BELGIAN SPECIALTY BEER DUVEL

The six-pack under scrutiny

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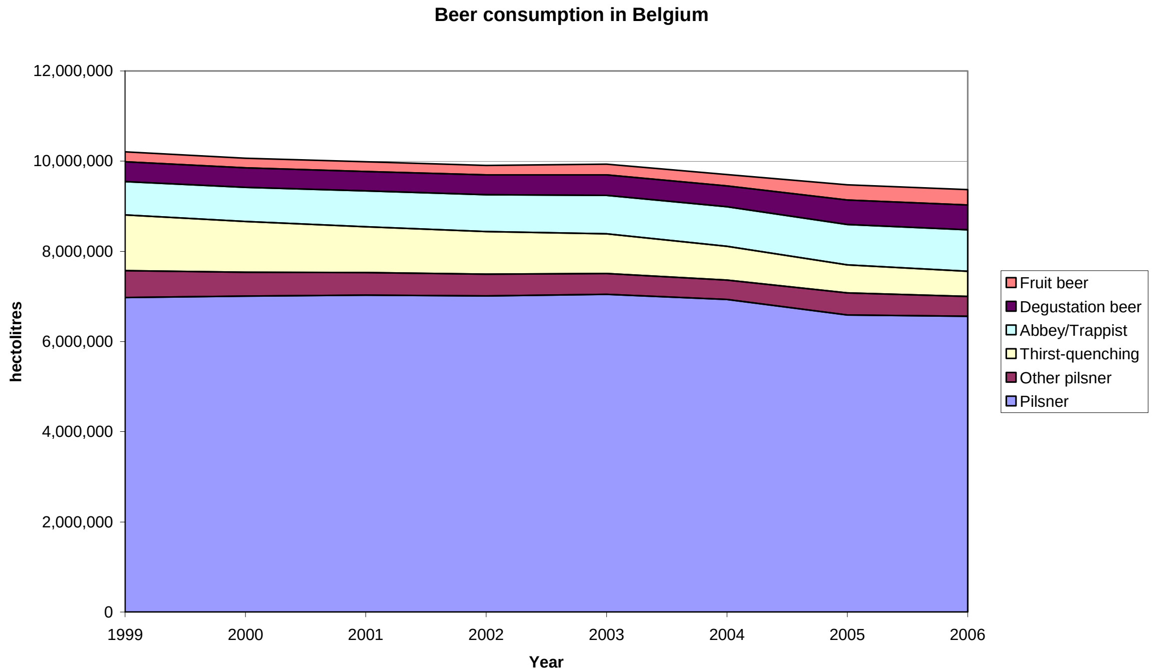
Ever since beer was invented people have spontaneously consumed sizeable amounts of it with admirable energy and devotion. Beer is indeed one of the oldest beverages "possibly dating back to the 5th millennium BC" so a popular Internet encyclopedia reports "and is recorded in the written history of Ancient Egypt and Mesopotamia" (http://en.wikipedia.org/wiki/Beer). In 2006 world consumption amounted to about 135 billion litres. Expressed in width of beer glasses, this means about 101,250 times the equator! The average growth per annum (2000-2005) for the total world beer market amounted to 2.30% and although it slightly decreased in the European Union (-0.50%) other parts in the world still show substantial growth (rest of Europe: +3.7 %, Asia: +4.5%, Latin America: +3.2%, Africa: +2.7%). These average numbers hide important differences though in terms of specific beer categories (see Appendix 1 for an overview of beer types and vocabulary).

Belgium's Duvel Moortgat – a dwarf amongst the giants

Based on specialized sources the consulted Internet encyclopedia reveals that before the Industrial Revolution beer was mainly brewed and sold on a domestic scale, although by the 7th century AD beer was also being produced and sold by European monasteries. After the Industrial Revolution larger scale brewing and commercialization became typical. The beer industry has been witnessing concentration tendencies for a long time already. Following the generalized liberation of the EU market in 1992 in particular though, a spectacularly increased concentration movement has been taking place. "Today, the brewing industry is a huge global business, consisting of several multinational companies and many thousands of smaller producers ranging from brewpubs to regional breweries" (http://en.wikipedia.org/wiki/Beer). Examples of giant beer producers are e.g. Inbev (13.3%) and Anheuser-Bush (11.1%). In this dramatically changing context it is quite a challenge for small breweries to defend their ground - let alone to grow and prosper. One of these relatively small breweries is the Belgian based company Duvel Moortgat, which was founded in 1871. Moortgat is an independent brewer of speciality beers producing about 500,000 hectolitres per year. In 2006 the largest turnover growth of the past ten years was realized with an impressive figure of 12.5%.

