

POSITIONING IMPORTED BRANDS: A CASE STUDY

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Heineken in Tanzania

Heineken N.V is the leading beers and wines manufacturing company not only in Europe but all over the world. The company is regarded as the leader in the area of consumer and industrial brands for more than 140 years. (Heineken N.V 2008). The company is facing a dilemma in terms of delivering high quality products at relatively low prices at the same time deliver steady growth of profit and modest returns to the shareholders. (Heineken 2009).

More specifically, the company is working round the clock in making sure that, the company brand image is improved and the financial results are increased within and outside the country.

The employees of the company world-wide are motivate to apply and utilize their potentials to build performance based culture. Performance is everything at Heineken N.V and it is used as a yard stick whereby all employees are faded to this principle on daily operations. (Heineken International 2009)

The company is operating in more than 170 countries in all five continents and is aspiring to constantly improving financial performance as the main corporate objective of the company. This is achieved through, mergers and acquisition of the best performers, partnership and joint venture and agile distribution strategy with local firms with the view of creating value to both customers and shareholders.

- To enhance top-down growth of the company as a whole
- To promote efficient use of organizational resources and cost reduction
- Fasten the process of implementing the strategies and policies
- To concentrate on the markets which it has more advantage

Brewing industry-Tanzania

The beer industry in Tanzania can be traced back to 1912 when the first beer was introduced by colonial administration. In 1961, Tanzania achieved its independence and later on 1967, the country embarked in building a nation politically and economically by focusing on socialism and self-reliance. This is to say, the country was following socialism ideology and all major means of economic production were under the control of the state. The government was the regarded as a chief producer and manufacturer of all products and services in the country. In essence, demand for the beers and alcoholic products outweighed the ability of the company-Tanzania breweries LTD to supply.

25 years down the wire, the beer industry like any other industries was under the control of the state. In the same period the nation experienced an acute shortage of the products in both rural and urban areas.

In 1990's the government embarked on privatization of the poor performing

manufacturing corporations and TBL was among those affected by this decision. The international beverage giant SABMiller is owning majority of the company shares and production and distribution is no longer an issue of the moment. Tanzania Breweries is the leading manufacturer of the beer products in the country and the main competitor to the market is Serengeti Breweries. Although, there are only two big players in the market, competition is intensified in almost all respects. The market is potentially and predominantly dominated by these two players TBL & SBL, however, of recent world famous brands the likes of Heineken and Windhoek are penetrating the market and pose some challenges to the giants.

In essence, this industry is heavily competitive despite being having fewer players in the market. Tanzania is a country with many cultures having more than 120 local tribes and dominant Islam and Christianity.

Marketers in this industry are facing so many challenges including marketing the products to ardent and stanch Muslims to whom the product is regarded as forbidden in their faith.

Marketers are also facing the problem relating to income distribution as majority of the customers are living below the poverty line. It is believed that, Tanzania economy is growing at the rate of 7% annually in the past decade but growth in the national income does not reflecting the real situation on the ground. This is to say there is an inverse relationship between national income and households' income.

It is sought to be a serious challenge due to the fact that, the purchasing power of the people to the large extent remain unchanged

in period under investigation making demand for the non-basic products like beers to grow slowly.

Beers like any luxurious goods are always purchased after one has spent considerable amount of money meet for the basics requirements. In this case demand for such products is fairly inelastic with customers regarded to be more price sensitive and incomes are growing at very slow pace. Again, demand for such products is occasional and seasonal with higher demands during weekends and end of the month and holidays.

Demand for beers in rural areas is much worse as majority of the people depend on cultivating and animal keeping to generate income. People are earning once or twice in a year making the duty of marketers in rural areas a bit challenging activity. To mitigate the challenge of seasonal demand of the product, innovative marketers could develop some brands aiming at selling them a bit cheaper with the view of stimulating demands.

Experts are regarding beers as habitual than luxurious products. This is due to the fact that, the number of bars are increasing while people are complaining to not having enough funds for extra spending. In all major cities, Dar es Salaam, Mwanza, Arusha and Mbeya bars are full of people especially in the evening and weekends. This is to say therefore, the income and money supply does not reflect the real situation on the ground. Kinondoni district in North of the Dar es Salaam city is believed to be having many bars than any part of the country.

Positioning Heineken in Tanzania

As an international brand imported from a country which a very good name and an origin of the brewing industry, the beer is

designed to the customers as a number one beer for those who looking forward to purchase and consume quality products. Again, it is positioned as the brand to the contemporary persons who can choose the best out of the rest. The product is also positioned to the millennials and who love sports especially football.



