Heineken Project

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Executive Summary

Heineken has been an international brewing company since 1864. Since its foundation the company has prided itself with building upon its brand image, while consistently improving financially. Their performance in the market presents a company built upon tradition and a great tasting beer. The focal point of this report and Heineken is that they have the knowledge and understanding to promote their brand within the already divergent market. Globally Heineken does business in various countries in Western Europe, Central and Eastern Europe, The Americas, Africa and the Middle East, and the Asia Pacific. Within these countries they are able to present consumers with not only its core brand, but also with a variety of specialty brands; such as Amstel, Cruzcampo, Tiger, Murphy’s and Star. This makes understanding their customers a challenge that is both difficult and rewarding.

In order to address the needs of their millions of consumers, Heineken must first understand them. Therefore this report first focused on the secondary data that could be collected. This data contains information on the United States economy, the alcoholic beverage industry, the beer market, and the Heineken brand; providing the group with the adequate background information needed to understand the company and the market. Next the report concentrated on the findings of an in-class discussion and survey session. This qualitative research enabled the group with preliminary look at the way consumers felt about Heineken and their preferences for other brands within the market. For a more comprehensive look at consumers the group next created, distributed and analyzed an 11-question survey to 50 people. This survey contained questions that pertained to customer preferences and opinions.
Once all the data had been analyzed, we were able to draw conclusions about both male and female consumers, and the preferences within the alcohol market. The group was also able to determine that many of the males and females surveyed had similar inclinations when it came to their consumption and purchase behavior.
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Introduction

This research report will focus on the international brewing company, Heineken. Research was obtained from a variety of sources, and used to make hypothesis’ that could be tested and allow for conclusions and recommendations to be made. Secondary research gave background on Heineken as a brand and company, as well as provided information on the competitive market. Statistical data was also used to calculate and offer facts and figures that could interpret the mind of the consumer. This was essential to the research process, and gave input in to the views and feelings of a variety of tested subjects. This helped to establish a solution for the essential problem of every company; the problem of how to effectively market your product to a mass audience. This is vital to finding success in their market and provides Heineken with the ability to not only reach their present consumers, but the consumers of their competitors. Essentially this research report will present an adequate look at Heineken, and how it will be able to achieve additional successes within the market.
Methodology

Secondary research:

The secondary research that was collected came from a variety of online sources. The reports central focuses was on the United States economy, the alcoholic beverage industry, the beer market, and the Heineken brand. The first area focused on the strengths and weaknesses of the US economy as a whole, while the second contained information on the market for all alcoholic beverages. The third section concentrated on the beer industry and the rankings of various top brands compared to Heineken. The last section pertained to the Heineken brand, and the competitors, users, and non-users within the market.

Primary research:

Qualitative research:

During an in-class interview process, five people were asked a variety of questions concerning alcohol preferences. There were a total of 7 open-ended questions, allowing the participants to respond more thoroughly and with individualistic opinions. Through the questions that were asked and the responses from the interviewees the group was able to ascertain how this small focus group felt about Heineken and the alcohol industry.

Quantitative research:

The surveys administered contained 11 questions and were distributed to 50 people. Of the 50 people, 32 were male and 18 were female; this provided the group with an adequately dispersed segment to study. Both men and women answered questions pertaining to their
preferences in both the beer and alcohol market, as well as their preferences for when and how often they consume alcohol. From the surveys the group was able to ascertain how the surveyed group felt about different types of alcohol, and how Heineken may be able to market to reach those consumers.
Secondary Research

U.S. Economy

Strengths/Opportunities:

Since the economic fallout after the terrorist attacks on 9/11, the US economy has steadily begun to prosper again. Even with the challenges of rising energy prices in a time of increasing global demand, as well as dealing with the devastating aftermath of hurricane Katrina last September, the US economy continues to be a leader in such areas as flexibility, our capital market, and active advancements in technology and production. In fact, business investments have continued to increase since 2003, paving the way for more job opportunities and the lowest unemployment rate in decades, at about 4.6%. Also consumers have the opportunity to gain more knowledge in the areas of education, training, and throughout a variety of market options. Businesses are being given the resources to obtain better working environments for employees, as well as improvements in training for all kinds of jobs. Also on the rise is consumer spending, as more consumers are finding better job opportunities and better compensation. The decline in tax rates and other deficits have also allowed for more investment opportunities within the economy. In January of this year there was the fastest construction growth rate since 1973, at 14.5%. Other positive trends within the economy came from the increase in Gross Domestic Product of about 4%, as well as the value of the US dollar increasing about 10% (compared the British pound). In addition new markets continue to open to the US economy and its consumers from all over world; this has allowed it to continue to grow and expand in the capital market.
Weaknesses/Threats:

Even with all the positives, the economy is not without any weaknesses. For example, the rising costs of energy prices, such as those for natural gas, have continued to put a strain on not only the US economy, but economies all over the world. This demand continually increases with each passing year, and until efficient and reliable substitutes are found, it is likely that this negative trend of a high demand, low supply, and constantly rising prices will continue. Also with the effects of Hurricane Katrina still being felt by many people in the southern states, there is still great concern for the already unstable inflation rate of the economy. Another concern of consumers is how much money should be devoted to federally funded operations, such as Medicare. Also while the economy has made many successful strides in the right direction, the United States as a country has incurred a significant amount of debt both nationally and internationally. This trend in particular will cause a significant amount of turmoil for the US economy if it does not begin to decrease. For example, it could cause the value of US assets to decline for US consumers, as well as foreign investors. In addition the automobile and certain construction activities have suffered in terms of selling; it is said that this is mostly due to the high costs of energy and other supplies needed for manufacturing. Lastly, since 9/11 there is an always present chance of another terrorist attack. This undoubtedly would once again cripple not only the US economy, but economies and markets all over the world. This possibility is a major threat for foreign investors, and does affect how not only they spend, but how consumers and businesses of this country spend nationally and internationally.

Alcoholic Beverage Industry

Research has shown that the advertisements shown on TV, radio and other ways are exposed mostly to the youth (12-20) rather than adults (21+). The percentage of youth being
exposed is increasing. Many times companies advertise toward the youth because of what there are most likely to drink. Different alcoholic beverages are targeted toward different groups. Girls and guys tend to consume and prefer different kinds of beverages. Also, flavored beverages are preferred by the youth. A leading provider of data synchronization services in NJ has a feature that will give the alcohol beverage industry greater accuracy in determining tax assessments on distilled spirits. Due to changes in federal tax regulations on domestic and imported spirits, this new data synchronization feature has the potential to generate millions of dollars in tax credit savings every year for liquor distributors. Many companies are trying to use re-branding to help with sales. In other areas of the world favoritism is changing also. For example in Russia there is a substantial amount of change between vodka drinkers who are becoming whiskey drinkers because of cost. The US economy slowed sales of alcoholic beverages in 2002 and is expected to keep falling.

There are controversy in the fact that people believe that the alcoholic beverage industry is trying to increase their market to people that usually do not drink. However, the reason for the alcoholic beverage industry to advertise is so that their existing market will use there brand, taking sales away from one of its competitors. This will effect there market share. Therefore, the alcoholic beverage industry is not looking for more people to necessarily drink but each company wants more people to switch to their brand.

The market leaders are Anheuser-Busch, Miller Brewing, and Adolph Coors. The American beer industry I more that 300 breweries but the market leader hold 80 percent of the market share. Anheuser-Busch controls 45%, Miller breweries holds 23% and Adolph Coors controls 10% of the market share. These market leaders are able to grow at the expense of some of the other breweries. However, over the years the demand for niche beers has gone up because of regional tastes and the development of micro breweries. The micro breweries have been able
to be successful because of the contracts that they make with bigger national breweries. The beer industry has become much more globalized with exporting, importing and other contracts. Anheuser- Busch has been the most forceful in going through with international markets.

