

## HEINEKEN. CHRONOLOGY OF A HUNDRED-YEAR-OLD BREWERY

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Heineken is a beer company with a 145-year history. Today, it is present in over 170 countries, which it has grouped into 5 regions: Western Europe, the Americas, Central and Eastern Europe, Asia-Pacific and Africa and the Middle East.

It is one of the flagship beer brands worldwide, standing in third place. In 2009, it posted net earnings of 1.055 billion euros and an output of 125.2 million hectolitres. It has 125 brewing plants throughout the world, 55,300 employees and over 200 brands of beer, with the foremost one being Heineken, due both to its popularity amongst consumers and to its sales turnover. It is a fourth generation family business, with 40% of its stock being free capital, and the other 60% is shared between the Heineken family (which owns 40%) and the beer company FEMSA. In Spain, Heineken has a 33% market share.

The company's timeline is described in the following table:

<b>GROUP BEGINNINGS (1863-1874)</b>	The Group's history dates back to 1864, when Gerard Adriaan Heineken bought the Haystack brewery in the centre of Amsterdam (The Netherlands). Gerard's aim was to make beer drinking palatable to the intellectual elites. The success of the business and growing demand led to a move to larger and more modern premises, located on the outskirts of the city, where he introduced a ground-breaking system of fermentation. In 1873 in Rotterdam he set up Heineken's Bierbrouwerij Maatschappij N.V. (Heineken Breweries or HBM) and the name Haystack was replaced by Heineken. That same year witnessed the merger with Oranjeboom.
<b>COMMITMENT TO QUALITY (1874-1886)</b>	Transporting the beer by ship meant the product had to be long-lasting in order to preserve all its properties, so Heineken installed laboratories in his plants to certify the inalterability of his products, and he subsequently refrigerated them. In addition, he commissioned certain experimental laboratories to come up with the formula for a perfect beer, as the same time as he hired one of Louis Pasteur's most talented students. It was then that his team discovered the A-yeast, a strain that continues to be used to this day, and a veritable milestone in the history of beer. This commitment to the quality of his products led to the award in 1880 of a Gold medal at the Paris International Exhibition, and opened the doors for internal expansion, whereupon the company became the largest exporter of products to France.
<b>INTERNATIONAL RECOGNITION (1886-1914)</b>	At the Paris World Exhibition, for which he became an official supplier, he received another gold medal, which would not be the last, as one year later the Jury in the French capital awarded him an honorary prize for the quality of Heineken. Thanks to this, by the end of this period the company has increased its sales by 30%.
<b>EXPANSION (1914-1940)</b>	This new stage began under the management of Henry Pierre, a second-generation family member, who as Chairman focused on the international expansion of a company whose export figures were continuously growing. Given this rapid pace of exports, the company embarked upon bottled production, which coinciding with the Great Depression and following the repeal of Prohibition he began selling on the US market. In 1927 Heineken made another purchase, namely, the Brasserie Leopold in Brussels. Nevertheless, the key to this focus on international projection was the decade of the 1930s: Heineken built its first brewery in Surabaya (subsequently becoming 'Heineken's Indonesian Brewery Company'), and a year later a business was incorporated with two local partners,

	<p>going by the name of Malayan Breweries (which twelve months later would be renamed Tiger), a factory that served as a springboard for the markets in New Zealand, China and South-east Asia.</p> <p>In 1935, a brewery was purchased in Java, in the east of the Dutch East Indies, another in the Belgian Congo (today's Democratic Republic of the Congo), with two more breweries in Egypt.</p>
<b>HEINEKEN THE BRAND (1940-1968)</b>	<p>The 2<sup>nd</sup> World War saw a spectacular fall in the quality and quantity of the beer brewed, which meant that the subsequent recovery of the market would be equally spectacular.</p> <p>Henry's successor and the founder's grandson, Alfred, decided to continue with this expansion policy, to which he added a further component, marketing: his stay in the USA opened his eyes to the fact that advertising campaigns and the company's logo could forge close ties with consumers and boost sales. This led to the first advertisements and the labelling of bottles.</p> <p>The continuous growth in sales and the brand's popularity paved the way for the purchase in 1953 of the oldest company in the Netherlands "De Sleutel" (The Key), which brewed black beer. This was also the time when a new plant was built in Hertogenbosch, and all the production processes were modernised. The brand's global acceleration at this time was so great that in the 1960s it became the leading beer in Africa, and it had four plants in the Netherlands and 24 abroad: Egypt, Italy, Venezuela, Greece, Ghana, Angola and the former Zaire, amongst others.</p>
<b>THE INCORPORATION OF AMSTEL (1968-1972)</b>	<p>Heineken was not the only major beer manufacturer in Amsterdam, as Amstel had appeared at around the same time and had cornered a major market share.</p> <p>In 1967, Oranjeboom Brewery in Rotterdam was taken over by the UK's Allied Breweries Group, whilst in Belgium Stella Artois took control of Dommelsche Brewery.</p> <p>These two takeovers unsettled Heineken, which saw how its competitors were growing in size and, of greater concern, it feared that the next one to be snapped up by the British might well be its great competitor, Amstel. Faced with this situation, it had no choice but to secure a cooperation agreement with its competitor that would block any takeovers in the future. A year later, on 26 August 1968, the merger between these two companies was announced, and after some time they managed to integrate their cultures and Amstel became yet another Heineken brand.</p>
<b>THE CONQUEST OF EUROPE (1972-1980)</b>	<p>Alfred's internationalisation strategy had not fully achieved all its targets, as throughout the rest of Europe Heineken was considered a foreign brand, so although it exported large amounts it accounted for just 2.7% of the market share in Europe. This market was highly fragmented and there was a need for a change in direction. This partial failure favoured a change in strategy: Heineken would manufacture within each country in order to be looked upon by consumers as a domestic brand and would commit to sustainable growth.</p> <p>The first step was the purchase of a majority stake in Holding l'Espérance, in the ALBRA Group, which in turn held the majority of the shares in Brasserie Alsacienne, France's third largest brewery group. By the end of the 1970s this stake grew to 100%, and the company was renamed Heineken France, S.A.</p> <p>The next target was Italy, where the company acquired a stake of close to 100% in the Dreher Group. These movements were accompanied by increases in the shareholding in associated companies in Africa, the building of new plants in the Netherlands and, for environmental reasons, the refurbishment and relocation of many of the old ones to the outskirts of cities.</p> <p>Numerous other takeovers followed on throughout Europe to add to the previous ones, and consistent with its remit to operate as a domestic company, the Heineken Group sought to adapt to local tastes.</p>
<b>UNSTOPPABLE (1980-1989)</b>	<p>Heineken disembarked in South America in 1983 through a partnership in Brazil with the Coca Cola bottling company, thanks to which it started producing Kaiser, which is now the third most popular beer in Brazil.</p> <p>In the months leading up to the fall of the Berlin Wall the company recorded some of its most important events: the award of a licence for the production of Heineken beer to a Japanese company, the Kirin Brewery; the creation of a joint venture with Asia Pacific Breweries and the Mila Brewery in Shanghai (owner of the Reeb brand); the takeover of Ireland's Murphy's and</p>

