



Master of Science in Business Administration

Heineken Portugal: An international brand adding value in a mature market

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Abstract

English

This paper studies the case of Heineken, an internationally renowned beer brand, present in the Portuguese market but with little recognition or weight in the total market sales. In 2008, Heineken International, through its direct control of a Portuguese brewery, decides to lay out a plan to increase sales and profitability in a saturated and very competitive market, largely dominated by two national brands.

The current environment of the international and national beer markets is laid out, with special attention given to Heineken. A description of the case at hand depicts Heineken's starting point, marketing efforts and achieved results.

The case study is followed by a literature review, which displays the literature the author considered relevant to the case, with clear links to specific points in the case study. This chapter is divided between the topics of brand intangibles and brand marketing.

The paper concludes with a teaching notes section where the knowledge obtained above is discussed and the author attempts to pose challenges wishing to discuss the case study in depth.

Português

Este trabalho pretende discutir o plano integrado de comunicação e marketing da marca Heineken em Portugal, depois da sua tomada de controlo de uma das grandes cervejeiras portuguesas em 2008. Através deste plano, a marca cresce de virtualmente desconhecida para uma posição de niche de mercado que lhe garantiu um forte crescimento em vendas e rentabilidade no mercado português em apenas 2 anos.

O autor descreve a situação actual dos mercados cervejeiros internacional e nacional, dando especial atenção à Heineken (tanto internacional como nacionalmente). O caso descreve em maior pormenor a posição inicial da marca em Portugal no momento da aquisição, passando à descrição do plano e sua prática e resultados obtidos.

Segue-se a revisão da literatura que tenta organizar de forma lógica o conhecimento científico existente nos campos de marketing e comportamento do consumidor que nos permite entender e discutir o caso em questão com maior profundidade.

O trabalho termina com uma nota que pretende servir de guia aos alunos que pretendam apresentar e discutir o caso.

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Case Study

Introduction

Nowadays, beer is a common beverage throughout the world with varying formulas, ingredients or packaging formats. Some are local or regional brands (like the brands and types of beer across central Europe) but some have international recognition like Budweiser, Carlsberg or Guinness.

Heineken is one of these global brands. This brand's original formula was first produced in 1864 in the Netherlands, and throughout its history the company has invested in new methods, technology and brand image to turn it into one of the most acknowledged premium beers worldwide, ranking 8th in the list of top ten beer brands in the world¹.

In 2004, Heineken's total beer volume was made up as follows: Heineken brand 18.7%, Amstel 9.1% and other beer brands 72.2%. In addition to Heineken and Amstel, its international brands comprise a collection of specialty beers that seek to satisfy the consumer's growing demand for variety. Sales of these high margin products allow us to drive improvement in the sales mix. In fact, Heineken brand sales in hectolitres in that particular year was 22.8 million in a total group figures of 112,6 million². Although present in Portugal, it did not enjoy at the start of 2008 the same brand strength and premium positioning it has throughout most of the world. With representatives and distributors of the brand unwilling to support its marketing efforts, the brand ended up reaching a very small percentage of the market and having no clear image on the consumer's mind.

Heineken International view of growth in mature markets can be summarized by its statement that "in the developed markets (Western Europe, the United States, Australia and Japan), the overall growth rate is forecast to be close to zero. Growth in these markets will be mainly realised in the premium/import and specialty segments, which will grow annually by approximately 4%, at the expense of mainstream beers. Within the premium segment the international premium segment is expected to grow over 6% annually"³.

¹ "World beer market to grow over 1 pct in 2010 - Plato", (Reuters September 21, 2010)

² Heineken Annual Report 2004 - pages 24 and 29

³ "Industry Landscape"(www.heinekeninternational.com)

In 2008, when a consortium formed by Heineken and Carlsberg successfully acquired Scottish & Newcastle, owner of an important Portuguese brewery, Sociedade Central de Cervejas e Bebidas (SCC), formerly known as Centralcer, the Consortium attributed 50% of BBH, the French and Greek operations as well as the participation in the Chinese market to Carlsberg. Heineken by its turn kept the remaining businesses, most notoriously the UK & Irish, Portuguese, Finnish, Belgian and US operations as well as the participation in the Indian business. Centralcer, as part of the S&N Portuguese business, had in the acquisition year (2008) a market share of 44,5%, with a total volume of 2,8 million hectolitres, with Sagres as its flagship brand. At the time, Heineken was distributed in Portugal through a licensing deal with Nabeirodist (Delta Cafés) and this deal opened a new door for Heineken's operation in Portugal.

This paper attempts to examine the success this plan had on the brand in light of current marketing theory and what are the steps ahead, remembering that Heineken is positioned as a premium brand, except for its original market, the Netherlands. Heineken is the most consumed beer brand in Europe⁴

⁴ Heineken NV Institutional website - "Brands"

International Beer Market

Beer is nowadays consumed around the entire globe and can probably be found in all the 193 member states of the U.N., justifying the five regional geographic divisions of Heineken, namely Western Europe, Central and Eastern Europe, Americas, Africa and Middle East and Asia-Pacific reaching consumers through several brands, with different positioning, price ranges and product formats. Some cultures and regions have strong regional brands which dominate local markets, while other regions are more open to international ones. Whatever the case and whichever the region, anyone, mostly anywhere, can find a wide range of beer brands to choose from and for some international brands.

Anheuser-Busch InBev is the world's largest brewer with 353 million hl sold in 2010⁵ and operations in 23 countries and is no 1 or 2 in 19 countries. Its portfolio of over 200 brands includes global brands like Budweiser, Stella Artois and Beck's but also owns a plethora of multi-country and local brands⁶.

SABMiller (218 million hl in 2010) has operations in 75 countries and over 200 brands in its portfolio, owns premium international beers such as Pilsner Urquell, Miller Genuine Draft and Grolsch, as well as local brands such as Aguila, Castle, Miller Lite and Tyskie⁷.

Heineken (146 million hl⁸) boasts of being the "most international brewer" with production facilities in 70 countries and an international portfolio of over 200 brands with Heineken at its centre as its most international brand, being sold in 170 countries, and Amstel taking the second place in the podium. The remainder of the portfolio is composed by local brands, which through its ownership of SCC in Portugal includes the Sagres brands.

Carlsberg (114 million hl) owns over 500 brands⁹, with Carlsberg, sold in 140 countries¹⁰, and Tuborg as, perhaps its most famous international brands and several other local brands. The company operates in a total of 150 countries, including Portugal through Unicer, of which it owns 46%, thus counting among its several local brands with the Super Bock brands, Cristal and Cheers.

⁵ Anheuser-Busch Inbev Annual Report 2010

⁶ www.ab-inbev.com/go/about_abinbev/our_company

⁷ www.sabmiller.com - "About us"

⁸ Heineken Annual Report 2010

⁹ www.carlsberggroup.com/Company/Strategy/Pages/Facts.aspx

¹⁰ www.unicer.pt - "Kit Estudantes / Carlsberg"

Together, these four brewers had, globally, in 2009 a combined market share of about 50%, being branded in the industry as the "Big 4"¹¹.

If we look at share of production per continent in 2008, Europe and Asia represent currently the largest markets with a 32% share of global beer production each, followed by North America (19%) and South America (11%), Africa (5%) and Australia coming last (1%) (Exhibit 2).

The map of beer production around the globe is changing steadily though, with emerging markets, namely Asia, Africa and South America steadily gaining ground. Over the 4 years up to 2008, these continents (and sub-continent) have seen an increase in their share of global production, while the considered developed ones have seen their share of the global market decreased.

For the years mentioned, Asia has seen its share grow at an average of 3,4% a year, Africa at 2,6% and South America 1,6%. North America's share of production has been the most decreased at an annual 3,1%, Australia 3% and Europe 1,6% (Exhibit 1).

During the year of 2009, global beer production saw a very modest increase of 0,1%, but forecasts for the growth in the 2010 production were set at 3% with confidence in the emerging markets' continuous growth.¹²

A Canadian study¹³ shows that between the years of 2000 and 2006, premium beer showed growth values well above total growth values for beer, independently of the region of the globe considered¹⁴.

European Beer Market

According to the 2009 report on "The Contribution made by Beer to the European Economy" made by Ernst and Young, on request of the association "The Brewers of Europe", in 2008, 3724 brewers produced in total a volume of 427 million hectolitres of beer that year, making Europe the world's most important beer producer, followed by China and the United

¹¹ "Top four brewers make up half global beer market" - Reuters (Feb 8, 2010)

¹² Beverage Marketing Corporation, as per Exhibit 1.

¹³ "Sede Insaciável - Especial RSM: Águas, Sumos, Refrigerantes e Cervejas" - Revista Super Market (May 2008)

¹⁴ Exhibit 1 – "Volume Growth of Premium Beers vs Total Beer"

States (around 393 and 234 million hectolitres respectively)." Only 10% of the beer consumed is imported across national borders.

The same report also states that 60% of the beer consumed is purchased in supermarkets and other retail outlets (what is referred to as off-trade) while 40% of purchases are conducted in pubs, restaurants and other places of the hospitality sector (what is referred to as on-trade). Interestingly enough, 72% of revenue for breweries span from on-trade, which means that in revenues the retail sector is less important, and also that the effect of private labels is a limited one, as they are primarily sold through the on-trade channel.