**The Beer Market**

The beer industry is a 78.1 billion dollar industry. Beer accounts for 55% of the total alcoholic beverage sales, while 87% of all alcohol consumed is beer. On average, Americans consume 6.4 billion gallons of beer every year. Beer is ranked in the top ten of all convenient store sales, even higher then the sale of candy, salty snacks, and milk. Cigarettes are the only product that ranks higher than beer sales even though they do not advertise as much. The Anheuser-Busch company is the leading brand in beer sales in America at 51% followed by the Miller brewing company coming in at 18.7%. The highest selling beer brand is Bud Light, with Heineken following in seventh. The bulk of beer sales happen in the summer between May and July, but sales are still very high throughout the whole year decreasing in the winter time. The highest percentage of beer sales occur in the Midwest. The day of the year with the most beer purchased is July 4th.

**Heineken Brand**

**Background:** Heineken is a family controlled beer that is one of the worlds leading brewers. The Heineken Company also owns and controls subsidiary beer brands such as Amstel and Murphy’s Irish Stout. Heinekens global advertising expenditure in 2004 was $272 million making it the worlds #95 advertiser.

**Competition:** Within the most recent study we found that Heineken ranks within the top 10 imported beers of 2005. Its competitors include Corona, Labatt Blue, Beck’s, Guinness, Corona Light, and Newcastle Brown Ale. Heineken’s other brand Amstel Light also ranks within the top
10. Other imported beers include Carlsberg, Kilkenny, and Dos Equis. Heineken also ranks within the top 20 beers worldwide. Its worldwide competitors include very popular domestic brands Bud Light, Budweiser, Coors Light, Miller Light, and Natural Light. (Information provided by mind-advertising.com).

According to the study that we found, within the imported beer section Heineken is #2 behind Corona extra. On the imported scale users prefer Corona Extra but it is very close behind at #2 out of 10. According to the top 20 beers worldwide Heineken ranks number 5. It is lead by Corona extra at #4, Skol at #3, Budweiser at #2 and finally Bud Light at #1. If the consumer is not going to drink the Heineken product they prefer the imported beer to be Corona Extra and the domestic beers to be Bud Light or Budweiser.
Qualitative Analysis

During the focus group conducted in class five students were asked a series of questions concerning Heineken and their alcohol preferences. When first asked what came to mind when they thought of beer, they responded that a refreshing taste, the feeling of being intoxicated, a social atmosphere, and football season were all important aspects that contributed to their decision making process. The second questions related to their beer brand preferences. For guys their preferences revolved around the darkness of the beer, while girls preferred lighter beers. Both though preferred the cheaper brands. The focus groups’ next question concerned the occasions they associated with drinking beer. The majority of respondents associated it with Quadfest and football season, as well as the feeling of having a bad day.

The next set of questions involved the brand Heineken. Firstly, what came to mind when they thought of the brand itself, and how it compared to the other beer brands. Their response was similar for both questions in that they felt the brand appeared to be more high-end or expensive, and that an acquired taste was needed to fully enjoy drinking it. Also that the brand users of Heineken would likely be older adults, who were looking for a quality beer over dinner, rather than one for getting drunk. When compared to other alcoholic beverages, other than beer, the focus group felt that it was to hard to make any kind of direct comparison. Lastly, they were asked to describe an advertisement for Heineken. This advertisement included associations with mini kegs for college students, and seasons, such as Christmas and the fall and winter time.
Quantitative Analysis