	<p>of the Spanish company El Águila; the launch onto the Spanish, French, Irish and Dutch markets of a new beverage, Buckler alcohol-free beer; the takeover of Van Munching &amp; Co., its sole distributor in the US; its position as the world's second largest company in the sector behind Anheuser-Busch and its most international brand.</p>
<p><b>BRAND OF THE CENTURY (1989-2009)</b></p>	<p><u><i>New Markets</i></u>                  Once the iron curtain had been swept aside Heineken began its eastward expansion. Amongst the purchases it made were the Hungarian brand Komaron and a 24.9% stake in Poland's Zywiec S.A. (the domestic market leader). Then in 1993 it began exporting to Russia. Not only has it shown an interest in supplying new areas and committing to new projects, such as the Heineken University, as it has also managed to reinforce those destinations in which it already had a positioning:</p> <ul style="list-style-type: none"> <li>&gt; In the <i>Far East</i> opening new plants in Vietnam, Thailand and Cambodia.</li> <li>&gt; In <i>Asia</i>: the subscription of cooperation agreements, such as the one involving Hainan (HBCL) for building a plant in China.</li> </ul> <p>In 2009 it entered into a partnership in India with United Breweries.</p> <ul style="list-style-type: none"> <li>&gt; Improving its position in <i>Europe</i> with new acquisitions: Fisher in France, Moretti in Italy, Brau-Beteiligungs A.G. in Austria, the drinks division of Holding Eichhof and Cruzcampo in Spain. In Austria, too, Heineken has managed to position itself on the market through a joint venture with Lion Nathan. In Eastern Europe it has taken over German and Russian companies.</li> <li>&gt; In <i>South Africa</i>, by entering into a joint venture, Brandhouse, with Diageo and Namibia Breweries.</li> </ul> <p>In 2009 it consolidated its presence in Africa by setting up a new plant.</p> <ul style="list-style-type: none"> <li>&gt; In <i>South America</i>: in 2009 it purchased FEMSA (Fomento Económico Mexicano, S.A.), a major company dedicated to the manufacture and marketing of consumer products.</li> </ul> <p>In 1999 it was named Brand of the Century in the Netherlands and four years later its management was passed down into the hands of the fourth generation, in the person of Charlene de Carvalho-Heineken.</p> <p><u><i>Development through dedicated establishments</i></u>                  Heineken was the first beer brand to open franchised taverns in Spain (with over 500 establishments), with the aim being to boost its growth. Accordingly, it introduced Irish pubs, under the Guinness brand; in 1997 launching the Gambrinus banner; one of the most active in opening outlets; in 2000 the Cruz Blanca brand; subsequently becoming Beer Station; Paulaner Bierhaus; and finally in 2004, La Amstelería.                  The theme bar division Temáticos Heineken España was introduced in 1993 for the purpose of promoting a responsible beer culture in Spain. This has been achieved by pursuing two main lines of action: on the one hand, the introduction of six <i>bierkeller</i> chains, each one with a different beer decor; and on the other, the distribution of the best domestic and international beer brands, exclusively involving the Heineken Group's finest beers in our country (Paulaner, Guinness, Murphy's, Desperados, Affligem, Fischer, Adelscott and Birra Moretti).</p> <p><u><i>Innovation as a benchmark</i></u>                  Today Heineken is especially focused on consumers' experience when tasting its products, and to make this more pleasant it relies on product innovation: light bottles with stunning designs, and beer kegs for use at home.</p>

**Question:** Describe the different directions and development methods Heineken has adopted, detailing the main advantages and drawbacks in each case.