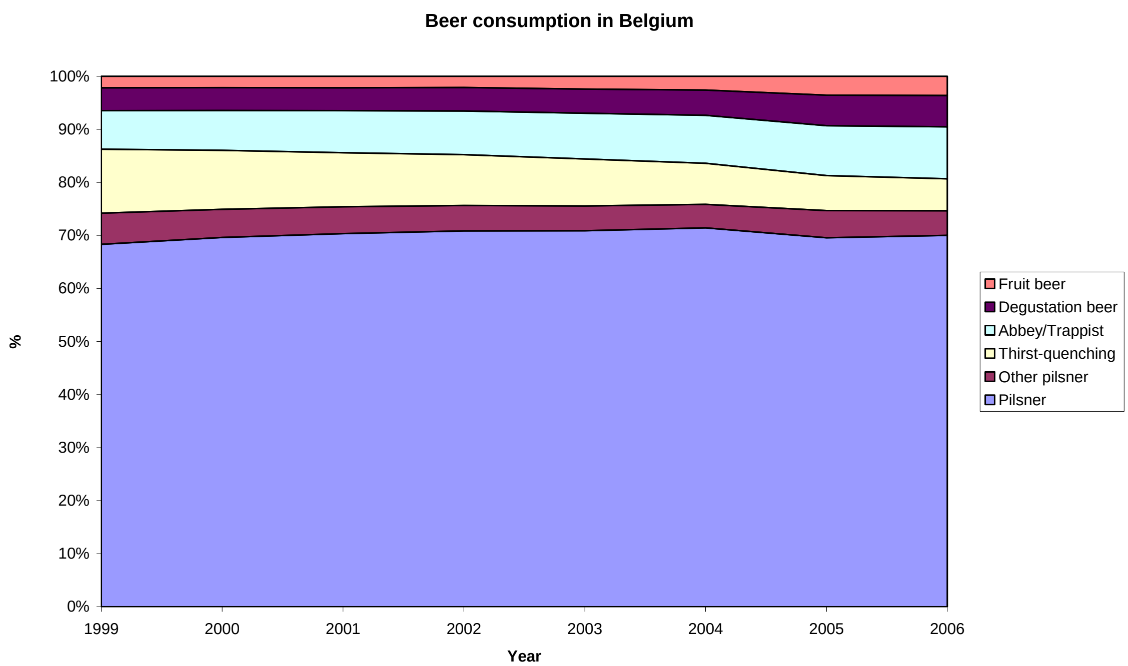
Belgium is a small European country ranking seventh in terms of annual per capita beer consumption with a respectable 93L/yr. The first place is occupied by the unbeatable Czech Republic with 156L/yr. Overall beer consumption in Belgium is gradually declining. While overall beer consumption still amounted to 1,0206,254 hectolitres in 1999, this number had gone down to 9,369,937 hectolitres by 2006, implying a 8.2% decline. In spite of this overall tendency, some types of beer show a marked growth though as can be derived from figure 1 (see also Appendix 2 for a detailed table with consumption figures split up per beer type and per distribution channel).