A trend identified in the report is the steady decrease in per capita beer consumption over the last 15 years, while there's been an equally steady increase in the preference for wine. There's evidence to support that smoking bans and high prices are moving more and more people to consume at home (off-trade), driving value away from this industry. These trends, allied with rising production prices are skimming the profitability of brewing in European countries (a tendency only reversed in Eastern Europe, where newly integrated states are showing above-average economic growth).

Portuguese Beer Market

Following the Carnations' revolution of 1974, a wave of nationalization of Portuguese companies ensues. The beer market is restructured, with the five largest brewing companies group into two: Centralcer - Central de Cervejas EP, which was formed from Sociedade Central de Cervejas and Cergal - and Unicer - which sprouted from CUFP.

Brands and brewing companies wishing to enter the Portuguese market have since then been unable to dethrone these two companies, which have collectively controlled 97% of the market value, with 80% shared between their strongest brands, Sagres and Super Bock, between 2006 and 2010¹⁵.

The brewing sector has nonetheless others players, such as Empresa de Cervejas da Madeira with Coral as its most successful brand, Empresa de Cervejas Mello Abreu (Açores) with Mello Abreu, Cereuro (Sumolis) with Tagus and Grolsch and Font Salem, after the acquisition of Drinkin, also known as Cintra Beers. All six belong to the Portuguese Beer

¹⁵ "Beer in Portugal", 2011 - Euromonitor International

Association (APVC), although the ones mentioned in this paragraph dedicate most of their capacity to producing private labelled beers for grocery stores and for the two top brewers to export (mainly to Angola or European countries with traditionally strong Portuguese communities).

With effect, these brands have been unable either to impose themselves on the market outside of their regional origins (look for example at Coral and Mello Abreu) or been unable to establish a foothold against the two main brands (Tagus and Cintra are the best example of this).

Portugal has the fourth largest percentage of beer purchased in the off-trade sector, with over 60% of its total consumption of beer occurring in pubs, bars, restaurants and other hospitality venues.

Imported beers share in national volume sold amounts to 0,58% in total, with 36.000 hectolitres sold in 2008. In total 25% of the production (8.2 million hectolitres) in 2008 was exported, mainly to Spain and Africa.

Portugal, with a population of 10,6 million people¹⁶ and an yearly beer consumption a little over 695 million liters in 2009¹⁷ (consumption per capita in 2008 was of 61litres¹⁸), does not present the best conditions for international companies to invest in communication directed at its beer consumers. Although our per capita consumption is relatively high, being rated at number 31 of the list of highest consumers in the world¹⁹, our size (compare, for example, to Spain's beer consumption of 34.2 billion liters in 2008²⁰) means direct marketing investment would reach less people and bring less returns than investing in several other nations worldwide. Most international companies choose instead to be represented by a local beverage company that will import and distribute the brand nationally, using its own distribution network.

The recent economic downturn and VAT increases observed in Portugal resulted in the total decrease of 1% in total volume sold and in a 3% volume growth for the economy segment

¹⁶ Population Database INE 2009 (<http://www.ine.pt/xportal>)

¹⁷ Sumolis Annual Report 2010

¹⁸ "The contribution made by beer to the European Economy" – 2009 (Ernst & Young)

¹⁹ "2008 Per-Capita Beer Consumption by Country" - The World Beer Market: The 2009 Survey (ERC Group)

²⁰ "2008 Beer Consumption by Country" - The World Beer Market: The 2009 Survey (ERC Group)

in 2010.²¹ Brewers mostly fought these trends with the launch of innovative products, premiumisation and targeting new audiences.

The market is characterised by strong competition shown by the fact that no public financial figures are available from the main competitors²². To know the dimension of the Portuguese market, we need to recur to the main non-alcoholic beverage producer in Portugal which represents Grolsch, which releases the figures for the market due to the fact that it is a quoted company in NYSE Euronext, named Sumolis.

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--------------------------------------|------|------|------|------|------|------|------|
| Total Market (million liters) | 691 | 654 | 655 | 663 | 679 | 668 | 695 |

International brands face an important obstacle to growth: since local partnership of the licensing agreements do not own the brand themselves and must share profits, there is little incentive for these national companies to invest in marketing international brands.

Since they are also squabbling over 3% of the market valued at €1.927 million in 2010 values, international brands will find it extremely hard to implement a complete and successful marketing campaign without a strong cooperation between brand and local partners.

Still, national beverage companies with access to the distribution channels seek to represent international beer brands in order to complement their own offer of products and brands, thus leveraging their brands' sales.

Heineken International

Heineken is a company with centuries of history and a great tradition of innovation, quality and expansion into different territories. It currently owns 125 breweries in over 70 countries²³, trades in over 170 countries and has a brand portfolio of two global brands (Heineken and Amstel) and over 200 international premium, regional, local, and specialty beers and ciders.²⁴

²¹ "Beer in Portugal", 2011 - Euromonitor International

²² Both SCC and Unicer are not listed in the stock market, and strong competition has driven both to keep financial statements private

²³ "Company and Strategy (www.heinekeninternational.com)

²⁴ "Brands" (www.heinekeninternational.com/faqpage.aspx)

Its history starts in 1864, with the Haystack Brewery in Amsterdam. From the start, it produces both for local consumption and exportation to neighboring European countries. In 1875 it receives its first important international boost with a gold medal awarded at the International Exposition in Paris.

Around 1914, the company starts exports to Asia. By 1960, Heineken is the leading brand in the African continent.

The 70s to the 90s see a powerful wave of acquisitions and mergers, with Heineken continuing its internationalization through acquisitions or joint ventures with breweries and Beverage companies all over the world. By 1989, Heineken is considered the most international brand in the world, being present in over 170 countries.²⁵

As mentioned previously, in 2007, Heineken and Carlsberg, through a joint venture, take over S&N, the former owner of 100% of SCC since 2003 after the acquisition of the company from the Colombians Santo Domingo. Through that acquisition Heineken gains control over Fosters, Strongbow and Sagres, brands evaluated at €1.239 million as well as contract-based intangibles with pubs and retailers in the UK, Finland and Portugal.²⁶

Heineken in Portugal

Heineken in Portugal had been distributed in Portugal through licensing agreements up to 2008. Before owning Central de Cervejas, the brand was distributed through several Portuguese beverage and food groups such as Sumolis or Grupo Nabeiro²⁷.

Although licensing partners enabled Heineken to enter the Portuguese market without having to build its own distribution infrastructure from scratch, these representatives had little incentive to invest in brand communication for a brand that was not their own. Heineken marketing investments during this period are limited to sponsoring a summer music festival (Heineken Paredes de Coura 2006, Heineken Paredes de Coura Club 2007 and Heineken Paredes de Coura 2008).

²⁵ "The History of Heineken"
(http://www.heinekeninternational.com/content/live//files/downloads/History_of_Heineken.pdf)

²⁶ Heineken Annual Report 2008 - Page 68

²⁷ Interview to Rui Patriarca (other records have been unavailable)

In 2008, Delta Cafés was Heineken's representative when the Heineken and Carlsberg consortium successfully finished negotiations for the acquisition of S&N. After the operation was completed, the consortium breaks apart once again, leaving Heineken in control of S&N and, in effect, of 100% of SCC's capital. Both SCC and its competitors expected Heineken's tradition for sophistication in products and drive for results to come as a boon for SCC's performance²⁸.

This meant the international brand's situation in Portugal needed to shift: it would not make sense for the Heineken brand not to be represented by SCC, its wholly owned subsidiary in Portugal. To address this question, SCC's CEO, Alberto da Ponte, negotiated with Grupo Nabeiro, revoking its representation and transferring the Heineken brand back to SCC. The final agreement extended the representation of Heineken by Nabeiro group until the end of 2008, giving SCC time to prepare for the task ahead: setting up a team devoted to Heineken and a marketing plan for the brand in Portugal.

Rui Patriarca was brought into SCC at this point, invited to lead the Specialty and Premium Beers marketing department, which would specialize on marketing the company's international portfolio. Mafalda Pescaria also entered the company then, and for the task of Heineken brand manager.

With six months to prepare, the team set off to evaluating Heineken's current situation nationally. This assessment included finding out where the brand was present, how it was perceived by consumers and establishment owners. Also they needed to go through all the materials, presentations and consumer data that Heineken International had to offer them, identifying the brand, and adequately describe its elements and its target consumers.

Rui Patriarca, then working with Cervejas Cintra as brand manager was invited to take on the challenge of building a brand image for Heineken in Portugal and turning the relatively unknown brand into a success case. He immediately sought help, bringing into the team Mafalda Pescaria, a marketing professional previously in the cigarettes industry.

Together, they launched a plan that, in two years, built and communicated a consistent premium brand image defined by its higher price, comparing with other brands, namely its own Sagres brand as well as increase in volume figures in result of the improvement of the channel distribution, advertising and innovative marketing initiatives, raised awareness

²⁸ "Pires de Lima: Conta de exploração robusta viabiliza crescimento futuro" - Unicer e o Mundo, 31 December 2007

to measurable levels, according to a Marktest study in 2009 that shows top of mind, spontaneous recollection and total recall values for the Heineken brand all equal to 0,0 against the values shown in Exhibits 11, 12 and 1329, and greatly increased the brand's sales to over twice the value sold in 2008 (Exhibit 3), specially reducing the gap to Carlsberg from 1:6 to 1:2.

