

Heineken Extends Brand Equity with First “Experience Store”

Executive Summary

CUSTOMER NAME
Heineken

INDUSTRY
Consumer Packaged Goods

CHALLENGES

- Changing patterns of beverage consumption and self-owned brands were eroding Heineken's brand preference and customer loyalty
- Needed to connect to a new, tech-savvy generation of consumers
- Potential ban on traditional beer advertising necessitated new, technology-based marketing

SOLUTIONS

- Integrated marketing strategy combining traditional and new media
- State-of-the-art promotional store showcasing technology as well as products
- E-commerce websites with personalized products and sports and entertainment sponsorships

RESULTS

- Widespread publicity for Heineken the City store; 300,000 visitors the first year
- Better-than-expected demand for customized and branded products
- Two more stores to be rolled out in London and Milan; technology foundation will be expanded in future Heineken projects

Background

Heineken is one of the world's most recognized brewers, with 170 beer brands that generated revenue of US\$13 billion in 2008. The 146-year-old Dutch company is famous for its pioneering advertising and innovative marketing, which go beyond beer by associating the Heineken brand with socializing and having fun.

In the face of changing beverage consumption, advertising restrictions, and a blurring of its positioning among self-owned and competing beverage labels, Heineken's marketers decided to use the company's strong brand equity to expand into adjacent markets and provide consumers with new ways to interact with the brand. Through a series of workshops, demonstrations, and relationship-building activities, the Cisco® Internet Business Solutions Group (IBSG) provided support and guidance on how technology could help Heineken achieve this vision.

A major component of Cisco IBSG's engagement was working with Heineken on a new “brand experience store” in Amsterdam called “Heineken the City.” The store is part of an overall marketing/branding strategy that combines traditional and new media to create connection points between Heineken and its customers. In doing so, Heineken is sharpening its “fun-loving lifestyle” image while increasing customers' brand preference and loyalty.

Challenges

Clearly (Re-) Differentiating the Brand: Heineken has always been a widely recognized name, but the brand had become less clearly differentiated in recent decades. In the Netherlands, where there are numerous beer brands—many associated with regions or specific target drinkers—brand preference and loyalty had eroded, and Heineken's communications were not conveying the intrinsic values of the brand. The company believed that new media, platforms, and markets were needed to revitalize the brand and make Heineken a “lifestyle” as well as an instantly recognizable beer. Heineken asked Cisco IBSG to provide



Cisco Internet Business Solutions Group (IBSG)

guidance on incorporating new media into The City project. Cisco IBSG also recommended new strategies for the future, such as the use of personal mobile and video services.

Changes in Beer-Consumption Levels and Habits: Another challenge for Heineken is that beer consumption in Western Europe has come under increasing pressure; consolidated beer volume in Europe declined 1.6 percent in 2008, according to Heineken's 2008 annual report. Heineken has seen marginal growth, mostly from acquisitions of new labels and brands.

Economic and political issues also are factors. While experience indicates that beer consumption as a whole is relatively resilient in a period of economic downturn, there may be shifts from consumption in bars and restaurants to in-home consumption, and from mainstream beers to economy beers. A smoking ban introduced in the Netherlands in July 2008 caused a significant decrease in beer consumption in cafés, whereas wine and various trendy drinks aimed at younger target groups experienced increased consumption.

Although the Netherlands is Europe's No. 2 beer exporter, about half of all beer brewed in the country is consumed locally, making the industry sensitive to local taxation. Tax-induced price increases, together with the effects of the smoking ban, the economic recession, and an increase in home beer consumption, make the outlook uncertain.

Ad Restrictions and Social Responsibility: Beer brands are increasingly expected to promote "responsible" consumption to their users and society. Moreover, many governments have placed restrictions on how beer companies can promote their products, just as they have done with tobacco.

As a premium brand that embraces quality over quantity, Heineken seeks to promote a responsible drinking culture. This became an even more visible component of Heineken's communications strategy in 2008, with initiatives aimed at raising awareness of responsible alcohol consumption. For example, Heineken displayed an "Enjoy Heineken Responsibly" tagline on promotional boards at Champions League soccer matches, which draw 850 million television viewers weekly and are Heineken's main sponsorship platform.