During the month of November, the group distributed 50 surveys to 32 males and 18 females, ranging in ages of 21-24, throughout Radford University’s campus; of the people surveyed, the majority were age 21 for both males and females. This survey was used, along with our secondary research and qualitative research to better understand the beer market, and consumer’s preferences. When asked how often they drink beer, the majority of males responded with three times a week, with five times or more a week being the second most popular answer. Females surveyed responded similarly, with half the sample size stating they drink three times a week. This is probably due to the social atmosphere and peer influence of college and being of legal drinking age. The group believes the reason for the males surveyed drinking slightly more than the females is the males’ inclination to find more occasions to drink (i.e. sports), and females worry of caloric intake throughout the week. The next question concerned the occasions in which men and women are more likely to consume alcohol. For the men surveyed, the most prominent occasions were party, bar and sports events. The group did not find this surprising, and believe the reasoning for this is because males are more likely to want to drink during those occasions since they are relaxing and involve interactions with other people that have similar interests. Also males are less likely to enjoy or participate in activities that are family orientated and involve drinking, like dinner and certain holidays. For females, however, their most popular responses included, drinking at the bar, a party, and the holidays. This was also not surprising to the group since the females surveyed enjoy the same social atmosphere of college like the males. For both males and females, holidays were a popular response. The group thought the reason for this was holidays usually involve a break from work
and more time to spend with friends and certain family members. Like the results from the in-class survey showed most associated the Heineken brand with the winter season, and Holidays around that same time. Our next question concerned the beer preferences of those surveyed. Males more prevalent responses were Coors, Natural Light, and Bud Light. This is probably because of several key factors having to due with advertising, promotion, and price. When asked if they felt sales promotions or specials effected their purchasing decisions approximately 91% of the males surveyed said yes. This shows that beer brands like Coors and Bud Light have major advantages in the market because of their carefully placed promotions throughout sporting events and bars. Also specials, affecting price, have influenced males buying habits; since most bars run happy hour and pitcher specials involving these particular brands. When asked if they felt advertising affected their choice of beer, 50% said yes. As for females however, they preferred Bud Light and Miller Lite. This is probably the result of females’ conscious battle with finding a light tasting beer, for the right price, and with the lowest amount of calories. Like the males, about 67% of the females surveyed said that their buying decisions were affected by sales promotions and specials, while only 50% said advertising played a major factor. This shows that while the majority felt effected by sales promotions, advertising does not seem to be the best medium to reach this generation of consumers. This may be because of this generations (X) tendency to disregard reparative advertising; meaning they are more apt to make their own choices based on their own real-life experiences.

The next set of questions on the survey dealt with changing preferences and brand loyalty amongst those surveyed. The first questions asked if their choice of beer would change once they were out of college. Not surprisingly, 56% of males said they would change their choice of beer once they had graduated, while 44% said they would remain brand loyal. As for females, about 67% also said they would change their preferences once out of college, while about 33%
said that would stay loyal to their brand of choice. This illustrates that the majority of both males and females are open to trying new brands, especially once they are more able to afford and experience different varieties of beer.

When asked what qualities in beer affected their purchasing decisions, the majority of males responded with taste, price, and brand. While the females considered price, taste, and calories to be the most important. This is because taste is important to every consumer of beer; without an appealing taste consumers would not be willing to spend any kind of money on the product. As for price, it is especially important to the majority of this demographic (college-aged students). This is due mostly to most students’ lack of income. Therefore you buy what you can afford or buy for a specific taste or experience. For example, most people would not be willing to spend a lot of money on vast amounts of beer, like for a party. But would likely spend more for a special occasion or to fulfill a specific taste preference or to signify a status symbol. This may also suggest why males felt brand was important to their buying decisions; meaning if they can afford it, they will spend the money on a better brand with a better taste. As for females, it is not surprising that calories are a factor in what beer they purchase. This is because of recent trends to lose weight and/or be healthier.