Figure 1: Beer consumption in Belgium (1999-2006) [hectolitres]



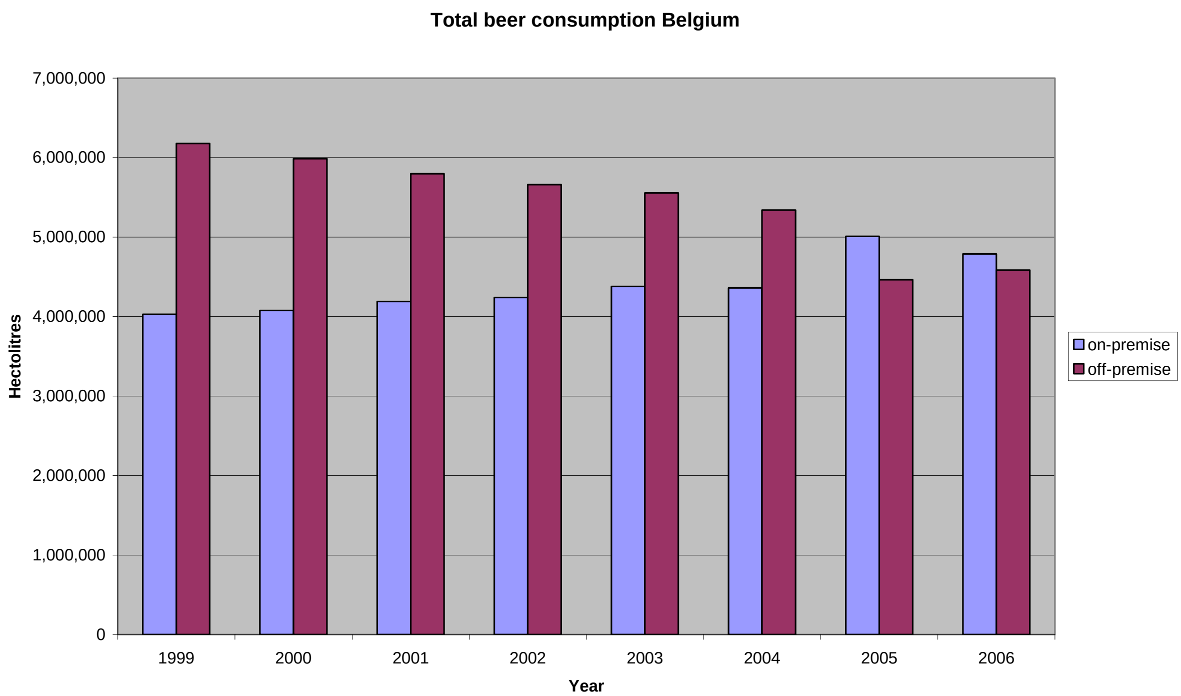
As a result of the different growth rates of distinct beer categories, their market shares are changing (see Fig. 2). While the relative importance of Pilsner beers remained more or less stable, a decline of the thirst-quenching beers has occurred in favour of mainly degustation, abbey and trappist beers. These market share changes suggest smaller or larger preference shifts by existing beer drinkers as well as by newcomers.

Figure 2: Beer consumption in Belgium (1999-2006) [%]



Another remarkable trend can be observed in figure 3. Whereas on-premise sales (via hotels, restaurants, cafés) are rising, off-premise sales (via food retail channels) are falling. Whilst in 1999 off premise sales still accounted for 60% of total sales and on-premise sales for 40%, they had become of equal importance in 2006. This indicates that it is important for brewers to take into account the specific purchase motivations of both types of consumption, as well as their possible interaction. In spite of its relative decline they should keep a sharp eye on off-premise consumption. Although this channel is declining it remains very substantial in absolute terms. Moreover, competition risks becoming even fiercer as few competitors are inclined to leave the stagnating battleground.

Figure 3: Beer consumption in Belgium (1999-2006) split up into on- and off - premise channel