The product is positioned as highly differentiated from other brands imported and locally produced and distributed in the country. Ideally, the product is designed more specifically to cater for the requirements of the people between 18-45 years of age who comprise 45% of the total population in the country. In this case the beer is aimed to the big chunk of the market especially in developing countries like Tanzania.

The targeted customers, however, should not be price sensitive in nature as the price of the beer is a little bit higher compared to other brands. One of my friends who is a regular drinker observed that” Heineken beer is preferred by my majority of drinkers both regular and occasional; however, the limiting factor is price of the beer. If you want to testify my words you better go to any high profiled occasion where there are several label names and everyone is given a free ride to order any drink of his/her choice and within no time the Heineken beers will sold out ahead of other label names”. From his words I came to realize that, to a normal person who drinks regularly, then Heineken is regarded as a bit expensive compared to other brands if one has to enjoy his/her day out. Again, the product is viewed as for the chosen ones to whom spending money is not a problem as one of my friends joked by saying he is always taking Heineken on special occasions as he cannot afford to purchase the product on his budget ”.

Below is the comparison of average prices for different beer label names in Dar es Salaam as collected most recently.

Label name	Alcoholic Cont.	Volume	Price
Safari Lager	5.5%	500ml	2000/=
Kilimanjaro Lager	5.0%	500ml	2000/=
Ndovu Lager	4.5%	500ml	2000/=
Serengeti Lager	5.0%	500ml	2000/=
Heineken Lager	4.5%	330ml	4000/=
Tusker Lager	5.0%	500ml	2000/=

Mabibo beers, Wine and Spirit is the sole importer and distributor the product in the country. According to the managing director of the company Ms Benedicta Rugemalira who quoted by all African.com as ‘the company is the only company responsible for

importation and distribution of the product in the country. Heineken imported by other companies are illegally imported and probably bought from the countries which share boundaries with Tanzania. We have the information that the product is imported

illegally and this is posing lot of challenges to our company and also the government is losing revenues in the of import duties”

The CEO is confident that, the beer is widely distributed in many areas and the company is working seriously to make sure that, the product is available in all the outlets in major town and also in the rural areas. Also that, the company will make sure that the Heineken is not copied by imitators by giving education to the users that as the franchisee we have a code number of an Imported Heineken which is 11330 and that of Wind hock is MB36.

Business analysts believe that being the only company responsible from importing and distributing the product to the country has resulted/forced other companies to seek for the advice both legal and policy wise and especially to the Tanzania commission for competition to allow other companies to import the product as it is quite unfair to the customers because of an necessary monopoly situation enjoyed by Mabibo Wine, Bears and Spirit for many years now. The competition in the whole process of importing and distributing could bring the prices down and that is good thing to the customers.

Conversely, if more and companies are allowed to import and distribute the product in some remote areas where the beer is scarce and it is not well established as why the product is unavailable in some areas. However, the study conducted quite recently found that, the product is always available in big hotels, shopping malls, restaurants and high street pubs and bars. Business analysts suggest that, the scarcity of the product could be partially the marketing strategy adopted by the company as a means of stimulating demand of the product especially when competition is intensified.

Creative advertising is used in the form of developing attractive banners and billboards which are stationed in high ways especially

in major cities. Again, the Heineken is advertised in major television and radio stations more preferably those which youth related programmes. For many years Heineken is sponsoring UEFA champions' league tournament and cannot be easily detached from football minds of the people.

In number of cases sales promotional events are organized by local distributor to stimulate and create an appetite of the product to the customers. During these professionally organized events, local bands are performing live shows which attract many people of different calibre and backgrounds. Music bands are organizing the shows with two purposes in mind; first to promoting the product and give free entertainment to the people who privileged to attend these promotional events. The most prominent band used for this purpose is FM ACADEMIA popularly known as wazee wa ngwasuma and it is not uncommon when these shows were organized to find no other beers sold except HEINEKEN. As a result more and more label names are using music bands to promote their brands, and it is not well established as why music bands are preferred ahead of other types of entertainment.

This could be as a result of the fact that, the two (music shows and drinking are going together and in the same direction)

And so to the future.....

Plans are worked to establish Heineken manufacturing plant in the form of franchising/licencing in the country. According to the CEO, this is a step further in strengthening production and distribution of the product to the customers hence create more jobs and revenues to the government. The big question lies on the quality and brand dilution resulted producing the product within the country and matters relating to piracy and intellectual property

the area where the country is lacking expertise and experience.

Questions

- i. In your own view and after reading the case, what are the major challenges facing Heineken beer in the Tanzania beer market?
- ii. Use product positioning perceptual map MODEL to make your analysis of Heineken and local label names

iii. What are the implications for Mabibo wines and spirits company marketing strategy in positioning Heineken in Tanzania?

iv. What could be the advantages and disadvantages of manufacturing and distributing the product within the country?