These factors for choosing beer also affect males and females preference for imported or domestic beer. The survey results showed that approximately 72% of males and 72% of females did not have a preference of domestic beer over imported. This is further evidence that both genders are more influenced by the price and taste of a beer, rather than the choice of a ‘better’ beer for a more expensive price (i.e. imported brands, such as Heineken). Our last set of questions conveyed similar findings. The questions asked those surveyed if they had a preference of liquor over beer. Of the 50 males about 41% said they did not prefer liquor over beer, while about 72% of females did. These results suggest that males perhaps purchase beer over liquor
because of convenience and consumption habits. This means that because the majority of the males’ surveyed drink more times a week than the females, it is more convenient and less costly to purchase beer throughout the week. Also males are more likely to drink beer during the occasions where social interactions and a laid back attitude are prominent; like sporting events. As for women, they are more likely to choose liquor because it is less fattening, and can offer a different taste to those who find the taste of beer not appealing. Also women are less likely to go out and drink as many times as males; meaning they are more willing to travel to a liquor store and pay more for the higher alcohol content.
This graph was found on the Heineken website, and represents the stock information of Heineken N.V. and Heineken Holding N.V. as they are within the market, and how they compare to one another. The chart also provides information on the percentage of change and other net values. For both Heineken N.V and Heineken Holding N.V that are significant upward trends/spikes toward the beginning of the summer season and continuing on to the November.
This chart was found on the Yahoo! Finance webpage, and provides another look at the previous month’s stock information. From this data it is apparent that the value of Heineken stock has continued to steadily increase throughout the year.

**Geographical Distribution (in thousands as of 2005)**

This graph contains information complied from the Heineken international website, and shows the values and percentages per thousand that Heineken beer is distributed throughout the world. The two largest areas consisted of Central and Eastern Europe and Western Europe. This is probably because the drinking age in Europe is lower than in countries like the United States. Also many countries in Europe are considered drinking-cultures. This means that the consumption of alcohol is a part of the everyday lives of Europeans; it is almost traditional.
Charts and Graphs for the Heineken Survey Information:

**Males and Females Surveyed**

A bar chart showing the number of males and females surveyed in different age groups:

- Age 21: 18 females, 10 males
- Age 22: 8 females, 7 males
- Age 23: 6 females, 6 males
- Age 24 and up: 3 females, 3 males

**Males Influenced By Sales Promotions or Specials**

A pie chart showing the percentage of males influenced by sales promotions or specials:

- Yes: 29.91%
- No: 3.9%
Females Influenced By Sales Promotions and Specials

- 6.67% Yes
- 12.67% No

Drinking Occasions

- Males
- Female

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<tr>
<td>Holidays</td>
<td>20</td>
</tr>
<tr>
<td>Sports</td>
<td>25</td>
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Beer Preferences For Men and Women

![Chart showing beer preferences for men and women.](chart1)

Brand Loyalty for Men and Women

![Chart showing brand loyalty for men and women.](chart2)
Sample Surveys

Heineken Beer Focus Group Question Guide

1. When you think of beer, describe what comes to mind?
2. What beer brand preferences do you have?
3. When you think of when you drink beer, what types of occasions come to mind?
4. When you think of Heineken, what comes to mind?
5. How would you compare Heineken to other brands of beer?
6. Describe the typical Heineken beer drinker as you see him or her?
7. How would you compare Heineken to other alcoholic beverages?
8. Describe an advertisement for Heineken beer?

Heineken Survey:

1) How old are you? 21 22 23 24+ (how old______)

2) Male or female (circle one)

3) How often do you drink beer?
   a. Once a week
   b. Two times a week
   c. Three times a week
   d. Five + times a week

4) What type of occasions are you more likely to drink during? (circle all that apply)
   a. Dinner
   b. Party
   c. Bar
   d. Holidays
   e. Sports

5) What is your beer of choice? __________________.
6) If you are a college student, do you think your choice of beer will change once you are out of college (for example, you may be able to afford more experience beer once you have graduated)? (circle one)

   YES or NO

If not, as a student do you consider yourself brand loyal to a particular type of beer? (circle one)

   YES or NO

7) What qualities make you purchase the beer that you do?
   a. Rank (1-Low, 5 high)
      i. _____ Taste
      ii. _____ Price
      iii. _____ Brand
      iv. _____ Calories
      v. _____ Prior Experience
      vi. _____ Other: (list) _____________________________

8) Do you have a preference of imported beer over domestic, or vice versa? (circle one)

   YES or NO

   If so what kinds? __________________________________.