Ssssht, the devil is asleep

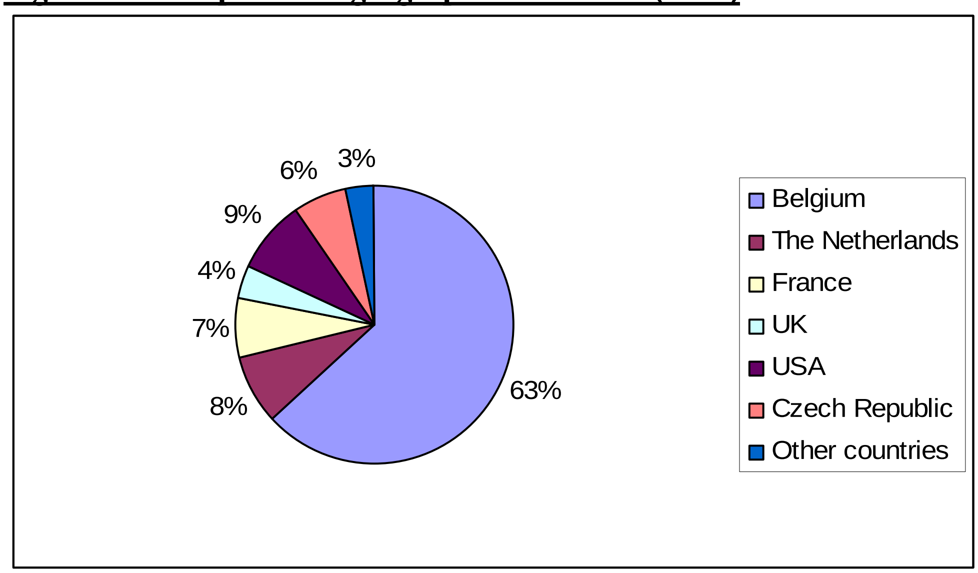
Moortgat's main brand is the strong luxury blond ale called Duvel - which is Flemish for devil. Duvel is a degustation (speciality) beer and more specifically a top fermented, strong blond beer (alcohol percentage of 8.5%). Other core brands brewed by Moortgat are, amongst others, Chouffe, Maredsous and Vedette. The Moortgat brewery is located in Flanders - the Dutch speaking part of Belgium - close to the motorway between Antwerp and Brussels. On the outside wall of the factory a warning has been painted to invite bypassing car drivers to be silent: "Ssssht, the devil is asleep". The warning not only suggests diabolic beer qualities, but at the same time helps maintain brand awareness and reminds drivers of the long production process of this high quality beer of a high alcohol content. The Duvel brand competes with other high quality specialty beers. Within that segment Duvel's brand positioning is concentrated on craftsmanship, taste, quality. Moortgat wants to create and maintain a strong brand personality and being different from other specialty beer brands. Moortgat has succeeded in creating a good brand name. The brand personality focuses more in particular on being male, strong, successful, powerful as well as on leadership. Initially Duvel was sold solely in cafés and restaurants as is the case with many beers in the early stages of commercialisation. After some time Duvel was also sold via the off-premise channel aiming at home consumption. In terms of weighted degree of distribution in Belgium its presence in the food-channel is nearly 100 per cent.

Moortgat likes to relate Duvel quite consistently to Jazz music also in their marketing communication. For example, the company installs a 'Duvel Jazz Lounge' at big happenings like for instance the world famous Jazz Middelheim festival in Antwerp. They even organize other Jazz festivities serving at talent hunts and including free live shows. So, this link with Jazz is very significant for Duvel, or as is mentioned in the foreword of the companies' annual report (p.1):

"Jazz is an art form, just as Duvel is. Both of them are to be savoured peacefully in order to enjoy them optimally. Both of them are mature and complex; have long-standing roots, but are nevertheless modern. […] 'If you find a note that sounds good, play the same note every night', Count Basie once said. This goes for music notes, but for a Duvel just as well."

For such a premium product, price discounts are not offered by Moortgat. Sales promotions may take the form of a free glass or extra gadgets, but never by making Duvel 'cheaper'. As shows from figure 4 domestic sales represent 63% of the companies' current turnover. International sales are partly taking place in neighbouring countries like The Netherlands (8%) and France (7%). Other substantial markets are the USA (9%) and the Czech Republic (6%).

Figure 4: Group sales in geographical markets (2006)



Is the six-pack redesign a non-event?

