

DIGITAL TOOLS TO IMPROVE REACH AND PENETRATION

Many companies are in a process of digital transformation and as part of it concentrating on the effectiveness of an integrated digital approach. This applies to Heineken as well. With Blauw Research there is a mutual interest in the digital domain as well as in the ideas of Byron Sharp. How does intelligent integration of digital tools and knowledge contribute to increasing consumer reach, market penetration and a company's overall performance?

Byron Sharp (*author of How Brands Grow) is very clear about the most important driver of growth: sales penetration. Brands should focus more on attracting new customers than on making loyal customers buy more. As a consequence, brands should be aiming for broad reach or, in other words, sophisticated mass marketing.

Sharp has a more critical point of view when it comes to digital commerce*, or at least digital commerce success stories. His major argument is that, most of the time, digital commerce leads to reaching loyal customers instead of potential new customers.

Sharp claims that there is a lack of evidence to prove the contribution of 'digital' in reaching a bigger part of the market. He also argues that 'digital' success stories often have been defined in short-term sales figures instead of long-term brand impact, such as building mental availability*.

Sharp is a scientist and is certainly not against digital commerce. He is just stressing that 'digital'

should stop attaching so much importance to niche sales successes and start proving its contribution to broader reach instead. This article is an attempt to add a fresh perspective and further evidence to the discussion.

Digital tools and knowledge to improve performance

The use and integration of 'digital' for brands and businesses is growing in importance, but what role does the development of 'digital' play in business growth or brand building? Is it a new communication channel or is it an e-commerce sales channel, or both? How can a business based on well-known consumer behaviour transform into a complete digital eco-system addressing (unmet) needs and adding value to its core proposition? Obviously 'digital' can be integrated into every part of a business from end to end and will increasingly be a more important commercial channel as well. A lot also depends on what type of business you are in. This can be seen clearly in the Covid-crisis. The key question is, how can you use digital tools and knowledge to improve your company's performance?

For example, for FMCG companies, the digital commercial channel offers enhancement of traditional shelf space, thus improving availability and making products easier to buy. It can offer an instant connection between mental and physical availability* while removing a few elements such as physical handling for the customer.

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FOOTNOTE

- * Digital commerce includes the distribution, marketing and sales of services and goods.
- * A brand's mental availability is its accessibility from memory across the range of situations and needs that buyers in that category encounter.
- * Physical availability is about making the brand easy to find and buy. It's about identifying and removing the speed bumps, no matter how small, between having the brand mentally available and actual purchase.



Martin Weigel has captured the development of digital in the following statement: "how marketers deliver value and presence has changed by connectivity, interactivity, immediacy, collaboration, prediction, responsiveness, targeting, automation, customization, mobility... all of these phenomena (and more) are fundamentally remaking how brands connect with consumers."

For most FMCG companies, like Heineken for example, 'digital' is both an addition to the total business and a tool that can be integrated end to end with the goal of improving overall business performance. So 'digital' is not a complete transition. It is not about either doing this OR doing that. It is more about AND-AND. Heineken still has to buy the natural ingredients, brew its beers at many different locations globally, distribute the beer to retail and fragmented on-trade pubs and bars, and create the right presence and experience (including service and storytelling). Heineken has basically been doing this since its foundation in 1864. Due to occasions, sponsorships and current audience behaviour, Heineken will keep using important traditional communication channels such as TV to drive the brands/business commercially. However, applying and integrating 'digital tools' as part of the total mix will improve the way Heineken effectively communicates and interacts with its customers and consumers. This will also lead to Individualised Data-Driven Marketing (the right message, to the right person, at the right moment), in other words personalisation at scale, and Data-Driven Sales (the right SKUs, of the rights brands, in the right outlet, at the right moment). Just as in any other business, digital tools and knowledge are being integrated to improve company and brand performance. This also requires a more integrated way of working between departments. And the more integrated the company is, the less differentiation there is between marketing, sales and other departments. Truly integrated thinking and execution leads to operating end to end, including

supply chain, finance, IT, legal etc. - from raw materials all the way to enjoying a cold, refreshing beer.

Digital tools to improve reach and penetration

Back to Sharp. In response to the call for evidence of the added value of 'digital' on brand impact, reach and penetration, we want to share a few cases in the context of the UEFA Champions League. Brand Heineken® has been a sponsor of the UEFA Champions League since 2005. During that time, the Champions League has grown to be one of the world's most popular sporting events. The cases show three improvements:

- 1) 'Digital' can lead to reaching new consumers and to building mental availability.
- 2) The number of consumers that exclusively use digital communication devices/channels continues to grow, and
- 3) New customers have been reached and increased sales penetration achieved through a Direct To Consumer eCommerce initiative.