The background of the team, here proved to be of utmost importance, as Rui's experience had allowed him to participate in the formation of Cintra beer brand, a challenger in a market dominated by two brands in charge of 97% of the market, which was declared insolvent in 2006 after 5 years of being incorporated, before being acquired by third parties. Today it belongs to Font Salem, a Spanish brewery

Through the words of the entrepreneur behind this brand, Sousa Cintra, owner of a successful brewery in Brazil under the same brand " In this business, you need to keep the flame going which goes to say distributing well and marketing well" attributing the causes of the collapse to financial constraints - "The same syndicate of banks that financed the factory, would not support the marketing and publicity efforts".³⁰

Heineken Premium Plan

Internationally, Heineken positions itself as a smart, sexy premium brand for men of the world. It evokes confidence and style to those seen holding the iconic green bottle. Commercials, events and other brand communication efforts around the world would consistently target the urban, upper-class man³¹ and to generate customer intimacy by associating its product with young men, worldly experiences, social gatherings with friends. This way the brand also attempts to address the seasonality of beer consumption³², which always sees a peak in the summer, by associating itself with music and sports events (Heineken has sponsored the Champions League since 1994 and has recently signed the extension of its sponsorship up to 2015;³³ also it has launched several editions of the Heineken Music Festival

²⁹ Unfortunately, this sort of information does not exist for the period the brand was distributed by Grupo Nabeiro

³⁰ In Diário de Notícias (27 April 2007) - "Cerveja Cintra tinha tudo para dar certo"

³¹ "Customer Intimacy é um dos pilares da estratégia da Central de Cervejas, e-Business Report, no 478/38, 15 Oct 2009

³² "Satisfação de Consumidores de Cerveja Premium de Trigo em Caxias do Sul", XIII SEMEAD Seminários em Administração, Sept. 2010

³³ "Heineken extends sponsorship of UEFA Champions League", Media Relase (www.uefa.com), 27 May 2011

in countries USA, UK, Japan, Brazil, and other spots around the globe as well as supported smaller music events such as Made.Out Parties and Heineken Green Party). Nationally, the picture was a different one. There was little effort on communicating the brand, making it extremely hard for the brand to stand out through all the clutter produced by national and international brands' marketing efforts. The successive national partners of the brand's efforts to distribute the beer indiscriminately meant the product could be seen in any kind of establishment, wearing the brand image out.

What is more, still in an effort to keep or surpass volume objectives and provide clients with rappel discounts, representatives would try lower sales price so as to keep it within the standard price range (1,30€-2,29€/liter)³⁴, which simply was not consistent with the intended high-end image of the brand.

The team recognized several other opportunities: although international beers tend to be more expensive than their national counterparts (above 2,29€/liter), there was little effort to effectively communicate the brand and position it in the consumer's mind. This meant that even though consumers already looked at some foreign beers as posh, pricier alternatives to the mainstream national ones, no international beer was actually positioned as premium, but instead as specialty or gourmet, without volume expression. Also, international brands saw, in most cases, no need to invest in marketing efforts for such a small market, leaving Heineken enough room in the market to differentiate from its competitors now that it is established in Portugal.

Carlsberg for example, the most successful international brand in Portugal (read the international brand with most volume sold and highest value share of market³⁵) practices stable prices that although higher than the national mainstream brands, are still close enough to be generally consumed (Exhibit 4). One should keep in mind that Carlsberg holds 44% of Unicer and is produced within borders, allowing for greater margins with the savings in transportation and distribution costs. By that reason it is no surprise that Alberto da Ponte has already communicated its intention of producing Heineken beer through an expansion of the capacity at Vialonga brewery.

³⁴ Lager by price band Table - Euromonitor International, "Beer in Portugal", Dec.2010

³⁵ Exhibit 3 - "Total Sales figures for the Portuguese Market"

Guinness, another international competitor brand, was claims to position itself as premium, with higher-than-average pricing and available only at specific locations (mostly sold at Irish/British bars and in some supermarkets) but it is a niche beer and its marketing efforts go focus on Point of Sales materials, like bar decorations. Without marketing for the masses, the brand has been unable to expand its client base, which only consumes it at rare moments and in specific locations. Most international brands, like Grolsch, shared this situation: representation by Portuguese Beverage firms allowed for little room for marketing communication, thus generating little growth for these brands.

National brands have attempted to tap into the specialties and premium segment of the market, but always associating these higher rated products with the popular mainstream brands. The most successful examples of this are the brands *Super Bock Abadia* and *Sagres Bohemia*. The fact these two brands are connected to Super Bock and Sagres, the two main players in this market, meant instantaneous recognition, but also, for Rui Patriarca, served as an opportunity for a brand intending to re-launch itself as premium: these national specialty beers are associated to mainstream brands, diluting their own intended high-end positioning.

Supporting the team's view, SCC's management saw an attempt to create a premium positioning for Heineken as the optimal way to take market share away from competitors without the investment resulting in a cannibalism effect and the consequent loss of sales in all the other brands owned and represented by the company. Heineken international was also supportive of this plan, as it showed consistency with the international intended positioning and it took into account the local portfolio (also part of Heineken's assets and key profit drivers and part of its growth platform³⁶)

Heineken Marketing Initiatives

According to Rui Patriarca, at the start of 2009, it was time to burst into action: a series of training sessions were arranged for the sales teams, educating them on the Heineken brand, its target audience and brand image. Gradually, and adapting to the marketing and sales team's own feedback, supply of Heineken began displaying selectiveness in its distribution through the HORECA channel, avoiding supplying the product to places that were not in line with the Heineken brand identity: youthfulness, trendiness, sexiness, confidence and fun.

³⁶Presentation made by Jean-François van Boxmeer, Heineken CEO, 6 Nov. 2009 - www.heineken.com

Prices were raised and the sales team was given specific targets on pricing, with rigid thresholds they could not drop under. A rule of thumb was that Heineken was to be priced at roughly 1,5 times the prices practiced by the mainstream brands, this way distancing itself from them as a real premium brand.

The product packaging formats or stock keeping units (SKU) traded in Portugal was limited to the 15cl green glass bottles only. This deliberate decision sought to assure a consumer of Heineken would always be recognized wherever it made the purchase, since it would forcefully be seen holding a green bottle with the distinct Heineken logo, thus potentiating the brand's goal as a trend setter and conveyor of status, irreverence and confidence.

Also concerned with placement and product visibility, the team set off to select a number of bars and discos that would serve as brand ambassadors, hosting Heineken *Extra Cold* summer parties and permanently displaying Heineken branding materials, which included custom bar counter decorations, posters, neon signs and sub-zero fridges (these Heineken fridges would display brand elements while storing beer at -2°C, against the common 4 to 6 degrees Celsius of other fridges at the Point of Sales).³⁷

Extra Cold parties would decorate the disco / nightclub with ice sculptures holding Heineken bottles inside, display several of Heineken's branding materials, have promoters entertain and also run the ongoing contest where Heineken consumers would retrieve a capsule with ice trapped in it. Only by waiting for the ice to melt would the consumer find out what its prize was.

Ambassadors were handpicked by the team, which travelled the country evaluating and selecting the clients with the most potential. Lisbon, Porto and Algarve were the areas given the most attention, with the remaining areas of the country being awarded roughly one ambassador per district capital. A prospection of the 200 which displayed the best location, consumer type and consumption levels resulted in the selection of over 100 inserted in the X-Cold project.³⁸

“Lisbon and Porto are simply the country's largest urban hubs, with higher average income per person, higher concentration of urban living, worldly, status seeking people that can identify with brand and the most vibrant night life.” – says Rui Patriarca. Algarve was also

³⁷ Natural (An SCC's publication), Issue 14 , September 2009

³⁸ e-Business Report, Issue 478/38 (15 Oct 2009)

considered an important focus for building brand recognition given its well-know night-life, especially during the summer, the peak season for beer consumption.

A negotiation kit for these clients was developed. For some establishments, ambassadorship meant being awarded access to Heineken display materials and being host to the brands' summer parties and contests throughout the summer, while Heineken would become the exclusive beer brand supplied in these locations. With some, the relationship with the brand was made much stronger, as Rui Patriarca explains: "Pacha [a popular disco in Algarve] was constantly packed in the summer and it was nearly impossible to get a drink, since preparing mixed drinks would always consume the barmen a lot of time. We installed a separate Heineken counter with brand promoters that sold exclusively our brand and it was an instant success. The branded, separate counter generated a lot of visibility while we improved both the client's experience [by shortening waiting times for drink purchase] and sales figures for our partner and Heineken." Like Pacha, other important night-life establishments had exclusive, custom fitted Heineken counters. The most popular and successful collaboration of this type are Lollipop and Lux Frágil in the Lisbon area. Lux Frágil was also the stage for Heineken's Green Ray parties which started in 2009 and continued through 2010.

