an existing division. A new company was formed, free from the constraints of an existing brand family and the usual way of doing things. This allowed the new management to develop a team concept that permeates into all aspects of the business, and rewards all based on the quality and productivity of the plant.

3- Sell the company, not the car: Having a world class product is not enough to create a strong brand; perceptions matter, and perceptions do not automatically follow reality. Simply claiming that Saturn was a world class automobile may not have been enough, since Ford already claimed to be number one, Honda owned the JD Power auto rankings for customer satisfaction, and Lee Iacocca already claimed that Chrysler cars were as good as Japanese cars. The solution was to sell the company – its values and culture and its employees and customers – and not the car. Initial advertisements communicated that Saturn and its employees would not design and build anything less than a world-class car.

4- Revised retailer strategy: Saturn choose to sell its products differently than the standard high-pressure "If I can get you this car for $X, will you buy it today" approach. The Saturn approach eliminates commissioned salespersons, and instead provides salaried sales consultants who can answer questions and point out features; price haggling was eliminated. Additionally, retailers were provided with a broader geographic area so that they were not competing against other dealers, and therefore price competition among adjacent dealers, a driving force behind price competition, was eliminated. Aaker suggests that this retail strategy will be most difficult for competitors to replicate.

5- Relationship to the customer: While most automobile brands focus on attributes such as safety, performance, handling or comfort, these positioning strategies are a weak basis for loyalty, since they can easily be duplicated or surpassed by competitors. Aaker concludes "Strong brands often move beyond attributes to brand identity based upon a brand personality and a relationship with customers. Saturn is in that category". Saturn treats its customers intelligently, with respect and like a friend and has been rewarded with fierce customer loyalty.

6- The slogan "Different kind of company, different kind of car": The slogan captures the essence of the brand, and becomes an important part of the brand. Saturn's slogan positions the car directly against its competitors, both in Detroit and Japan, and says "we do things differently here". The tag line also ads credibility to Saturn's claim that the product is different, since only because the company is different can the car be different too.

7- Integrated communications: Aaker suggests that "one practical problem in building and maintaining brand equity is the development of effective communication that is consistent over different media and over time". The standard automobile communication is characterized by product driven Detroit, a temptation to react to price appeals, independent dealer advertising that is usually inconsistent with the overall brand strategy, usually results in ineffective and inconsistent communication. Saturn's approach was different. Its west coast agency (Hal Riney) was charged with developing all communications efforts including brochures and retailer advertising and the design of the retail show room, to ensure that the message was consistent across media and across time.

Aaker demonstrates through these seven steps how Saturn successfully built a brand in relatively short period. He suggests that there is no one single driver creating the Saturn brand equity, but rather that it was the totality of the efforts that combined to create the brand. This implies that strong brands can be developed by creating a unique and strong value proposition (including different product, price and distribution strategies), develops a strong relationship with the customer and integrates all marketing communications to convey a similar message that sells the brand and not the product.

This paper will now examine Heineken's brand strategy.

Heineken®

Heineken

Heineken N.V. (AS.HEIN) is the world's most international brewing group, with operations in more than 170 countries. In 2000, Heineken produced 97.9 million hectoliters of beer, making it the world's second largest brewer (behind Anheuser-Busch, NYSE.BUD). Founded in Amsterdam in 1864, the group's two leading global brands are Heineken and Amstel. According the company, Heineken is "the worlds most international beer" and also is the top seller in Europe (Heineken 2001).

The beers brewed by Heineken are positioned in the premium, mainstream or in the specialties segment of the marketplace. The mainstream segment represents the largest and mid-priced section of the market. In addition to producing beer, Heineken also offers a limited selection of soft-drinks and other beverages (Heineken 2001). The firm recognizes the premium position that Heineken commands in the marketplace (Heineken 2001):

> The Heineken brand is strong and dynamic, and therefore is able to capture a position in a beer market based on its own strength. The strength of the brand is increased if Heineken is added to a portfolio containing local or regional brands. For this reason we participate in many countries in local companies which not only have good distribution networks and breweries with an efficient cost structure, but also have good market positions and strong local brands. Examples include Moretti in Italy and Cruzcampo in Spain.

