

## Beck's strikes Gold with German Precision - German Marken (Brand) Award



**David John Shaw**  
was head of Market Research and Media, AB Inbev Germany until his retirement in 03 2012. He had been in a similar position at Kellogg Germany for years.



**Alexander Schipke**  
is head of Market Research and Media, AB Inbev Germany since 04 2012. Previously he was brand manager and market research manager. He started his career at RSG Market Research.



**Dr. Ralf Mayer de Groot**  
heads the MAYER DE GROOT Marketing Research and Consult network. From 1999 to 2006 he was COO at Konzept & Analyse. Previously he was Marketing Director at Carat, CEO at Target Group after an international career in the MARS group and Scholz & Friends.

### Management Summary

Beer was supposed to be old fashioned and did not fit the modern life style of young people in Germany, until Beck's Gold was created. The Beck's brewery showed the industry how a new beer can be launched successfully – against the general negative development trends in the German beer market. Beck's Gold instantly succeeded to become one of the hip drinks via unearthing the true desires of younger target groups coupled with an innovative marketing mix.

It may be appropriate to point out that Beck's (in the green bottle) enjoys a somewhat different image in Germany compared to a lot of other countries, partly due to a different advertising history. Beck's is perceived in Germany as a rather *strong, slightly bitter* beer which initially restricted the available growth potential. After all, the size of the *slightly bitter* beer segment is only around 10%. - 90% of all German beer drinkers prefer a somewhat milder beer. To make matters worse, there is also a general trend towards milder beers, mostly amongst younger consumers who grew up with sweet soft drinks. Having taken heed of this knowledge, Beck's planned to develop a Beck's branded new product (by no means a replacement for the existing Beck's!) for people who find the Beck's brand world appealing, but who up until now have felt excluded on product level.

Consumer attitudes and perceptions played a key role throughout the total product development and research process. In each phase various tests and analysis were carried out. The research technique used in this case (nowadays called *Sales Effect test system methods*) yielded unusual good fit between forecasted and real market values. **The deviation of predicted sales and real sales volume, which exceeded 310.000 hl in the first year, was only 1,719 hl (=0.1%).** In addition the low cannibalisation rate was forecasted reliably. The surveys also provided sound advice in other marketing decisions. Beck's Gold delivers the proof that superior qualitative market insights and reliable quantitative market research methods can pave the way to even greater success of new brands and products.

In 2008 Beck's Gold enjoyed a **market share of more than 85 percent in its segment in spite of numerous me too products** launched in recent years. Beck's Gold is considered to be the **most successful new product launch in the last 50 years in the German beer market.**

**Methods used:** qualitative analysis, Concept Effect Test, Packaging Effect Test, Brand Name Effect Test, Advertising Effect Test, Market Simulation

### Beck's Gold sails on to success.

A ship. The ocean. Sails. The colour green. Young, attractive people. A great atmosphere. *Sail Away* playing in the background. Beck's managed to use this succinct brand world to generate a continuous increase in its market share, both in terms of revenue and units sold.

Nevertheless, people's conception of Beck's as a rather *strong, slightly bitter* beer restricted the available growth potential. After all, the size of the *slightly bitter* beer segment is only around 10%. 90% of all beer drinkers prefer a somewhat milder beer. To make matters worse, there is also the general trend towards milder beers in Germany, mostly amongst younger consumers who grew up with sweet soft drinks.