New Ways To Connect: Simultaneously, younger consumers increasingly are connecting with brands through the web, video, mobile devices, and experience/entertainment locations. They are demanding personalized products and services, and they expect a two-way relationship with brands. Terms such as "push to pull," "mass customization," and "individualism" have been used to describe these trends.

Media consumption also is changing as consumers increasingly take control of what they view and read. Traditional media such as TV, radio, and print have become less effective at reaching target markets and are losing mindshare to the web and time-shift TV. Information about a brand often is created by

"We needed new technology solutions to connect with consumers in Heineken the City and make it one of our new connection points. Without a partner like Cisco IBSG, it wouldn't be possible to do these kinds of things."

Herwin van der Berg
Marketing Director
Heineken, the Netherlands

customers, and therefore is difficult to control. As a high-profile beer brand, Heineken needs to be diligent about how its brand is perceived and positioned by its users on blogs, wikis, and Internet forums.

In the face of these changes, Heineken's challenge was to creatively integrate traditional and new media into a holistic, immersive marketing strategy. The company used Cisco IBSG's technical expertise to resolve two key issues:

- How to develop a closer relationship with its market
- How to complement traditional advertising and communication with innovative marketing enabled by new technology

In short, Heineken needed a strategy that was consumer-minded rather than channel-driven. The intent was to build customer loyalty as a hedge against changing consumption patterns and attitudes toward beer. Heineken needs to be seen as a brand that "gets it"—it knows that its consumers' habits have changed, and the company is changing along with them.

Solutions

A Holistic and Integrated Marketing Strategy: Heineken has learned from other successful consumer brands such as Nike, Apple, and Nespresso, which have combined traditional and new media, and exploited consumer and technological trends with their "mass customized" products and integrated media campaigns. Apple, for example, has used a combination of engagement (Apple Stores), transaction (iTunes), exposure ("Think Different" TV ad campaign), interaction (Apple.com), and relationship (MobileMe) to develop multiple touchpoints and two-way relationships with its customers. Doing so has helped drive image, customer loyalty, and commercial success.

Heineken has also built a holistic marketing strategy around the themes of interaction, exposure, engagement, and relationships. In combination with traditional thematic marketing communications channels such as TV spots and activation channels such as events, new customer connection points are being developed to support the reinforcement and unique positioning of the Heineken brand:

- **Interaction:** An e-commerce site, <http://www.jouwheineken.nl> (yourheineken), with Heineken-branded products and merchandise that can be customized and personalized by the consumer
- **Exposure:** Heineken "Saving the Planet" TV campaign, accessed through TV and web channels (such as YouTube)
- **Engagement:** Heineken the City brand experience store
- **Relationships:** Sports/entertainment sponsorships
 - Champions League soccer
 - Heineken Music Hall in Amsterdam

“We have created these new connection points, and now we are looking for new possibilities, together with Cisco IBSG, to put new technology in place for the next steps.”

Herwin van der Berg
Marketing Director
Heineken, the Netherlands

- **Heineken Access Loyalty Program:** Includes a new web/mobile entertainment portal and an RFID-enabled customer-loyalty credit card in partnership with Visa that gives Heineken customers preference for a range of Heineken products and events.
- **Heineken the City:** The most visible element of the renewed branding effort on which Heineken and Cisco IBSG collaborated is a six-building brand experience store, Heineken the City. Heineken acquired a prime location in the center of the Dutch capital of Amsterdam to build a state-of-the-art promotional store where visitors can interact and engage with nonbranded products and services within the adjacent markets of travel, entertainment, fashion, and retail. No beer is sold or consumed within The City.

The City is a historic location that has been outfitted with modern technology and ultramodern interiors by some of Europe’s top designers, and is built on a Cisco technology platform. The City also is used to promote other Heineken platforms—for example, selling Champions League travel packages. The store’s offerings include:

- *Personalized collectibles, merchandise, and fashion items by well-known designers.* Customers also can design customized Heineken beer labels to commemorate birthdays, weddings, or other occasions.
- *A recording studio for new bands and DJs.* Music sponsorship will be represented in the store with music lessons, new-talent shows, and DJ workshops.
- *Tickets.* Customers can buy tickets to concerts and for package tours to Heineken-sponsored events. Computer screens promote the events throughout the store.
- *Exclusive boardrooms.* These rooms can be hired out for meetings and business events.