This section of the paper reviews an optimal branding strategy for Heineken based on a Harvard Business School case developed by Quelch (1995). The case is placed in January 1994. Heineken has just commissioned two market research studies, and senior managers are assessing whether or not the conclusions of the two studies are mutually consistent. They also wished to determine how far they should or could standardize Heineken's brand image and advertising worldwide.

Defining the components of the global brand

During the time period for this case, the brand was positioned as part of the "think global, act local" strategy, and consequently, the brand image was not consistent throughout the world. Local managers had the resources to develop their own commercials and justified their decisions on the basis of unique competitive conditions.

A market research project was undertaken by the head office to recommend how to enhance Heineken's competitive advantage by more consistently projecting the brand as the "world's leading premium beer". The study identified five core brand values that should be portrayed in all marketing communication:

> **Taste:** The product should be shown in "slow-pouring" shots where its golden colour, sparkling texture and refreshing coolness to celebrate its taste". Actors should be portrayed as genuinely enjoying the product and not "gulping it back".
>
> **Premiumness:** The production quality of every execution should be at the level of excellence expected from a premium brand. In some markets, this premiumness might be a unique reason for purchase and therefore constitute a brand promise.
>
> **Tradition:** The aura of the brand should be evident in the casting and tone of voice with each commercial. Heineken should be the preferred brand for people who believed in true values and whose brand choices reflected their personal value set.

Wining spirit: Tone of voice was thought to be very important in conveying this value, since winners are thought to be confident and relaxed, taking a quite pride in everything, and never shouting.

Friendship: The Heineken group should be a few (even two) people who clearly enjoy their relationship, and therefore should not be portrayed as a mass gathering drink. The Heineken moment should show people as themselves, relaxed, content and confident. Interactions should be sincere, warm and balanced, displaying mutual respect and free from game playing.

This study recognized that the first two components (taste and premiumness) are regarded as the price of entry; they needed to be communicated in all messages, but were not enough in themselves to differentiate Heineken from its competition. This report concluded that all marketing communication and advertising must be consistent with these guidelines, and that Heineken needs advertising with impact. This suggests that advertising should never be safe, but should be leading edge and take calculated risks when necessary.

International Focus Groups

The second piece of research commissioned were international focus groups conducted among male beer drinkers in the Netherlands, Italy, Germany, USA, Argentina, Brazil, Japan and Hong Kong. The objectives of this qualitative research were to find out what male beer drinkers meant by taste and friendship in relation to drinking premium beer and secondly what expressions of taste and friendship could be used by Heineken in its marketing communications.

Vaughn (1980 and 1986) suggested that all products can be placed in a two dimensional matrix between high involvement / low involvement on one axis and thinking / feeling on the other. Premium imported beer is placed in the low involvement / feeling quadrant, suggesting the product is emotional, and requires little involvement but it involves those products that satisfy personal taste (for example, cigarettes, candy, beer or snack food). For comparison purposes, regular beer is also in the same quadrant, but has a lower involvement level than imported beer. The balance between taste (head) and friendship (heart) suggests therefore, that it is important to place special emphasis on the feeling component.