In early 2007 Moortgat considers replacing one of its food sales packages (clip, 6x33cl, in which the bottles are largely visible) by a fully closed package (sic-pack). Pictures of both the clip design and the pack design are shown in Figure 5. Moortgat is currently already using this pack design in The Netherlands and France. The production of the package as well as the packaging takes place in Belgium. The marketing of Duvel by means of this pack design has apparently been successful in The Netherlands and France. Extending the six pack to Belgium is obviously advantageous from the point of view of scale economies. The packaging machines are operating in Belgium and still have spare capacity. As far as customer reactions are concerned though the choice may be less evident. National market differences between different EU countries are quite substantial. Wine loving France differs markedly from price conscious The Netherlands. In turn both France and The Netherlands are substantially different from a beer loving nation like Belgium. So, the question arises as to whether simply copying the packaging approach of France and The Netherlands is as straightforward an option as it would look like at first glance. If a six pack change is just trivial and therefore a non-event, researching the issue in terms of market reactions is obviously almost a luxury problem. But conversely the package problem might be more subtle and below the surface tricky issues might be hidden. If for example some consumers like to pick individual bottles from the current packs on supermarket shelves, retail chains might be hesitant to prevent them from doing so as a consequence of the new package. As the interpretation of the magnitude and nature of the six pack issue was not obvious for Moortgat, the company decided to have a new junior staff member - by the name of Angel - concentrate on the issue and come up with a documented proposal in the near future.

<u>Figure 5: Alternative Duvel pack(age)s</u>

(a) Existing clip design

(b) New pack design

Angel in distress

After leaving the Virgo Maria institution – a very elite, strict and conventional boarding high school in Malonne in the French speaking part of Belgium – Angel had earned a Bachelor's degree in Business Administration at the University of Notre Dame in Namur. Her father – a self made man who now owned a prosperous business (conference) hotel chain - had insisted that she would gain some practical experience in business first before returning to university to obtain an executive MBA after which he was expecting Angel to become his principle co-manager. Helped by her recently earned diploma, her intellectual skills, perhaps her charming appearance and – who knows – also a little bit by the name of her father, she had been hired by Moortgat as a trainee. Very quickly, however, after a very satisfactory traineeship she got promoted to Junior Assistant Marketing Manager.

Angel's very first major assignment after her promotion consisted of planning the possible launching of the new package format for Duvel in the off-premise channel. Angel realized very well that this particular marketing component – the Duvel package – might be closely intertwined with the overall marketing approach. She decided therefore that she had to analyze the current situation very carefully before moving ahead. On the other hand she was also very much aware of the danger of exaggerated analysis proverbially leading to paralysis. She was very keen on doing a good job. Her boss - Mr. Vanderneffe - tended to be very enthusiastic and positive about his staff in case of successes, but was very sour at moments when things went less well than he had hoped. The fact also that the possible launching would take place in just a few months time made Angel feel a bit concerned and nervous.

Are all roads leading to Rome?

Angel had still good contacts with her former university. So, one immediate thought that crossed her mind was of falling back on her alma mater contacts. Via its alumni organization she had become informed about study projects recently being started up in marketing classes, whereby small squads of students would carry out short term practical research projects in cooperation with firms and under the direction of university staff. One option she thought could consist of surveying large classes of students concerning their beer package preferences. Some students do have a lot of experience when it comes to beer drinking. On the other hand they may in the first place be heavy users of light beer and not so much of stronger beers like Duvel. Moreover, their experience typically concerns the on-premise channel, whereas the six-pack initiative concerns the off-premise channel. Moreover, if a survey would be organized in a lecture room - before or after a lecture - you typically need taking into account a number of no shows - meaning absences of students because of other obligations. Many of the absent students are probably the heavier consumers of beer, whereas the mineral water drinkers vice versa would be overrepresented in the survey. One further drawback would be that the students who would be present would not be very motivated to cooperate and consequently not fill out their forms properly. Moreover, how would you communicate the properties of a new package properly in a lecture room?

So, turning to students is perhaps not a very good idea, but what about using the excellent contacts with one major Belgian food retailer - Delhaize. Delhaize is the second largest supermarket chain in Belgium with 810 outlets and a market share of 26.1% in food retailing. Duvel beer is for sale on the Delhaize supermarket shelves for quite some time now. Moortgat does in particular have excellent contacts with a number of Delhaize outlets in the province of Antwerp. Angel thought it might well be possible to be allowed to study the video tapes of the surveillance cameras of the beverages section of the supermarkets. Study of the tapes would allow observing how people would deal with different crates and packs of beer in the store. It would allow observing e.g. whether consumers hesitated before picking a brand, which beer brands and package types they would compare, or whether they put some types of package back e.g. because the pack proved difficult to lift. But of course, this sort of information would only be partial. Even if this camera information would provide some hints concerning the package features, it would not be very informative in terms of purchase success.

