

Building Global Skills

Heineken is the second-largest brewer in the world, with sales of €21.9 billion. Sixty-four percent of these sales occur outside Europe, the regional home of the Amsterdam-headquartered firm. When Heineken enters a new market, it follows a basic set of steps designed to maximize its potential profits in that market:

- It often begins to export its beer into that market as a way to boost brand familiarity and image.
- If sales look promising, it then licenses its brands to a local brewer. Doing this allows Heineken to build its sales further while simultaneously becoming more familiar with local distribution networks.
- If this relationship also yields promising results, Heineken then either buys partial ownership of the local brewer or forms a new joint venture with that brewer.

The result is a two-tier arrangement with the more expensive Heineken label at the top end of the market and the lower-priced local brands at the bottom, all sharing a common brewery, sales force, and distribution network.

After reading and thinking about Heineken's approach, break up into groups of four or five people each and proceed as follows:

- 12-21.** Identify at least five products or brands you are familiar with that could use the same three-step approach perfected by Heineken for entering foreign markets. Develop a clear rationale to support each example.
- 12-22.** Identify at least five products or brands that probably could not use that strategy. Develop a clear rationale to support each example.
- 12-23.** Randomly list the 10 examples you identified, keeping the rationale for each hidden. Exchange lists with another group. Each group should discuss the list given to it by the other group and classify the various products or brands into one of two categories: "can copy Heineken's approach" and "cannot copy Heineken's approach." Be sure to have some rationale for your decision.
- 12-24.** Each pair of groups that exchanged lists should form one new group. Compare lists and note areas in which the smaller groups agreed and disagreed on their classifications. Discuss the reasons for any disagreements in classification.
- 12-25.** What are the specific factors that enable Heineken to use the approach described and simultaneously make it difficult for some other firms to copy it? What types of firms are most and least likely to be able to use this approach?
- 12-26.** What does this exercise teach you about international business?