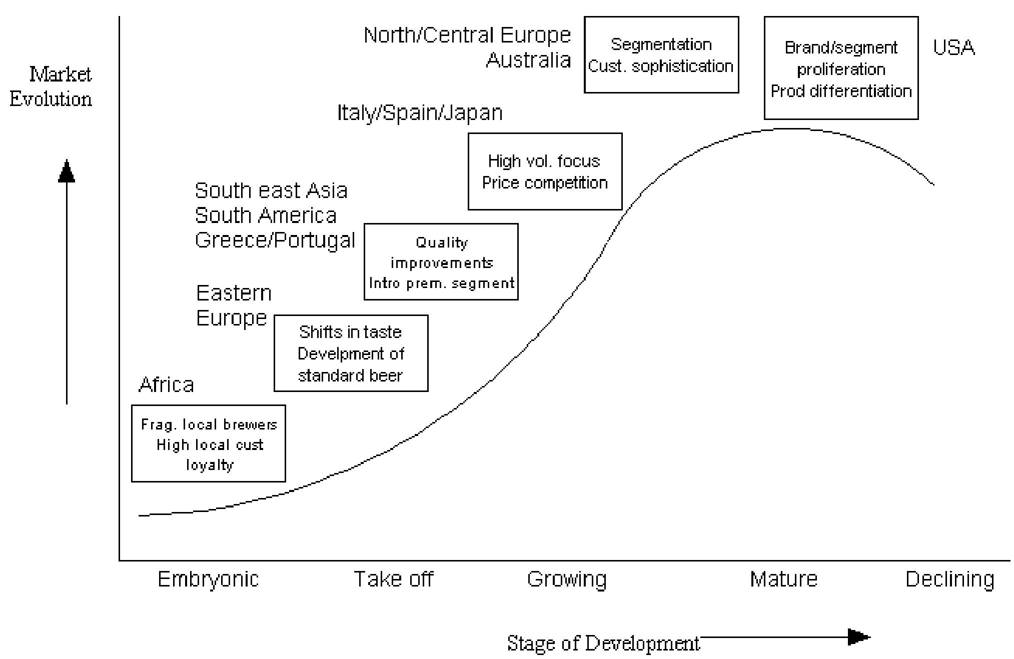
The research indicated that the most relevant and consistent indications of taste across all markets were scale of the plant (related to manufacturing), taste experience, balanced taste, foam and drinkability related to the product and advertising and packaging related to marketing. Similarly, the taste expressions that were consistent across all countries were two years of training for employees, twenty four quality checks, bottles returned to Amsterdam, created with the original recipe and made where beer was born.

The most relevant friendship expressions were “true friends” and “always count on Heineken”. Finally, the focus groups compared and contrasted respondent feelings towards how a "regular" beer and a premium beer might be incorporated into different usage situations. This is summarized in the table below:

	Standard beer	**Premium beer**
Company	Nuclear family Large groups Colleagues	Intimate friends Smaller groups Boss
Occasions and moments	After work At meals At home Thirst-quenching Day time Sport events	Meeting people Fancy meals Away from home Savoring Nighttime Disco / night club
Role of beer	Social participation Thirst quencher	Ego enhancement / self esteem A treat

Beer market evolution and marketing objectives

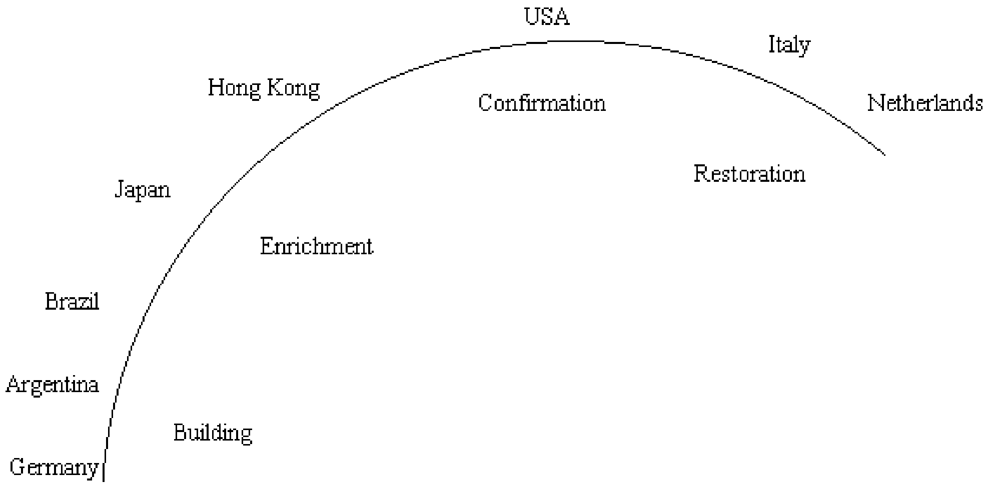
In addition to the focus market research that was conducted, Heineken has access to two additional strategic pieces of information. The first examines the beer market evolution by selected countries and regions across the product life cycle, and is illustrated below.