Building on international campaign materials and case studies, the team attempted to create awareness and simultaneously imprint fashionable, trendy imagery into the consumer's mind by launching the Extra Cold parties and by bringing the Extra Cold Experience to Portugal (Lisbon and Porto only). This experience consisted on a party within an igloo tent and a parked truck where the temperature was kept at -8°C. Visitors would be given thick winter clothing at the entrance, in order to sustain the temperatures inside. Inside the bar, everything was made from or incased in ice, from several ice sculptures, to the counter or the walls themselves. This event attempted to communicate how the product should be optimally consumed (at very low temperatures) while also attempting to elevate the brand's status by granting appearances in SICMulher's Famashow and Lux magazine.³⁹

Alongside all the mentioned on-trade strategies to generate brand desirability, the team felt that premium positioning also meant convenience and overall availability for home consumption. This brought a countrywide series of deals with the major off-trade points of sales, negotiating deals that would begin supplies to stores that did not have Heineken previously, such as Pingo Doce.

³⁹ Natural (An SCC's publication), Issue 14 , September 2009

Building Brand Recall

By the start of 2010, SCC's board felt the efforts to re-launch the brand had now paid off and the team had successfully proven to its stakeholders that Heineken had potential as a premium beer, with a volume increase of 30% and over 50% in value⁴⁰. Successful events and selective presence within the trendiest spots of the Portuguese night life greatly reinforced the brand high-end, superior quality image of the product and the successfully differentiated it from the competition, as shown by Heineken's volume growth of 51% versus that of Carlsberg, for example, which was 14%⁴¹. Unfortunately the brand was still virtually unknown and as such, very rarely within a consumer's consideration group⁴².

As such, SCC's top management committed to increasing Heineken's marketing budget. Negotiations with the Headquarters of Heineken N.V. resulted in a direct investment from the parent company, which prompted SCC's CEO to publicly announce the objective of doubling Heineken's sales figures by 2011, which was actually achieved in 2010.

The first move towards building brand recall included printed advertisements. Time Out magazine was chosen as the exclusive publication to announce Heineken's Green Ray parties and also to display the brand's simple and appetizing ads, which featured a Heineken bottle against a green background and a single phrase. While the picture attempted to spur an hedonic response within the viewer - the cold, wet glass appealing to the superior taste of the product and the attractive design with its unique green glass appealing to the sense of beauty of the viewer – the phrase relayed to a social, fun and relaxed moment (*"Served in places you wish you could be right now."*). The phrases were purposely left written in English, to communicate the brand international origins.

The Heineken full page printed ads featured monthly in Time Out Porto (a monthly publication itself) and twice every month in Time Out Lisboa.

In the meantime, taking into consideration one of the strategic pillars of Heineken's - innovation - the others being brand equity and experience, SCC introduced new SKUs into Portugal, like the box with 3 six-packs of 25cl bottles (3x6x25cl) or the 14l draught keg (Exhibit

⁴⁰ Exhibit 9 - Brand Sales Growth

⁴¹ Exhibit 9 – Brand Sales Growth

⁴² According to Rui Patriarca's interview, the brand scored 0.0 on total recall, spontaneous recollection and Top of Mind in a January 2010 Marktest/Publivaga study

14), single or in a pack with 4 Heineken glasses was introduced to hyper and supermarkets. In the on-trade channel, Extra Cold draught taps were installed and, exclusively in the summer time and for the ambassador nightclubs, the new aluminum STR bottle, which would glow in the dark with drawings that would be hidden from sight when the bottle was held in the light.

With the introduction of these new SKUs, Heineken sought to enhance convenience for the consumer - experience (customer intimacy) -, by trying enhance convenience and availability through the modern distribution channel, while in the off-trade channel it generated hype and created associations to innovation, trendsetting and attractive designs with its POS materials and parties.

Not wishing the imagery of Heineken products in hyper and supermarkets, to collide with the image of selectiveness achieved in the off-trade channel, the team picked the 10 best performing stores nationally to introduce an attractive end-shelf display complete with a Heineken fridge, where all the available SKUs would be displayed and could be purchased already at optimum temperature.

As far the differentiation strategy went, Heineken reinforced its ambassador strategy increasing personalization of in-store decorations and launched Via Heineken, in a partnership with Lux Frágil in Lisbon, a DJ competition for amateur music lover that prized the best with an offer to become Lux Frágil's next resident DJ. This event generated a lot of publicity not only with the club's customers but also within the music community throughout Lisbon, also being mentioned in the press (Jornal i, Time Out and Destak).

Again taking advantage of the seasonal consumption peak in the summer, the team launched in July 2010 a full campaign themed after the already internet popular international Heineken commercial "Walk in Fridge". The humorous commercial aired on national television channels for five weeks (the first day being July, 5), stopped for 2 weeks and then resumed airing in the last week of August until the end of September (another 5 weeks).

When the brand first interrupted the display of the commercial, a set of mupis and outdoors were displayed around the country (with emphasis on Porto, Lisbon and the Algarve south coastal regions). The advertisements in the mupis were very similar to the ones in the publications. A renegotiation with the advertising company owning the mupi space enabled the brand to extend the time these mupis were displayed, adding another week in August and two weeks in September.

To celebrate the airing of the television commercial, Heineken launched a party at Hotel Corinthia in Lisbon, with several high profile guests, and an appearance in the media (a report in SIC Mulher and an article in Lux Woman) presenting at this event its most recent entertainment for the summer parties, the scream-o-meter (“gritómetro”) – a booth imitating a walk in fridge, where people would enter and scream to the top of their lungs (here relating to the TV commercial where several men screamed when shown the walk in fridge). The scream-o-meter would register the level of decibels and the result would be used to reclaim a prize next to the brand’s promoters.

Throughout the summer, Heineken parties would include the scream-o-meter and also portable ones, which promoters could carry with them. For these parties held in the Algarve, Lisbon and Porto, only people holding Heineken would be awarded a try.

This year, the brand also reinforced its position on the web, introducing more material into its Heineken Portugal website, mostly dedicated to the Champions League premiums and with the opening of its Facebook pages (Heineken Experience Portugal [a personal profile page] and Heineken Experience Portugal [a group page]), where the brand launches news, receives direct feedback from consumers, and also held the “Gritadores Convictos” video competition.

The Champions League premiums consisted in consumers visiting the Heineken webpage as announced on packaging and registering the barcodes for the purchases made and this way standing a chance to win tickets for Champions League games. In order for this opportunity to be appealing for the consumer, Heineken Portugal offered tickets only for the games of the two Portuguese teams in the competition, Benfica and Braga, and for the 2010 Competition Finals in Madrid.

Conclusion

From 2008’s six months of research and preparation, a clear goal arose: to form an established premium beer segment with Heineken strongly established within with a set brand positioning and niche target market.

In the year immediately after (2009), the focus for the marketing team was on re-positioning the brand (although the team did not invest in any study of the brand’s positioning

for consumers) and assuring the consistency of the message in all elements surrounding the product. During the second year (2010), the brand focused on building brand awareness, which involved a significant investment.

Even if the effects of re-positioning cannot be effectively measured and the numbers for brand recall still show room for improvement (Exhibits 11, 12 and 13), the ultimate goal of these strategies was to increase sales, which did rise considerably (Exhibit 3). The bottom line proves the success of the strategy employed.

Now the team was meeting again to prepare for 2011. As they set strategies and goals for next year's marketing efforts, Rui reminds Mafalda that they will not be working with the same resources: "Heineken International investment was specifically to enable us to launch the *Walk-in Fridge* television campaign. We cannot expect this investment to repeat itself for next year, so we will have to find new ways of our message reaching the consumer without recurring to mass media advertising."

This does not pose a problem to Mafalda, who feels Heineken can still communicate with the target consumers without the need to burden Heineken international once more. She feels a new integrated approach to evaluating events sponsorships, promotions and contests and ambassador partnerships can be reached, while also concentrating communication efforts on print and web-based marketing.

Nevertheless, perhaps due to the economic downturn and general pessimism, marketing investment in 2011 was kept relatively high to introduce Heineken's new international campaign "The Entrance".

She is confident Heineken can keep raising its awareness and preference numbers while communicating Heineken's message and personality the best way possible: through the consumer's own experience.

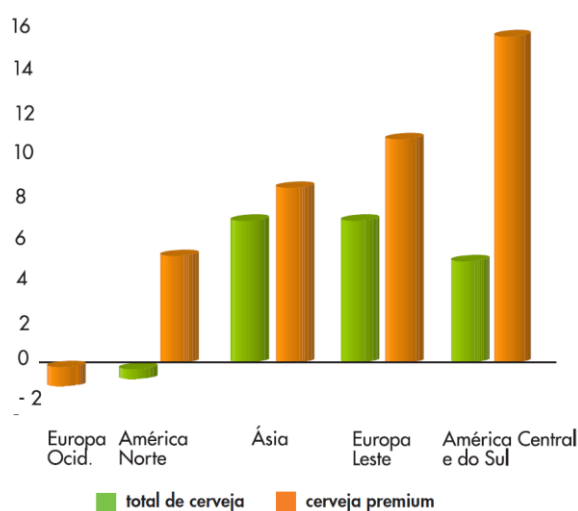
Still, there is a clear challenge ahead that both seem to be taking very seriously: different international brands that are also priced above mainstream brands and recognised as quality brands, seem to be reserved mostly for special or rare occasions. "This type of categorisation means there is little repurchasing from a single consumer year-round. Heineken wants to distance itself from these brands and these situations. We want to be at Top of Mind for every gathering or party with friends or family, at home or going out for our target consumer. We want to be the brand that actively displays the personality of our consumer, and the one that deserves their preference every day of the week." – Rui Patriarca.

