Beer Business Daily

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"Heineken USA Betting on Simplicity, Innovation and Cans"

By: Beer Business Daily

Dear Client:

"He hates these cans!" Steve Martin famously shouted in The Jerk.

Well, Heineken USA, historically a bottle-driven company, doesn't hate cans anymore. In fact, 2020 will be the year they drive a big push behind their can business, in which they under-index compared to the industry in general and their closest peer Constellation in particular. More on that later.

HUSA is getting back to basics, and nothing demonstrated that more than the format of their annual national distributor meeting, which in recent years had developed into a highly produced spectacle with lasers and smoke machines and tightly choreographed scripts on teleprompters and the like. HUSA chief Maggie Timoney, who had just started before last year's meeting complete with the obligatory theme ("Ignite the Fight" I think it was), remembers thinking as she took the stage, "we're a four share player, not a forty share player," a sentiment that was echoed throughout.

Sidebar: Maggie strikes me as a no-BS kind of leader (and a leader who doesn't take much BS either). When her mic went out in the middle of her speech, and AV was dragging their feet to replace it (as they always do) she quipped, "take your time, we have all day." Then when they gave her another bad mic, she remained unfazed, and said, "I'm glad this mattered to me and not another member of the team."

I also hadn't realized that she got her start in the beer industry working for the A-B distributor in the Bronx "and absolutely loved it." She reminds me of a younger better-dressed Bill Hackett. We're looking forward to having her present at the Beer Summit in January.

No, this year's meeting was cut up to a series of smaller regional meetings for several reasons: 1. Distributors could bring more members of their teams. 2. It's a more intimate setting to engage with each other. 3. Content could be tailored toward each region's priorities, and 4. It's cheaper, for both HUSA and many of their traveling distributors.

Distributors we spoke with seemed to be keen to the new format, particularly the move to make it only a half day, reducing time out of market.

Other things distributors liked, right off the bat:

-Re-allocating feet on the street, which wasn't working — much prefer shaking one market manager's hand — back into the brands.

-More realistic goals. As CSO Jim Sloan said, “We’re on point to make plan this year. Realism is what you’re going to see going forward.”

-Separated national and regional chains. National chains tended to suck of the oxygen in those meetings, so now they’re separated so everybody gets some love.

-Axing their tedious trade auditing program (Quri), which was expensive and usually wrong anyway. “I don’t need to spend two million dollars to fight with you guys,” quipped Jim. “We can do it for much cheaper.”

-Axing tedious and expensive BrewLock and Blade draft systems. (I remember when those were launched and you could see wholesalers rolling their eyes).

-Utilizing the Tamarron to find out “our pain points” and work on those.

-Consistent leadership: Not moving people around so much.

For our part, we put on our green slacks and wooden clogs to bring you some highlights.

HEINEKEN. While brand Heineken trends have improved, the brand is still slightly in the negative. Heineken dollars are up 0.8% YTD in IRI multi-channel to Sept. 9, the MULC channel, though volume is slightly negative, down 0.7%. In the latest four weeks brand Heineken is up 1.7% in dollars and volume down 0.8%. Look for more consistent marketing out of Heineken, and more localized marketing in each major market. HUSA, after studying marketing ROI, is going old school and increasing billboards by 30% and local radio, yes radio, by 12%.

HUSA is also putting a big push behind their nascent can business, now that they’ve given their cans a much-needed facelift. Heineken under-indexes in cans, both against the industry and Constellation. They’re already making strides, as in 52 weeks their can business is up 4.4%. The problem is their bottle business is down 4.3%, and their bottle business is much larger (still 76% of volumes). “Heineken needs can and big pack distribution gains to continue trading up consumers in all occasions,” says Jim.

HEINEKEN 0.0. “Now you can” is this brand’s tagline, and the brand has “exceeded their expectations” and yet they’ve “only scratched the surface.” (As Maggie pointed out, “If Heineken 0.0 works in Ireland, we have a good chance here.”)

Heineken is spending another $50 million behind this brand in 2020 (damn). Heineken 0.0 is on target to double their 2019 targets, and distribution is still relatively low, particularly on-premise. Among three major new line extensions (0.0, Coronal Premier, and Mich Ultra Pure Gold), Heineken 0.0 sources the least from other beers, causes consumers to drink more, and brings the most new users to the beer category, according to HUSA research. One thing HUSA says is once people try it, they come back, so look for “massive sampling”, and since it’s non-alcoholic, you can sample it virtually anywhere, even on the sidewalk.

They are even doing some “guerilla” sampling by putting 3 sample cans in a 12 pack of Heineken, making it a 15 pack.

DOS EQUIS. Dos Equis is just barely in the red in YTD IRI scans, with dollars down 0.2% and volume down 0.6%. Dos Equis creeped back into positive territory in the latest four weeks to Sept. 9, however, up 0.7% in dollars and up 0.5% in volume.

HUSA is revamping Dos packaging with a more modern look, and their marketing with a new campaign, "We live in really interesting times," riffing off some of the absurdities we endure in the digital age. Like the fact that 26 million people actually paid to willingly give their DNA to companies like 23andMe, and how Alexa and Facebook can probably predict the pending end of your relationship before you can.   The ads are pretty funny, and much better than Interestante according to distribs I spoke with. They are also expanding distribution of Dos Equis Mexican Pale Ale, which they maintain has good ROS and repeat buys when tasted. Also, look for an updated Cervezas de Mexico variety pack which will include Pale Ale.

TECATE. This brand is struggling, down 15%, in no small part due to the loss of scanbacks in California, the tornado that is Modelo Especial, and a 24oz can shortage. Titanium (7.5% ABV) has done well, but that's it. A new campaign will break with the "Mexico is in Us" tag, and focusing heavily on soccer, of course, but also tackling several big Latin/American music festivals.

INNOVATION. As far as innovation, HUSA CMO Johnny Cahill said they aren't going to just copy others. "The last thing you guys need is another White Claw or Truly clone in your house," he said. So HUSA is looking at taking things that work and "making them better."

For example, HUSA is taking a different take on hard seltzers, testing Canijilla Limon Pepino and Mango Picosito in California and Texas in Q1. Johnny says current hard seltzers are consumed by one 1 in 6 Caucasians, but only consumed by 1 in 12 Hispanics and 1 in 20 African Americans. In other words, if you're just chasing frat bros and girls in yoga pants, you're missing a huge and growing part of the population, and that's where Heineken has expertise.

As far as other innovations, they haven't completed their work, but sneak peaks suggest they're looking at an IPA seltzer (a mash up of two success stories), and a honey wine, among others. Going to be a busy year in White Plains.