Improve reach through digital media

Nowadays, a large and growing group of people use digital devices and digital channels to follow sporting events such as the UEFA Champions League. Globally, more than eight out of ten people follow the League using at least one digital channel (e.g. online live streams or social media). Approximately one in six people exclusively* uses digital channels to follow the League, not traditional TV (see table 1). This indicates that digital broadcasting / communication about the UEFA Champions League enables a brand to enlarge its reach. To be specific, in a media context, these consumers can be reached only through digital channels. This indicates that digital communication leads to extra reach. Furthermore, data show that the 'exclusively digital' group of people is growing. Taking into account that these people are younger than other UEFA Champions League viewers (average age is 36 compared with 49) it is plausible to

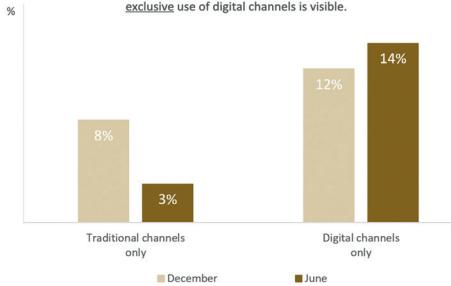
assume that the 'exclusively digital' group will keep growing by accretion of new 'just-become-adults' in the near future.

Sharp stresses that the most effective way of increasing penetration is by focusing on so-called 'light users': consumers who buy your brand only occasionally. Since the 'exclusively digital' group of people consists of relatively many 'light users' of the beer category, this would be the ideal audience for Heineken® to increase penetration. In a media context, using digital communication/broadcasting channels turns out to be the only way to reach them with Heineken's communications about the UEFA Champions League.

So in this case, using digital tools is an effective way to reach an already large and growing number of people. It also demonstrates that a considerable and growing number of people are being reached who would not have been reached by traditional TV communication. Furthermore, it shows how effective digital communication is in reaching relatively many 'light users' of the beer category.

Table 1

"Digital" leads to reaching a growing group of new consumers. Approximately one in six people following the Champions League exclusively uses digital channels. Already in six months, a clear evolution towards the exclusive use of digital channels is visible.



* Based on results of a study conducted by Blauw Research in December 2018 and June 2019 among 38,253 respondents in 22 markets (general population).

Direct-To-Consumer (DTC) improves penetration: The Drinkies case.

In 2018 and 2019, the Heineken Company ran a DTC initiative in Amsterdam called Drinkies. This was an e-commerce channel that enabled cold beer and snacks to be delivered to your door by bike within 60 minutes after ordering. This put the user at the centre by satisfying his/her needs at specific moments.

During the UEFA Champions League knock-out stage (last 16 clubs playing) in spring 2019, sales of Drinkies in Amsterdam showed a considerable uplift on match days (twice-weekly on Tuesday and Wednesday) compared to Tuesdays and Wednesdays without UEFA Champions League matches. When Ajax Amsterdam were playing, significantly more orders were placed through Drinkies. Not only did sales increase, but data also showed that the number of new Drinkies customers grew. Comparing sales data with normal brick & mortar retail sales data for the exact same match days showed an improved uplift for Drinkies sales (see Tables 2 and 3 – Channel comparison at Index). This demonstrates that brand communication through UEFA Champions League sponsorship, combined with DTC instant delivery, led to new customers and ultimately to increased overall penetration.

Digital can improve mental and physical availability

According to Sharp, mental availability and physical availability of the brand drive penetration. In turn, mental availability of a brand is mainly driven by brand communication/story-telling, brand presence and brand experience.

A proven way to successfully communicate the Heineken® brand - in addition to its thematic brand campaigns - has been its global sponsorships. Particularly in sports like football, rugby and F1, the Heineken® brand taps into occasions that are considered a natural fit with its end-consumer. If these sponsorships are (digitally) executed in the right way, by putting the end-user at the centre by satisfying his/her needs with relevance, they can be very effective in improving overall performance. The integration and use of the right digital tools (e.g. communication, media broadcasting, experience, DTC), complementing what is already there, have shown that reach, penetration, and brand impact will all be improved.

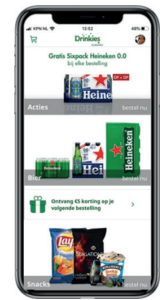
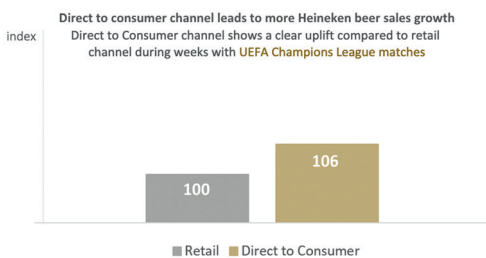
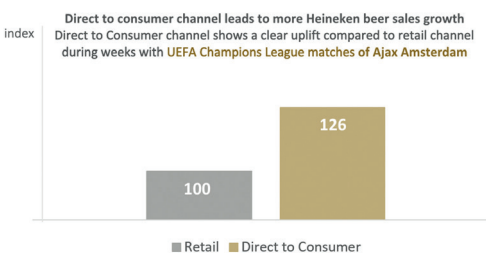


Table 2



* Based on Dutch retail sales and Drinkies sales in the period February – July 2019. Analysis was done by Blauw Research.

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Conclusion

In an ever-changing world, brands and business can no longer ignore the urgency and relevance of the complementary opportunities that digital knowledge, tools and channels provide us with. However, companies should not focus on developing a separate digital strategy. Have an end-to-end business strategy in which digital is integrated. The goal is to improve overall performance. So the key question is how to use digital tools and knowledge to achieve this.



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