Or do some roads lead to hell?

Perhaps other types of in-store-investigation could fill up the missing parts of camera observation. Store checks could for example be carried out. These visits to outlets - to assess shelf allocation or price policy - done by Angel or other Moortgat personnel could provide some information about the typical package formats used by competitors as well as about the reactions of retailers e.g. in terms of type and amount of shelf space granted to particular package types. Of course in-store information could also be acquired on a large scale in a more systematic and representative fashion. Angel knew that Moortgat buys information on a continuous basis from A.C. Nielsen Cy – the world wide specialist in retail auditing. If the usual information would be ordered with a higher level of detail concerning the package size, this would allow determining whether any significant trend was going on in terms of popularity of specific package sizes in Belgian supermarkets. One other option would be to ask a similar question to GfK. This large scale specialized market research firm based its information on consumer panels. A representative sample of consumers continuously reports their purchases concerning all sorts of product categories including beverages such as beer. Detailed information concerning package sizes could also in this instance reveal whether any trend was taking place with which Duvel should better catch up. A major drawback though was the price of this type of information. Even if she was not aware of the exact prices charged for extra information via consumer panels or retail audits, Angel knew for sure that the price tags were typically huge[1]. On the other hand she knew how frugal her boss was when it came to spending marketing money in general and marketing research money in particular. “Gathering information is easy” he uses to say “but not paying too much for it is a different kettle of fish”. She also knew how much he disliked losing time unnecessarily.

[1] The price for Nielsen data (sales per multipack (number of bottles totalized per package size)), for three years, per beer type (pilsener, trappist,…) would be about 3628€ (VAT ex). For GfK data (value, %Market share and penetration (% of buying households) prices can range from 3200€ (for the most important beer types) to about 20000€ per year if one opts for more beer types with more detail in terms of package size (bottles of 25cl, 33cl,,etc). These prices were obtained form the respective companies in the summer of 2007.

The cost aspect of any primary research project would probably be influenced favourably by carrying it out oneself. It looked to Angel as though relatively simple forms of market research could be carried out by Moortgat itself. They could for example interview the purchasers of the retail chains they were distributing to. Those people were certainly prepared to spend some of their time with an account manager of Moortgat. Or perhaps the company could organize mall intercept interviews at the exits of supermarkets. Posing some straightforward questions to ordinary consumers did not seem too difficult. Examples of sensible questions could be: “If Duvel beer were to be offered in a new six pack in the future like the one in the following picture, would that make you buy more of it? “(e.g. to be answered on a 5-point scale), or “Do you favour individual Duvel bottles over six packs?” or “On which occasions do you tend to drink Duvel beer” or “Do you store Duvel bottles in the fridge, or in the deepfreezer, or in the basement, or in the garage, or don’t you stock any Duvel at all?” or “How many bottles of Duvel do you typically stock in your home?” or “If Duvel is out of stock in your usual supermarket, what do you do: wait until it is back on the shelves, take some other strong beer, or go over to some other supermarket(-chain)? or “Would you be prepared to pay 1euro more for a Duvel six-pack if it were wrapped comfortably and attractively versus just functionally?”. So, posing questions is probably no problem, but posing the proper questions is a different cup of tea – or glass of beer.