9) Do you prefer liquor over beer? YES or NO (circle one)

   If so, what kind(s)? ________________________________.

10) Do sales promotions or specials (like Happy Hours) affect your purchase decision(s)? (circle one)

    YES or NO

11) Do you think advertising affects the way you choose a beer? (circle one)

    YES or NO
### Survey Results

#### Males

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#### Gender One Two Three Five+

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#### Gender Dinner Party Bar Holidays Sports

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#### Gender Coors Natty Bud Light Miller Guinness Newcastle Heineken Corona

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#### Gender Taste Price Brand Calories Prior Experience Other

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Conclusion

From the results of our research, the group was able to draw many conclusions, and make recommendations for Heineken. These recommendations will benefit Heineken in being able to reach a broader audience nationally, and around the world. First, Heineken should be aware of the always changing preferences of the young adult market. The best time for the company to promote their product is during that transitional stage from college to the real world. Not only will these consumers be open to change, but their lifestyles and income will allow for them to explore new tastes. These new lifestyle changes, such as occasions when one can’t drink and/or how often (because of a job), will allow for both men and women to find new brands. Also since the current image of Heineken is that of a high-end, more adult type beer, the company should use that to its advantage by showing new adults what kind of ‘adult’ beer they should be drinking. Heineken could further their exposure in this market and others like it by using sales promotions and specials to reach a broader audience. Since most of people surveyed agreed to not being brand loyal and have found comfort in their prior experiences, having a promotion at a local college bar would likely target those consumers. In addition to sales promotions, advertising is an important media to use. Specifically during the times, like the Holiday season. Our survey results, as well as the focus group in-class discussion, suggested that Heineken is already associated with the Holidays, Christmas or winter in particular. Therefore it is important for Heineken to realize that more people, both men and women are more prone to drink during the holidays because of family get together and time off from work. They are also willing to spend more because of the special occasions. Heineken could market this to their advantage by using the trademark green color of their beer bottle with decorative packaging with festive
colors. Commercial and print advertisements should be family-orientated and involve a specific occasion during the holidays, like Christmas dinner, or a bunch of friends meeting each other at a local hang out after not having seen each other for a long time. The print ads should be simple, with a classy, but homey feel.
For targeting males specifically there are several suggestions that can be made. From our survey research the group learned that the majority of males drink at a party or at a bar. This is another reason why sales promotions within these types of social settings would be extremely beneficial to reaching broader audiences. Heineken also could use the color of their product to their benefit, since according to color psychology the color green represents masculinity and wealth. This means that males, such as the ones surveyed, who fell brand is important to their beer preferences would see this color and associate with those desirable traits. Also most males relate drinking and with sporting events, therefore it is important for Heineken to maintain an image within that medium. The most effective approach to reach these consumers is through an internationally sporting event, like soccer, televised poker games, extreme sporting events (snowboarding, skiing), and golf. All these sports offer Heineken a variety of consumers, and will maintain Heineken’s internationally well-known image of a high class beer. Another
technique that could be used to reach more consumers would be to continue promoting their light brands of beer, like Heineken Light. This type of light beer can marketed successful to both males and females. For males, the light beer offers a refreshing taste that is not too heavy, and will allow for them to consume more. Also the light beers, offer both genders a healthier option with less caloric intake, and while this may have seemed like a more feminine concern, more and more males are becoming more self-conscious. Therefore it is important for Heineken to establish a correlation between their light beer’s taste and the lower caloric value; this will reach both males and females. In addition to targeting females with the their light beers, Heineken can also use sales promotions and specials for a variety of party events; such as if a female is throwing a large private party, or a public one at a bar; Heineken could help to sponsor the event. Also holiday promotions are another way to reach the feminine market, and like men, women can feel a connection to the Heineken brand’s green bottle because color psychology suggests that green can promote a calming and refreshing sensation.
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