Heineken the City provides a multidimensional media vehicle that clearly positions the Heineken “way of life” and offers branded products and services (other than beer) to its target customer segments. These include local residents who enjoy sports, music, fashion, entertainment, festivals, trendy parties, and beach clubs, and who like to discover new shops, unique products, gifts, and so on; tourists who like to travel, have new experiences, and meet other people; and explorers—tourists who are looking for cool products and enjoy contact with the local population.

Amsterdam’s Heineken the City pilot store is the first of an international rollout, with other stores planned for London and Milan.

“It’s all about how the consumer can experience the technology. The objective is to make the consumer more loyal, and the technology is a very important part of that.”

Herwin van der Berg
Marketing Director
Heineken, the Netherlands

Cisco Solutions

Heineken was looking for an innovation partner with knowledge of how technology can provide solutions to marketing problems. Cisco IBSG, through a series of workshops, demonstrations, innovation sessions, and business cases, provided a technology blueprint that Heineken’s marketing team can use to develop retail and customer marketing solutions for the near and longer term.

The foundation of Heineken the City’s technology platform is a fully Cisco-based IP architecture that drives efficiency within the store and allows for the development of new solutions and connection points with Heineken’s customers. Building on this foundation, Cisco:

- Provided IP telephony on Heineken-branded XML phones, enabling efficient in-store communications and information services through a touch-screen interface
- Incorporated Cisco-enabled physical surveillance, allowing 24/7 proactive, real-time virtual monitoring in high-definition video
- Built wireless LAN and Wi-Fi phones on the latest Wi-Fi standards, allowing employee and customer connectivity throughout the store and providing the basis for new, context-aware applications for mobile content
- Installed a Cisco Digital Media System (DMS) that allows recorded and live streaming video within the store, and is easily managed from a central location. Cisco DMS will also support personalized, customer-facing video applications when combined with RFID in loyalty cards.

Projected Results/Benefits

Heineken the City opened in July 2008 and received widespread press coverage in the Netherlands and abroad. In terms of revenue from merchandise and meeting room rentals, the store has hit the breakeven mark, with a return on investment within 13 months. Visitor numbers have been steadily increasing, totaling more than 300,000 the first year. The site has hosted a number of entertainment events, meetings (meeting room utilization is more than 70 percent), and reference visits from other organizations. Customized items such as beer labels have been major successes, and Heineken is evaluating how to efficiently keep up with demand.

Heineken the City is not intended to be a large revenue-making vehicle, but is instead a platform for increasing loyalty and brand equity. The City has exceeded Heineken’s marketing aspirations, with greater-than-expected visitor numbers and high demand for nontraditional items such as Heineken-branded designer clothes.

Next Steps

Having laid the technological foundations within Heineken the City, Cisco IBSG will support Heineken as it builds new solutions not only within The City, but also across other customer connection points within the Heineken holistic marketing strategy. In the area of mobile platforms, for example, dual-band (Wi-Fi-enabled /mobile network) handsets will allow users to track their friends' whereabouts in Heineken franchise bars and cafes, and Heineken will be able to push tailored content to handsets, based on a consumer's location. Heineken will be able to address communities or individuals with tailored messaging, thereby building even more customer interaction points.

Heineken also will be able to use Cisco Digital Media Systems to recognize users with Heineken Access Cards (RFID-enabled loyalty cards), as well as to stream two-way, high-definition live video with the integration of Cisco TelePresence™. This again will allow Heineken to further strengthen customer loyalty through personal interactions with customers.

The convergence of entertainment locations and interactive, high-definition video channels, context-aware handsets, and social networking will be an interesting and relevant area for Cisco and Heineken to explore. Heineken has inquired about using Cisco architecture and video solutions to allow it to provide new bundled services to bars and clubs, providing additional income generators for the bar owners themselves.

Cisco and Heineken share the vision of "making the world a more fun place." As an Internet expert with increased presence in consumer, video, and Web 2.0 environments, Cisco IBSG will provide support and guidance to Heineken's vision and strategy for enriching the customer experience. In doing so, Cisco will learn from the new standards set by this marketing-savvy organization, discovering ways to apply Cisco technology in never-before-seen applications.

More Information

The Cisco Internet Business Solutions Group (IBSG), the global strategic consulting arm of Cisco, helps CXOs and public sector leaders transform their organizations—first by designing innovative business processes, and then by integrating advanced technologies into visionary roadmaps that address key CXO concerns.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>



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