A problem well defined is a problem half solved

Angel soon realized that posing the right questions would not be that straightforward after all. And perhaps the company should rather study what people actually do instead of trying to find out their opinions. If Moortgat would organize special sampling stands in supermarkets offering six-pack-promotions this might quickly indicate how sensitive people are to this new packaging format. Angel also realized that the relevance of any approach depended very much on the precise research aim. Obtaining an assessment of the aesthetic appeal of a new way of packaging is not one hundred per cent the same as determining its likely sales success. Eliciting a sales storm in the next few weeks is not necessarily the same as sustaining the brand image in the medium or long term. So for choosing a market research approach - if any - you need to determine your objectives first - so Angel thought by herself. And in choosing any approach you need to balance the odds against the evens, the costs against the benefits. All of a sudden it was as if she heard the voice of her former marketing professor in a lecture room at Notre Dame not so long ago. Yes, indeed, she had to deal with this issue in a systematic instead of in an improvised way. Angel decided to look for the marketing textbook she and her fellow students had been using in class. This would be of help in discerning the different alternative approaches she could follow and would perhaps add to some of the ideas she had developed herself. Hopefully she had not thrown her copy of the textbook away yet - together with old newspapers and mailbox junk. If so, she would buy a new copy on the companies’ account.

Overview of the guiding questions

1. What could be plausible research aims and why?

2. How much money could sensibly be spent on the project?

3. What could be the plausible sampling frame (relevant population definition), plausible sampling methods as well as a plausible sampling size?

4. Which types of qualitative market research techniques could be used, and based on their main advantages and disadvantages, what could be the best option?

5. Which types of quantitative market research techniques could be used, and based on their main advantages and disadvantages, what could be the best option?

6. Which attributes/criteria should be taken into account when comparing Duvel’s clip and pack packaging designs? Which relative scores could probably be expected?

7. What sort of research design – if any – do you think Moortgat implemented and what sort of output could be expected?

8. Which packaging design (clip or pack) for Duvel would you expect to be Moortgat’s best choice?

Appendix 1: Beer vocabulary

PILSEN BEER: LOW FERMENTED BEER

Characteristics: The temperature of fermentation is 6 to 10°c, the colour is light to dark yellow and the beer is best served at 6 to 8°c.

Variaties

	Pilsen	highly hopped, pale-coloured beer
	Dortmunder	pale lager of Germany, less bitter than Pilsen
	Munich	dark, strong, slightly sweet beer with less hop character
	Export	low-alchohol, pale-coloured beer

SPECIALITY BEER: TOP FERMENTED BEER

Characteristics: The temperature of fermentation is 16 to 22°C, the colour can be blond, brass-coloured, ruddy, brown or almost black and the beer is best served at 10 to 15°C.

Variaties:

	Specials	Flemish brown beer, white beer and regional beers (this category may overlap with some of the following categories)
	“Saisons”	regional beer from Wallonia (this category may overlap with some of the following categories)
	Trappist beer	strong beer brewed within the walls of the abbey by monks of “The Order of Cisterciens of Strict Observance”
	Abbey beer	ironically authentic Abbey beer is not brewed within the walls of the abbey, but its name and recipe are linked to an existing abbey (“imitation Abbey beers” only suggest links with non-specified abbeys)
	Pale-ale	brass-coloured, very aromatic beer
	Stout	dark-brown, almost black beer with a slightly bitter aromatic taste
	Scotch	red-brown beer, sweet in taste and very strong

	Strong Blond beer	gold-coloured beer with a bitter-sweet taste
	White beer	hazy yellow coloured beer which has a bitter-sweet to slightly spicy taste, it should be served cold at 3°C

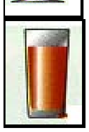
SPECIALITY BEER: SPONTANEOUSLY FERMENTED BEER

<u>Characteristics</u>: Spontaneously fermented beer without addition of yeast, the colour can vary from deep gold-coloured to amber and light brass-coloured and the beer is best served at 8 to 12°C.

<u>Varieties:</u>

	Lambik	light amber-coloured beer with a specific flavour and a sourish taste
	Gueuze	amber-coloured beer, with a gentle sourish to sourish taste
	Kriek	red-coloured beer, with a gentle sourish taste
	Framboise	light pink beer, the taste is as gentle as champagne
	Faro	beer of poor quality, served as table beer

SOME ADDITIONAL BEER FLAVOURS

	Amber beer	yellowish brown-coloured beer, such as Vieux Temps and Palm
	Non-traditional fruit beer	Spontaneously fermented beer, with no traditional fruit tastes as Kriek and Frambaoise. Examples are Peches,Cassi and Banana.
	Sour beer	beer which has the taste of fermentation, it is not bitter nor sweet, such as Corona

Source: Adapted from TUFLER, Johnny Hendrik, 1986, p. 10-11.