Exhibits

Exhibit 1: Volume Growth of Premium Beers vs Total Beer

Mercado global de cerveja *premium* vs todas as cervejas

[2000 - 2006 | % | volume]



Fonte: Canadean

Exhibit 2: GLOBAL BEER MARKET Share of Production by Continent 2003-2008

| Continents | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Average Growth |
|-------------------|-------|-------|-------|-------|-------|-------|----------------|
| Europe | 34,9% | 34,1% | 34,1% | 33,4% | 33,1% | 32,2% | -1,6% |
| Asia/Middle East | 26,9% | 28,5% | 28,5% | 30,0% | 31,2% | 31,7% | 3,4% |
| North America | 22,2% | 21,4% | 20,9% | 20,0% | 19,4% | 19,0% | -3,1% |
| South America | 10,2% | 10,2% | 10,7% | 10,6% | 10,5% | 11,0% | 1,6% |
| Africa | 4,4% | 4,4% | 4,5% | 4,6% | 4,7% | 5,0% | 2,6% |
| Australia/Oceania | 1,4% | 1,3% | 1,3% | 1,3% | 1,2% | 1,2% | -3,0% |

Note: Average Growth represents the average percent points growth registered between 2004 and 2008, displaying in effect the growth of the region's weight in global beer production.

Source: Beverage Marketing Corporation; Productschap voor Gedistilleerde Dranken / Commodity Board for the Distilled Spirits Industry (Netherlands); Joh. Barth & Sohn GmbH & Co.; S.S. Steiner

Exhibit 3: Sales figures for the On-trade Portuguese Market

| On-trade | Total Sales (Value) | | | Total Sales (Lt) | | |
|-------------|---------------------|------------|------------|------------------|------------|------------|
| Beer Brands | 2008 | 2009 | 2010 | YTD 08 | 2009 | 2010 |
| Heineken | 885.136 | 1.076.613 | 1.218.048 | 409.192 | 455.733 | 513.128 |
| Sagres | 54.807.563 | 65.742.460 | 71.794.068 | 40.122.880 | 44.957.817 | 42.714.910 |
| Carlsberg | 2.490.430 | 1.877.352 | 1.861.566 | 1.520.107 | 1.064.285 | 1.065.806 |
| Super Bock | 61.002.818 | 65.036.953 | 72.283.544 | 46.098.454 | 45.232.554 | 44.480.787 |

Note:

- On-trade stands for ACNielsen's Nitro INA channel
- Values are not full year approximately up to November

Source: ACNielsen's Nitro Software

Exhibit 4:

Sales figures for the Off-trade Portuguese Market

| Off-trade | Total Sales (Value) | | | Total Sales (Lt) | | |
|-------------|---------------------|-------------|-------------|------------------|-------------|-------------|
| Beer Brands | 2008 | 2009 | 2010 | YTD 08 | 2009 | 2010 |
| Heineken | 2.556.506 | 4.317.638 | 9.614.156 | 619.547 | 932.156 | 2.410.189 |
| Sagres | 302.249.888 | 313.113.120 | 349.643.968 | 113.464.528 | 114.218.496 | 124.444.720 |
| Carlsberg | 16.441.080 | 18.318.351 | 15.774.715 | 4.825.927 | 5.515.245 | 4.785.369 |
| Super Bock | 310.466.400 | 294.222.704 | 327.573.280 | 113.295.520 | 104.782.288 | 113.905.136 |

Notes:

- Off-trade stands for ACNielsen's Nitro INCIM+Hoteis+Bares +Tot.Tradicional
- Values are not full year approximately up to November

Source: ACNielsen's Nitro Software

Exhibit 5:

Total Sales figures for the Portuguese Market (Total)

| Beer Brands | Total Sales (Value) | | | Total Sales (Lt) | | |
|--------------------|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| Heineken | 3.441.642 | 5.394.251 | 10.832.204 | 1.028.739 | 1.387.889 | 2.923.317 |
| Sagres | 357.057.451 | 378.855.580 | 421.438.036 | 153.587.408 | 159.176.313 | 167.159.630 |
| Carlsberg | 18.931.510 | 20.195.703 | 17.636.281 | 6.346.034 | 6.579.530 | 5.851.175 |
| Super Bock | 371.469.218 | 359.259.657 | 399.856.824 | 159.393.974 | 150.014.842 | 158.385.923 |
| Total Beers | 774.123.527 | 787.324.939 | 876.044.686 | 330.264.077 | 326.967.602 | 344.659.840 |

Note: Values are not full year approximately up to November

Source: ACNielsen's Nitro Software

Exhibit 6:**Average prices per liter**

| Beer Brands | Average price per liter (Euros) | | |
|--------------------|---------------------------------|-------------|-------------|
| | 2008 | 2009 | 2010 |
| Heineken | 3,35 | 3,89 | 3,71 |
| Sagres | 2,32 | 2,38 | 2,52 |
| Carlsberg | 2,98 | 3,07 | 3,01 |
| Super Bock | 2,33 | 2,39 | 2,52 |
| Total Beers | 2,34 | 2,41 | 2,54 |

Source: Calculated using ACNielsen Nitro data

Exhibit 7:**Market Share**

| Beer Brands | MARKET SHARE (Valor) | | | Share do Volume | | |
|-------------|----------------------|-------|-------|-----------------|-------|-------|
| | 2008 | 2009 | 2010 | YTD 08 | 2009 | 2010 |
| Heineken | 0,4% | 0,7% | 1,2% | 0,3% | 0,4% | 0,8% |
| Sagres | 46,1% | 48,1% | 48,1% | 46,5% | 48,7% | 48,5% |
| Carlsberg | 2,4% | 2,6% | 2,0% | 1,9% | 2,0% | 1,7% |
| Super Bock | 48,0% | 45,6% | 45,6% | 48,3% | 45,9% | 46,0% |

Source: Calculated using ACNielsen Nitro data

Exhibit 8:**Annual Growth per Brand (On-Trade)**

| On-Trade | Growth (Value) | | Growth (Quantity) | |
|------------|----------------|-------|-------------------|-------|
| | 2009 | 2010 | 2009 | 2010 |
| Heineken | 21,6% | 13,1% | 11,4% | 12,6% |
| Sagres | 20,0% | 9,2% | 12,1% | -5,0% |
| Carlsberg | -24,6% | -0,8% | -30,0% | 0,1% |
| Super Bock | 6,6% | 11,1% | -1,9% | -1,7% |

Source: Calculated using ACNielsen Nitro data

Exhibit 9:

Annual Growth per Brand (Off-Trade)

| Off-Trade | Growth (Value) | | Growth (Quantity) | |
|------------|----------------|--------|-------------------|--------|
| | 2009 | 2010 | 2009 | 2010 |
| Heineken | 68,9% | 122,7% | 50,5% | 158,6% |
| Sagres | 3,6% | 11,7% | 0,7% | 9,0% |
| Carlsberg | 11,4% | -13,9% | 14,3% | -13,2% |
| Super Bock | -5,2% | 11,3% | -7,5% | 8,7% |

Source: Calculated using ACNielsen Nitro data

Exhibit 10:

Annual Growth per Brand (Total Market)

| Total Market | Growth (Value) | | Growth (Quantity) | |
|--------------|----------------|--------|-------------------|--------|
| | 2009 | 2010 | 2009 | 2010 |
| Heineken | 56,7% | 100,8% | 34,9% | 110,6% |
| Sagres | 6,1% | 11,2% | 3,6% | 5,0% |
| Carlsberg | 6,7% | -12,7% | 3,7% | -11,1% |
| Super Bock | -3,3% | 11,3% | -5,9% | 5,6% |

Source: Calculated using ACNielsen Nitro data

Exhibit 11:

Percentage of Stores where each brand is traded (On-trade)

| On-trade | Number of Stores | | |
|------------|------------------|-------|-------|
| | ON 08 | ON 09 | ON 10 |
| Heineken | 51 | 63 | 63 |
| Sagres | 100 | 98 | 99 |
| Carlsberg | 95 | 73 | 70 |
| Super Bock | 100 | 99 | 99 |

Note: Data refers to the period of October/ November of every year

Source: ACNielsen's Nitro Software

Exhibit 12:

Percentage of Stores where each brand is traded (Off-trade)

| Off-trade | Number of Stores | | |
|-----------|------------------|-------|-------|
| | ON 08 | ON 09 | ON 10 |
| Heineken | 6 | 8 | 9 |

| | | | |
|-------------------|----|----|----|
| Sagres | 80 | 78 | 79 |
| Carlsberg | 27 | 22 | 21 |
| Super Bock | 90 | 88 | 88 |

Note: Data refers to the period of October/ November of every year

Source: ACNielsen's Nitro Software

Exhibit 13:

Top of Mind

| 2010 | Accumulated Week 01 to 48 |
|-----------------------|--|
| Brands | 48 |
| Sagres | 34,3 |
| Super Bock | 29,7 |
| Sagres Zero | 2,1 |
| Super Bock sem Álcool | 0,5 |
| Heineken | 1,0 |
| Sagres Bohemia | 0,1 |
| Carlsberg | 1,6 |
| Sagres Preta | 0,1 |
| Super Bock Stout | 0,8 |
| Super Bock Green | 0,0 |
| Super Bock Abadia | 0,1 |
| Cristal | 0,1 |
| Imperial | 0,1 |
| Sagres Selecção | 0,1 |
| Tagus | 0,0 |
| Coral | 0,0 |
| Super Bock Xpress | 0,0 |
| Cheers | 0,0 |
| Sagres sem Álcool | 0,0 |
| Tuborg | 0,0 |
| Base (000) | 2107 |

Universe: Individuals between the age of 15 and 64, resident in the areas of greater Lisbon and greater Porto (2 107 000 individuals)

Source: MARKTEST / Publivaga

Exhibit 14:

Spontaneous Recollection

| 2010 | Accumulated Week 01 to 48 |
|---------------|--|
| Brands | 48 |

| | |
|--------------------------|------|
| Super Bock | 44,4 |
| Sagres | 41,8 |
| Carlsberg | 3,3 |
| Sagres Zero | 2,7 |
| Heineken | 1,9 |
| Super Bock Sem Álcool | 0,7 |
| Sagres Bohemia | 0,3 |
| Cristal | 0,4 |
| Imperial | 0,2 |
| Sagres Preta | 0,1 |
| Super Bock Stout | 1,0 |
| Tagus | 0,2 |
| Tuborg | 0,1 |
| Super Bock Abadia | 0,2 |
| Cheers | 0,1 |
| Super Bock Xpress | 0,1 |
| Super Bock Green | 0,0 |
| Super Bock Tango | 0,0 |
| Sagres Limalight | 0,0 |
| Sagres Selecção | 0,1 |
| Coral | 0,0 |
| Sagres sem álcool | 0,0 |

Base (000) 2107

Universe: Individuals between the age of 15 and 64, resident in the areas of greater Lisbon and greater Porto (2 107 000 individuals)

Source: MARKTEST / Publivaga

Exhibit 15:

Total Recall

| Brands | 2010 | Accumulated Week 01 to 48 |
|-----------------------|-------------|--|
| Super Bock | | 58,1 |
| Sagres | | 53,3 |
| Sagres Zero | | 19,4 |
| Carlsberg | | 12,5 |
| Super Bock Sem Álcool | | 9,4 |
| Heineken | | 9,4 |
| Super Bock Abadia | | 5,8 |
| Super Bock Stout | | 5,4 |
| Sagres Bohemia | | 5,5 |
| Base (000) | | 2107 |

Universe: Individuals between the age of 15 and 64, resident in the areas of greater Lisbon and greater Porto (2 107 000 individuals)

Fonte: MARKTEST / Publivaga

Exhibit 16:

The Heineken trademark green bottle



Exhibit 17:

The 14l Draught Keg



Exhibit 18:

The STR Bottle with its hidden drawings glowing in the dark



Literature Review

This case touches various points of recent and classic topics in marketing theory, which are discussed in the chapter ahead. A reader looking for research of available literature linked to the case at hand will find it interesting to review this chapter, maybe as way of preparation for the discussion of the case.

The literature review has been organised into two general topics Brand Intangibles and Integrated Brand Marketing which should help the reader understand the reasons behind the measures taken by Heineken's marketing team in Portugal and its effects on the performance of this brand.

Brand Intangibles

Allison and Uhl (1964) successfully demonstrated that although beer consumers usually have a strong preference for a specific brand and will even provide functional reasons for their choice (taste or texture, for example) , blind tests show that consumers will not only be unable to identify "their brand" but will also rate this functional qualities very differently accross brands. For the case at hand, this study would imply that in order to create strong preference for Heineken, the team needs to work on experiences and meaningful associations, instead of product functional attributes.

This first part of the literature focuses on just that: what elements of the brand should be at the center of the team's marketing efforts. How the brand can create actual and positive relationships with the consumers, the building of brand personality and experiences and how these can translate into improvements in business performance.

Brand Personality

As brands and consumer interact, consumers tend to attribute to brands, human characteristics such as personality traits. As such, there is some discussion around whether consumers prefer brands with personalities similar to their own, as a way of self expression, or brands that express who they wish to be. Also, one must consider that a person does not display the same traits in all contexts (Aaker, 1999).

In general, brands should weight in the context in which the brand comes into contact with the consumer to know what traits to develop. In different contexts, the consumer will display different traits. Taking the example of Heineken, brand communication reaches the consumer both at home (here mostly associated to football and quality time with friends) and at nights out, with trendy parties and POS material with modern and attractive design or high-end themed parties.

According to Aaker (1997), brands are evaluated according to five brand personality dimensions - sincerity, excitement, competence, sophistication and ruggedness (or in the case of the specific Spanish culture: sincerity, excitement, sophistication, peacefulness and passion) - which are in effect similar to the dimensions used to evaluate people, but more focused on aspirations. The author mentions specifically sophistication and ruggedness which are not usually personal traits, but traits one might aspire to.

As a relevant fact for Heineken, sophistication can also be triggered by pricing strategies, specially considering that on non-durable consumption goods, price is a very good indicator of quality for consumers (Woods, 2004).

Strong masculinity or femininity is also a trait brands can explore in their personality, to which target consumers can identify with, and with studied results in brand performance (Grohnman, 2009). In the case of Heineken, mostly due to the product's nature (beer), the masculinity of the beer should be communicated throughout all brand communications (and is through associations with football or the Walk-in fridge campaign).

Swaminathan (2009) identifies anxiously attached consumers has the most responsive consumer type to brand personality when the product is consumed in a public situation. According to this study, a brand helps consumers display certain attributes in public settings, this way helping the image others have of them. Maybe that's why it is interesting for Heineken to have ambassador on-trade spots, as it might create a pressure for clients of a specific Point of Sales to consume the brand that created the theme for the establishment they are currently in, communicating belonging and conformity to the current context.

Brand Personality however, is not necessarily static. Consumers will review and update their inferences on brand personality according to exposure to new information or traits from the brand itself (Johar et al, 2005).

Brand Relationships

Chaudhuri and Holbrook (2001) study how brand loyalty, which can develop from brand trust or affect, can translate into brand performance. The authors divide brand loyalty into purchase loyalty, which affects market share, and attitudinal loyalty, which influences relative price. Thus being, the brand needs to both generate willingness to pay for higher than average prices, by selecting places where the brand can be purchased for example, while also creating repeat purchase, by generating meaningful experiences and associations that will allow the consumer to display as a message to his/her social circles.

One of the conclusions of this study is that although differentiation does not appear to generate market share, it does, however, impact relative price favourably for the company, thus increasing brand performance. Also something to be noted is that hedonic brands marketing effort should focus on generating brand affect, as opposed to trust. Still very important, the study concludes brand trust and affect have an indirect effect on brand performance. They impact purchase loyalty and attitudinal loyalty, respectively, which do have a direct effect on brand performance.

Park et al (2010) argues that brand attachment offers value over brand attitude strength as a measure of the probability of consumers performing difficult actions that will force them to employ their own resources and as an indicator of actual purchase behaviours and brand purchase and need share.

The authors successfully confirm the hypothesis that consumers that are emotionally attached to a brand are more willing to forgo personal resources (time, money, energy or reputation) to maintain or deepen that ongoing relationship with the brand. Thus the brand's effort of reaching consumer's through parties, festivals or fun times with friends.

The personal self-connection between consumer and brand can also translate into pride from brand-self display. The connection can be formed when brand shows who consumers are or because it is meaningful to his/her goals or projects in life.

There are different relationships a brand can create with their consumers, as Aaker et al (2004) attempts to show in their study of brand relationships. The article distinguishes between sincere and exciting brands, where sincere brands are most likely to be successfully create progressively stronger, long-term relationships, whereas exciting brands tend to generate initially stronger but shorter lived flings.

Another interesting point from this study is the effect of transgressions, since they appear to have a devastating effect on sincere relationships, while reinvigorating the fling-like relationships for exciting brands. This would imply that Heineken's efforts of revamping its image with its consumers should be a continuous effort and that a break in high-end and trendy communication, a drop in prices or a change in the distribution's selection strategy could generate a loss for the brand that would be difficult to recover from.

Fournier (1998) states that brands can be active relationship partners, and categorizes every brand-consumer partnership into a specific type. These relationships can be Arranged Marriages, Buddies, Marriages of Convenience, Committed Partnerships, Best Friendships, Compartmentalized Partnerships, Kinships, Rebounds, Childhood Friendships, Courtships, Dependencies, Flings, Enmities, Secret Affairs and Enslavements. Each one of these categories requires a different level of effort from the brand to maintain or improve the relationship level.

Aggarwal (2004) further develops brand relationship theory around two types of relationships: exchange and communal relationships. While in the first one, a person gives expecting something in return, in the latter, benefits are given to show concern for the other part. Communal consumers might rate the brand more positively in general, but will also perceive norm violations much intensely than exchange consumers. Although this research was based on marketing of services, I would argue it can still be applied in this case, as there is always a service being provided when the consumer comes into contact with the brand (i.e. the consumer purchases the product in nightclubs and bars) and that service will impact on the way the brand is perceived.