This illustration is important and differs slightly from the standard product life cycle since it recognizes that different segments occupy different spaces on the continuum rather than suggesting, as is usually more common, that the product category holds a specific position.

This graph suggests that the markets to concentrate on are those that are growing, and include Southeast Asia, South America, Greece / Portugal, Italy, Spain, Japan, north and central Europe, Australia and the United States. Other markets, such as Africa, may be attractive, but are likely too young to invest significant marketing resources.

The second examines the key marketing objectives for the brand across several key markets, and is illustrated below.



This suggests that the target markets for Heineken are Germany, Argentina, Brazil, Japan, Hong Kong, the United States, Italy and the Netherlands. The strategy of introducing Heineken as a premium brand will be successful in most countries, but may require as slightly different approach in its home market of the Netherlands, where Heineken is viewed as being a mainstream brand.

Discussion

The question facing Heineken is whether an integrated global strategy is appropriate for all targeted markets. Will the positioning of Heineken as a premium beer apply equally in the USA as well as in Argentina? Before discussing this issue, the paper will identifying the optimal brand positioning.

The research commissioned by Heineken suggests that the brand should be positioned using the following components:

- Taste, premiumness (and quality): Heineken believes that taste and premiumness are the minimum standards needed to successfully position the brand globally. These two should be adapted to include quality.

- Friendship: Heineken should be positioned not as a regular beer that is consumed in mass quantities from paper cups at a sporting match, but rather as a premium beer that is enjoyed between close friends in smaller groups. Friendship, and the relationship between people, is an important antecedent of the brand personality.

- Occasions: The research suggests that premium beers are reserved for special occasions. This includes intimate encounters, elegant parties, fancy meals, fancy night clubs or discos and suggests that premium beers are intended to be savored and enjoyed. In many respects, this suggests positioning the brand to compete more with fine wines than with regular beers, a position that the brand may be uncomfortable fulfilling.

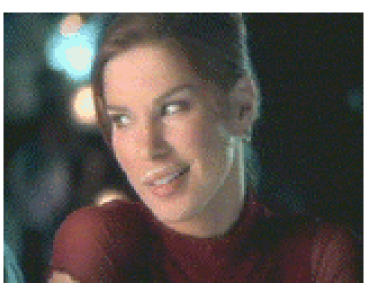
The question to be answered now is whether the essential elements for the creation of a premium brand relevant in all markets. Quality, friendship and special occasions are relevant and appropriate the world over. Therefore, pursuing a global brand strategy is an important and relevant objective for Heineken.

One of the challenges facing Heineken will be to move the brand from a "special occasion" beer to more of a mainstream beer selected by those seeking a premium brand, while still remaining true to the guiding principles of the brand and brand image.

Post Evaluation

This paper will now turn to a post evaluation examination of Heineken and its global branding strategy. As discussed earlier in the paper, it is important for a product to have a consistent brand image across different markets. This brand image is often communicated to the market through advertisements. Three Heineken television commercials (each from separate regions) will be explored in greater detail.

Heineken – TV spot (Lights Out)
Appearing as part of a Asian television campaign, 2000:
Agency: Bates Indochina, Singapore
Please see the file "Heineken_Lights_Out_Asia" for a copy of this advertisement



The spot is set in a bar where a couple is ordering their drinks. As they receive their drinks (Heineken for the man, wine for the lady), another young man sits next to the hero. Then there is a blackout. When the lights come back on, our hero's beer glass is empty. He suspects the gentlemen and gives him the evil eye. But it was his girlfriend that subtly drank the beer, revealed by the line of beer foam on her mouth. The tagline is "It could only be Heineken".