Appendix 2 : Beer consumption in Belgium (in hectolitres, split up into beer type and channel)

	1999				2000			
	on-premise	off-premise	Total	Share	on-premise	off-premise	Total	Share
Pilsner	2,930,560	4,043,406	6,973,966	68.33%	2,989,615	4,016,213	7,005,828	69.61%
Other pilsner	283,008	315,339	598,347	5.86%	267,860	265,478	533,338	5.30%
Thirst-quenching	222,116	1,010,454	1,232,570	12.08%	213,879	908,856	1,122,735	11.16%
Abbey/Trappist	329,723	409,534	739,257	7.24%	344,887	409,854	754,741	7.50%
Degustation beer	190,917	249,250	440,167	4.31%	189,475	244,214	433,689	4.31%
Fruit beer	71,969	149,978	221,947	2.17%	71,822	142,248	214,070	2.13%
Total beer market	4,028,293	6,177,961	10,206,254		4,077,538	5,986,863	10,064,401	

	2001				2002			
	on-premise	off-premise	Total	Share	on-premise	off-premise	Total	Share
Pilsner	3,102,673	3,924,496	7,027,169	70.37%	3,146,604	3,867,574	7,014,178	70.84%
Other pilsner	253,116	250,266	503,382	5.04%	240,228	238,223	478,451	4.83%
Thirst-quenching	202,493	812,574	1,015,067	10.16%	204,810	740,482	945,292	9.55%
Abbey/Trappist	369,743	424,091	793,834	7.95%	384,117	431,973	816,090	8.24%
Degustation beer	187,728	243,777	431,505	4.32%	190,812	248,677	439,489	4.44%
Fruit beer	74,441	140,966	215,407	2.16%	74,123	133,774	207,897	2.10%
Total beer market	4,190,194	5,796,170	9,986,364		4,240,694	5,660,703	9,901,397	

	2003				2004			
	on-premise	off-premise	Total	Share	on-premise	off-premise	Total	Share
Pilsner	3,252,649	3,791,603	7,044,252	70.90%	3,255,095	3,675,430	6,930,525	71.43%
Other pilsner	233,227	229,450	462,677	4.66%	207,269	224,516	431,785	4.45%
Thirst-quenching	202,164	678,922	881,086	8.87%	179,868	567,035	746,903	7.70%
Abbey/Trappist	408,632	443,947	852,579	8.58%	429,899	449,772	879,671	9.07%
Degustation beer	199,596	252,834	452,430	4.55%	202,529	257,587	460,116	4.74%
Fruit beer	83,821	158,366	242,187	2.44%	87,967	165,652	253,619	2.61%
Total beer market	4,380,089	5,555,122	9,935,211		4,362,627	5,339,992	9,702,619	

	2005				2006			
	on-premise	off-premise	Total	Share	on-premise	off-premise	Total	Share
Pilsner	3,345,432	3,245,316	6,590,748	69.56%	3,201,849	3,356,208	6,558,057	69.99%
Other pilsner	240,820	246,217	487,037	5.14%	218,368	220,867	439,235	4.69%
Thirst-quenching	452	171,045	623,442	6.58%	400,586	159,817	560,403	5.98%
Abbey/Trappist	444,379	446,492	890,871	9.40%	440,531	476,721	917,252	9.79%
Degustation beer	301,878	244,398	546,276	5.77%	301,168	252,960	554,128	5.91%
Fruit beer	224,853	111,425	336,278	3.55%	224,644	116,218	340,862	3.64%
Total beer market	5,009,759	4,464,893	9,474,652		4,787,146	4,582,791	9,369,937	

Other Pils:	Table + alchohol-free and alcohol poor + luxe pilsner
Thirst-quenching:	Red-brown + amber + white
Degustation beer:	Strong blond + regional + pale-ale + stout + scotch-x-mas
Fruit beer:	Geuze + kriek + fruit

Source: Belgische Brouwers [Belgian Brewers]