Brand Experience

The concept of brand experience was introduced with Holbrook and Hirshman in 1982, time when the authors felt marketing literature and research were too focused on the cognitive processes surrounding consumer interpretation of marketing advertising and product purchase and consumption. The paper they produced studies consumer's passions, such as art phenomena and shared hobbies, situations where the brand could participate, expanding the scope of situation the brand becomes in contact with the consumer. Hence Heineken's participation in sports and music events.

Schmitt et al (1997) defines brand experiences “subjective, internal consumer responses (sensations, feelings and cognitions) as well as behavioural responses evoked by brand related stimuli that are part of a brand’s design and identity, packaging communication and environments”. The authors then distinguish the experiences between sensory, affective, intellectual and behavioural and establish a link between consumer experiences and brand satisfaction and loyalty.

These brand experiences can be sensory, affective, intellectual and behavioural (Brakus et al, 2009) and any brand engaging the consumers needs to be consistent in its personality and experiences provided in order to produce positive effects in brand attitude and loyalty.

Different consumers will be seeking different types of experiences, making it very hard for brands to provide experiences that will please all, which exemplifies the importance of targeting correctly. Zarantonello and Schmitt (2010) categorize consumers according to the type of experience they are most receptive to. According to their study, there are hedonistic, action-oriented, holistic, inner-directed and utilitarian consumers, with the hedonistic consumers attaching the most value to brand experiences and utilitarian consumers attaching very little or no value to it. Also relevant, the study observes the strongest (vs. weakest) link between brand attitudes and purchase intentions observed on holistic (vs. utilitarian) consumers.

Brand experience can also be heightened by associations established previous to contact with the brand. A study by Batra et al (2000) shows that people that tend to view the lifestyle of foreign developed countries as positive, will also show preference for products that are foreign or display foreign names, possibly seeing them as status enhancing products.

A firm can also incentivise the appearance of consumer communities around the brand, by providing brand fests: events where the brand is celebrated and its benefits are shown as features consumers have in common. The advantages of these communities are listed in McAlexander, Shouten and Koenig (2002) as creating missionary costumers (ones that will spread favourable word-of-mouth for the brand), increased forgiveness for failures or lapses and loyalty to brand and motivation to provide feedback. The same authors then introduce Transcendent Costumer Experience (TCE) as a targeted, tailor made event that speaks to the consumer and produces tested results on brand loyalty (Schouten, McAlexander and Koenig [2007]).

Brand Equity

“Put simply, consumers do not choose brands, they chose lives” – Susan Fournier

The efforts to improve brand image and create experiences and relationships with the consumer serve one main purpose for the company: to generate (and increase) brand revenue. As such, it is important to review current knowledge on brand equity and understand what the brand manager needs to consider, when developing its strategy.

Brand equity is attained not simply through the creation of a brand message, but considering the stage the brand is in (introduction, elaboration and fortification) and effectively and consistently build the brand image into a set of traits consumers can recognise and identify with (Park et al, 1986)

Keller (1993, 2003) defines customer-based brand equity as *“the differential effect of brand knowledge on consumer response to the marketing of the brand”*. If a consumer responds more (less) positively to a marketing effort from a known brand than he would to the same effort from an unbranded or fictitious branded product, there is positive (negative) brand equity. The author goes on to define brand knowledge as the conjoint effect of brand awareness (brand recognition and recall) and brand image (network of brand associations).

In his 2003 article he develops his concept of brand knowledge introducing several different dimensions:

Awareness – category identification and needs satisfied

Attributes – intrinsic and extrinsic descriptive features

Benefits – personal value and meaning attached to brand

Images – concrete or abstract visual information

Thoughts – personal cognitive responses to brand information

Feelings – personal affective responses to brand information

Attitudes – summary judgements and overall evaluations of brand information

Experiences – brand related episodes and purchase and consumer behaviour

Additionally, companies need to assess to what extent consumers have brand knowledge, the meaningfulness of that knowledge and the transferability of that knowledge. A great deal of information can be relayed to consumers through linkage of the brand to other entities. As an example of this, authors recommend events to communicate emotions to consumers, something that is well displayed throughout this case.

Integrated Brand Marketing

Now that we have discussed what top communicate and its implications for brand equity, we will move to on to discussion the "how", discussing all points of the marketing mix and available articles on the subject.

Integrated Marketing Communications is an approach commonly referred as the employment of different communications channels to relay one common message with maximum impact. Brands that are effective in this chore will also obtain the best results in securing brand awareness, positioning the brand as intended and build brand equity.

As consumers today are constantly bombarded with information, it is imperative that brands understand their specific target consumers and choose a communications mix that will most effectively deliver a consistent and noise-breaking message and establish a brand relationship. This means brands must now think of brand communications as a way to relate to the target's needs, aspirations, habits and knowledge and generate strong links which serve as the basis for brand relationship.

Most authors to date have focused on building value for the brand mostly through advertising and price promotion. The next pages will be devoted to discussing literature that went beyond these points to involve all the marketing mix points (price, product, promotion and place) in an integrated plan that not only can be more effective, but it can also build value sustainably and with a long term impact on brand value.

The Marketing Mix

Promotions, besides their potential to increase market share or temporarily displace the competition, can also result in a growth in consumption of the overall product category (Ailawadi & Neslin, 1998). However, this effect is merely temporary as with rare exceptions, price promotions have no permanent effect on brand sales. Pauwels, Hanssens & Siddarth (2002) sets the average period a brand can run a price promotion at an average of 2 weeks, 8 weeks being the longest possible period for a brand to sustain an advantage. This would provide Heineken with a way to promote experimentation in the off-trade channel, but it also implies that for sustainable brand growth the brand should not rely on price promotions alone.

Steenkamp, Heerde & Geyskens (2010) shows that in order to successfully price your product above the levels practiced by the competition, there needs to be a strong perceived quality gap. As such, a company wishing to establish higher prices must first invest in communicating superior quality.

The same study recommends steering away from price promotions to fight brands perceived as of inferior quality, as that shifts the consumer's focus to prices again, where an international brand will not be able to compete on the same ground as the ones being locally produced.

The same study places a distinctive packaging as the strongest driver for perceived quality and for increases in willingness to pay, generating an important focus for premium brands, hence Heineken's advantage in its distinctive design bottle design. It also explains why the brand released limited-time packaging editions.

Promotion

In the case of hedonic products, it is customary to assume that out-of-store promotions will receive the biggest slice of the marketing budget. Ailawadi, Neslin & Gedenk (2001) goes as far as to state that this is the most effective tool to communicate hedonic benefits.

Still, marketing actions outside of the store take many forms, and it is still a challenge to decide which are most appropriate for a given brand or product. Communication through outdoors may be a way to reach your target market, if the company can identify the most appropriate zones to display their message and reach

their target, but there are rules to follow (van Meurs and Aristoff - 2009): a clear branding and inclusion of new product information will enhance product recognition, while large amounts of text or pictures of people will delay it. Lengthy, large headlines, information cues, humour and images of women will delay brand recognition and although short headlines and a product shot enhance creative appeal, specifying brand name in the headline or providing price information ultimately reduces it.

Another factor is brand familiarity (Campbell and Keller, 2003). The more a person knows about a brand, the more readily it recognises it and responds to repeat exposure to its advertising. Therefore, consistency in communication is an important factor in current communications efforts, just like active participation varied and numerous events.

Brand Advertising also produces word-of-mouth as it is believed that generating more awareness and brand recall will enable more people to talk about the brand. Also, spoken word-of-mouth is more effective than the written kind, meaning that any experience the brand can generate where it bring together consumers and non-consumers is likely to produce stronger effects of product recall and product loyalty in the market (Herr, Kardes and Kim [1991]).

Word-of-mouth is generally the form of communication with the highest long term value (Villanueva, Yoo and Hanssens - 2008). Although very hard to achieve, this effect generally produces loyal customers and generate less expenditures on consumer retention in the future.

One simple way to generate word of mouth is through advertising, as roughly 20% of all word-of-mouth is related to paid advertising (Keller and Fay, 2009). Still, a brand will want to generate spoken word-of-mouth, as it is the most effective form (when compared to written word-of-mouth) and it is more likely to produce stronger effects of product recall and product loyalty in the market (Herr, Kardes and Kim - 1991). This might mean that regional communities create the strongest links to a brand, thus the importance of the urban consumer to Heineken.

Another way for brands to generate it is through social networks (or Web 2.0), such as Heineken's Facebook page. As more and more information flows through the internet and increasingly more people spend more time navigating through it,

communication is becoming more personal, one-to-one, as opposed as centralised and one-to-many.

Although Owen and Humphrey (2009) warn to the ethical implications of social networking between brands and consumers, this is still a practical and reasonably cheap way of reaching the intended target.

But the truth is that not much is known and tested about using this tool as a communications method. Its users are young (a characteristic of Heineken's target), most consumers from 24 to 44 years old and young adopters of the technology themselves, with the rules of social networking still being formed. Only 20% of these consumers actively produce content, while 80% of them are simply being fed the information or entertainment (confirmed or not), which in practice makes this tool come very close to a one-way communication line (Riegner, 2007), one that should be fed and kept active by the brand.