Heineken – TV spot (Concert Mob)
Appearing as part of a European television campaign, 1999:
Agency: J. Walter Thomspon, Milan
Please see the file "Heineken_concert_mob_Italy" for a copy of this advertisement

The spot is set in the concourse of a major stadium during a concert. A young woman works her way through the beer line, and finally gets to the front to order her beer. The server begins to look frantically for beer, apparently running out of product. As he opens the fridge to reveal the last Heineken, he considers who among the thirsty drinkers in line should be given the beer. At the last minute, he decides to drink the beer himself, much to the chagrin of those waiting in the beer line. Rather than quietly accept the fact that the stadium has run out of beer, the crowd turns into an angry mob, and begins chasing the server throughout the stadium. He finally seeks refuge in a cab outside the venue, and continues to drink his Heineken. The final scene shows the band taking the stage for the concert, only to reveal that the stadium is empty. The tag line is "Heineken. Sounds Good".

Heineken – TV spot (Premature Poor)
Appearing as part of a American television campaign, 2000:
Agency: Lowe North America, New York
Please see the file "Heineken_premature_pour_North_America" for a copy of this advertisement

This 30 second commercial is set in a bar, a young guy spots a beautiful woman across a crowded bar. She gives him the eye while seductively pouring her beer. He tries to stay calm — but pours too fast and spills beer all over the place. The tag line is "Its all about the beer".

Discussion

These three advertisements, from Asia, Europe and North America, clearly suggest that Heineken is unable (or unwilling) to communicate its brand in a single consistent fashion around the world. All three advertisements have different tag lines despite being produced in 1999 and 2000. Two of the advertisements (lights out and premature pour) appear consistent with the brand image strategy identified in the 1994 research report since they show fashionable people enjoying Heineken in comfortable, upscale surroundings. The Italian advertisement (concert mob), however, appears to be totally inconsistent with the core values of the brand. The beer is being consumed by the masses, the beverage is slurped and not savored, apparently becoming an essential part of social participation, rather than focusing on the self-esteem of the user. This is the positioning Heineken identified for standard beers.

Conclusion

This paper examined the importance of branding both to the consumer and to the firm. An added challenge for many producers is an understanding of the implications and strategy associated with global branding. After the basic concepts of branding were discussed, including elements of branding, brand strategy, branding commodities, the backlash against brands, and brand equity, this paper focused on a case produced by the Harvard Business School that examines the elements Heineken could use to develop a consistent global brand. The research available to Heineken suggests that there could be several advantages associated with creating a global brand, but a post case review of existing advertising from Heineken suggests creating a true consistent global brand may be more difficult than expected.

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Appendix 1 – Transcript from Pulp Fiction

Director: Quentin Tarantino, 1994

The following is a transcript of the movie Pulp Fiction and involves a discussion between John Travolta's character (JT) and Samuel L. Jackson's character (SJ).

JT: You know what the funniest thing about Europe is?

SJ: What?

JT: It's the little differences. I mean they have the same sh*t over there that they got here, but there it just there it is a little different.

SJ: Example.

JT: All right. Well you can walk into a movie theatre in Amsterdam and buy a beer. I don't mean just like no paper cup, I am talking about a glass of beer. And in Paris, you can buy a beer in McDonald's… And you know what they call a quarter pounder with cheese in Paris?

SJ: They don't call it a quarter pounder with cheese?

JT: No, they've got the metric system over there… they wouldn't know what the f**k a quarter pounder is.

SJ: What do they call it?

JT: They call it a…. "Royale with cheese".

SJ: *Royale with cheese!*

JT: Thats right.

SJ: What do they call a Big Mac?

JT: A Big Mac is a Big Mac, but they call it Le Big Mac.

SJ: *Le Big Mac! Hahaha!* What do they call a whopper?

JT: I don't know. I didn't go to Burger King. Do you know what they put on French fries in Holland instead of ketchup?

SJ: No. What?

JT: Mayonnaise.

SJ: Ahhh…. Damn!

JT: I've seen them do it man… they f**king drown them in the sh*t.

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