Pfeiffer and Zinnbauer's (2010) research seems to indicate that the gains from social networks are limited, since web 2.0 does not usually work to generate awareness. People need to know the brand beforehand to look it up in the web. As such, the authors argue that the "old media" is still important here, as it generates the required attention for the brand's marketing internet efforts to be successful.

Trusov, Bodapati and Bucklin (2010) state that the effectiveness of a brand's efforts on social networking platforms depends mostly on the size of its community of consumers online and their activity. The article concludes that about a fifth of a given consumer's friends will influence his/her activity on the site, which implies the brand's efforts will produce more results if the target is already tightly construed social group.

Integrated Marketing

While all aspects of the marketing mix have a positive effect on short-term brand performance, Ataman, Heerde & Mela (2010) find that distribution and product have the strongest impact in the long run, meaning Heineken's distribution strategy, innovative packaging designs and quality beer are the brand's highest assets to assure the sustainability of the brand. Also interesting to see from this study is that price cuts ultimately undermine the brand in the long run when continued for long periods. In fact,

even if used correctly, this tool is found to be the least impacting of the marketing mix in the long run. As such, one wishing to create sustained brand performance increases should invest greatly in place, product and promotion, while taking care to maintain price promotions / cuts in check.

Naik, Raman and Winer (2005) recognise the existence of interactions both between a brand's marketing activities and the actions of the competition. According to this paper, a specific marketing action will not only produce effects on brand value by itself, but also influence the effects of other efforts (be it from the same brand or competitors), which would imply in this case that any of Heineken's marketing efforts has increased effectiveness due to the competition observed in Portugal with other beer brands.

This study then states that price promotions and advertising impact each other negatively, although it cannot be pinpointed if its promotions that erode brand image or advertising that decreases price sensitivity. Either way, the message is clear: price should be above category average to grant effectiveness to advertising efforts.

Teaching Notes

This chapter serves as a guide for the presentation of this case study in master classes. Here the reader will find the case synopsis, the main points the student should be able to attain from the reading of this case study and a suggestion of question that will enhance the learning experience for the student.

Case Synopsis

Heineken beer was already present in the Portuguese market when Heineken International acquired, through the merger with Scottish and Newcastle, Sociedade Central de Cervejas (SCC), owner of a successful Portuguese beer brand (Sagres) and a portfolio of several other national brands and international represented brands.

With this acquisition, Heineken International saw an opportunity to reinforce its position in the Portuguese market and achieve a leading position in a segment that was up until today virtually unexplored: the premium segment.

In order to re-position the brand, prices were reset at a threshold clearly above mainstream beer brands, Points of Sale were now selected to convey a premium imaging. The brand enacted a series of events effort with nightclubs to establish itself as a beer for the young, trendy and confident men, and to raise the pervasiveness of the brand.

After a year to work on image and positioning, the brand focused on generating awareness through the market, launching the “Walk-in Fridge” communication campaign involving television, printed advertisement, social networking, Mupis deployed nationally and a series of summer events with “*ambassador*” nightclubs.

Not only did these efforts contribute to raise awareness and establish the premium brand image the brand already possesses internationally, they have translated into an impressive sales increase and increase market share.

Teaching Objectives

After a reading of the case study, students should be able to comment on the following topics:

- Heineken’s challenge in the Portuguese Market;

- The Portuguese Premium Beer segment
- How brands can impact consumers perceptions;
- Heineken's Brand Positioning;
- Heineken's target market;
- Heineken's Integrated Marketing Strategy;
- Consistency of brand communication elements;

Case Study Discussion

1. What were the limitations on Heineken's marketing efforts prior to the acquisition of SCC? What did the brand identify as its main opportunity for growth?

Although we are talking about a successful international brand, with a pervasive presence outside of the country, nationally the only noticeable communication effort the brand had was the sponsorship of a summer music festival, which was clearly not enough.

Pricing was clearly not adequate, as the practiced price was meant to compete with the mainstream brands. This meant consumer's would evaluate the brand as of average quality, achieving no differentiation for this international brand (Lichstenstein and Burton, 1989).

Uncontrolled distribution meant the brand would be seen in establishments that didn't portray the desired brand image, once again providing no distinction from the mainstream brands.

In the Off trade channel, there were several supermarket chains that did not have Heineken on their shelves, making the product sometimes unavailable for consumption at home.

A plan to revitalise the brand would have to address all these issues and create a differentiation basis for the brand, a brand personality that consumer could identify with and aspire to (Aaker, 1997).

Not only did the brand find that the premium segment did not face the same fierce competition as the mainstream one, the brand also found partners in the urban nightlife setting that aided the brand in displaying its outgoing, social and trendy image.

This way the brand was the first premium beer in the country to provide its consumers an aspirational, exciting and attractive lifestyle while avoiding direct competition with the beer brands present in the market.

2. How would you describe Heineken's core and broad target?

Heineken's core target can be described as sophisticated, outgoing and fun people wishing to present themselves as just that at social events and parties or appreciate real quality while drinking with friends.

Its broad target is everyone in an urban setting that wishes to impress and stand out as confident, worldly and stylish at any given social situation.

3. What are Heineken's Point of Parity? What are its Points of Difference? What could be the brand's positioning statement?

Points of Parity: Predominantly male oriented communication (Focus on men, football, music and nightlife); Same ingredients as in the majority of lager beers;

Points of Difference: Visual impact of packaging (Green bottle, distinct logo and attractive design to all SKUs); Superior Quality (through strict production controls and quality ingredients);

Frame of Reference: alcoholic beverages category

Positioning Statement: Heineken is an alcoholic beverage brand that delivers a superior hedonic and social experiences while conveying style, worldliness and confidence to active, urban outgoing people.

4. What can the brand do to increase results in the short term without damaging the brand equity?

The most important aspect at this point to assure sales is consistency of message and of brand image. Still, there are some immediate actions that are consistent with the brand's premium image that should impact sales.

Expand number and range of supermarkets the brand is currently in: As marketing efforts increase the brand's visibility, so should availability for home consumption increase, as well as product visibility within supermarkets.

Contests associated to the purchase of Heineken in supermarkets, which would offer prizes either associated to football, social moments at home or international experiences, should encourage immediate sales as well. Price premiums should be avoided as they might contrast with the premium positioning of the product.

Extending the ambassadors program, with the selection of the best clients (bars and nightclubs) and establishing more exclusivity deals with the remodelling of the spaces (creation of Heineken floors and lounges).

Effectively managing the social networks Heineken is present in, avoiding unanswered negative portrayals of the brand, establishing emotional links with consumers and obtaining feedback from product purchase and usage or from participation in brand events.

5. Should the brand focus on building awareness? Is building repeat purchase more important for the brand's results? What is the priority now, considering what the brand has achieved?

The brand's efforts both in establishing a clear brand message and in building awareness have produced a clear increase in product sales. However, when we consider the data for current brand recall, both in width and depth, we see there is still plenty of room for improvement of visibility in the Portuguese market.

Even if the brand will not invest in financially heavy television advertising, the brand must use its unique positioning to generate hype, through web-marketing, social platforms and attempt to generate word-of-mouth.

When it comes to its image, some international brands that distance themselves from the mainstream brands, mostly through price, are seen as a product to be consumed at "special, and somewhat rare occasions". In order for the team to lead the Heineken brand away from this view, that leads consumers away from repeat purchase, it is important for the team to continue to work at the brand image, introducing in the consumer the sense that it fits with a specific consumer type, and not specific moments. Here, the fact that the brand is not only present in nightclubs but also bars and supermarkets also helps to communicate this ambivalence of the product. Perhaps the brand could expand the ambassadors program to these different establishments as well.

The conclusion is that the brand still has important challenges to solve simultaneously on brand image and perception and on generation of brand recall, being essential for the brand's increased success that the team works on both fronts.

6. Considering what you already know about the brand, develop an Integrated Marketing Communication plan for the next two years. What elements of the marketing mix should be kept the same? What can be changed / improved?

As to what must be kept, two points from the marketing mix stand out:

Pricing must be kept high, distancing the product from mainstream brands.

Placement strategy should continue to be selective for HORECA establishments and expansive for supermarkets in urban areas.

As for the other points of the marketing mix, I will now be separating the discussion into the two remaining points:

In regards to Promotion, every event organised or supported or communication effort must be integrated and part of the emotional experience. From the parties and events to the social networks, forums and WebPages, everything must imprint in the consumer the brand proposition. With the product being an hedonic one, marketing efforts should focus on creating brand affect (as opposed to trust), appealing to emotions and the brand's personal characteristics (international, confident, young, social and sexy).

As for Product, the brand should now start to increase the number of SKUs it has available in the country. More SKUs impact availability and convenience for the consumer, but also the general image of the brand.

The team's decision to limit the SKUs available to bottle and keg have, though, both simplified the product (essential for a product's introduction) and increased its visibility (by imprinting the green bottle into the consumer's mind).

Otherwise the product presentation (packaging) should be kept simple and attractive in order to be consistent with the brand's current premium positioning.

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