### The Beck' brand extension: Objectives

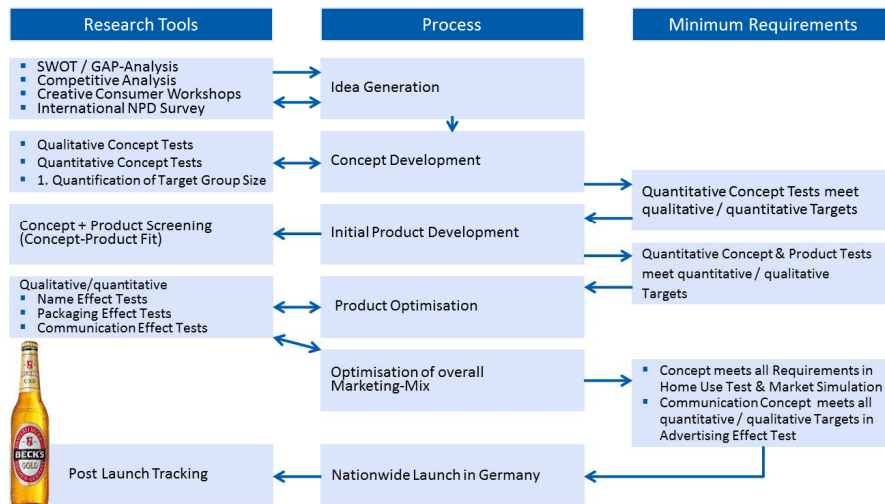
Having taken heed of this knowledge, Beck's has been following the same strategic approach since 2001: The objective being to develop a brand new product (by no means a replacement for the existing Beck's!) for people who find the Beck's brand world appealing, but who up until now have felt excluded on a product level.

This new Beck's product would have the following core objectives:

1. To generate additional, profitable and sustainable growth for Beck's in Germany.
2. To be markedly milder in taste than the existing Beck's (thus explicitly taking into account this trend towards "milder" beers).
3. To offer a differentiating packaging design and communicate "mildness" without straying too far from Beck's core values.
4. To be perceived as a unique, new pilsner beer product, and not as yet another 'me-too' pilsner brand.
5. To utilize and build upon the strengths of Beck's image (no negative re-transfer, no devaluation of other existing Beck's products) and
6. It also had to be a pilsner beer in accordance with the German Reinheitsgebot, Purity Law

## Schematic BECK'S GOLD Development Process Overview

The consumer is at the forefront of all discussions and investigations



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### Key insights

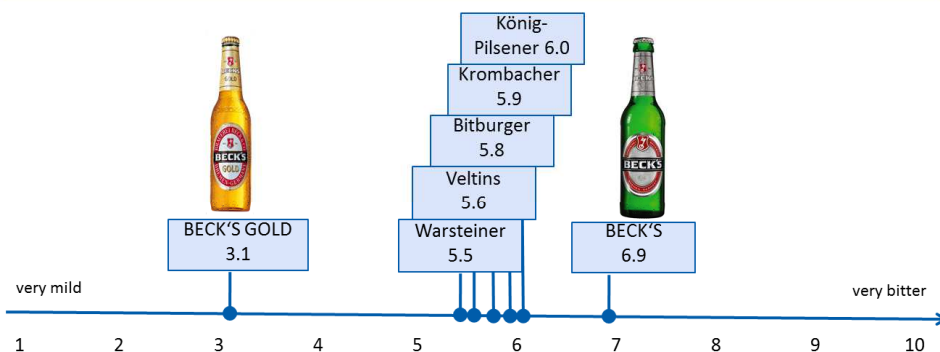
Consumer attitudes and perceptions played a key role throughout the total product development and research process. In each phase various tests and analysis were carried out including qualitative analysis, Concept Effect Test, Product Effect Tests, Packaging Effect Tests, Brand Name Effect Test, Advertising Effect Test and Market Simulation (see the schematic overview of the research and development process for more detail).

Key research findings were:

- Beck's Gold concept achieved high level of spontaneous interest.
- Beck's Gold showed a good fit with the Beck's umbrella brand, no negative image re-transfers were measured.
- The clear bottle with a patented UV-protection was significantly preferred versus other alternatives. The packaging was seen as innovative and unique.
- The name Beck's Gold was well received and performed better than other name alternatives and did not devalue Beck's "Original" (no negative image re-transfer).
- The product in combination with the clear bottle was perceived to be significantly „milder“ than all competitors.

**The innovative BECK'S GOLD bottle influenced the taste perception.**

*Please rate these beer brands on this taste scale: 1 = very mild, 10 = very bitter*

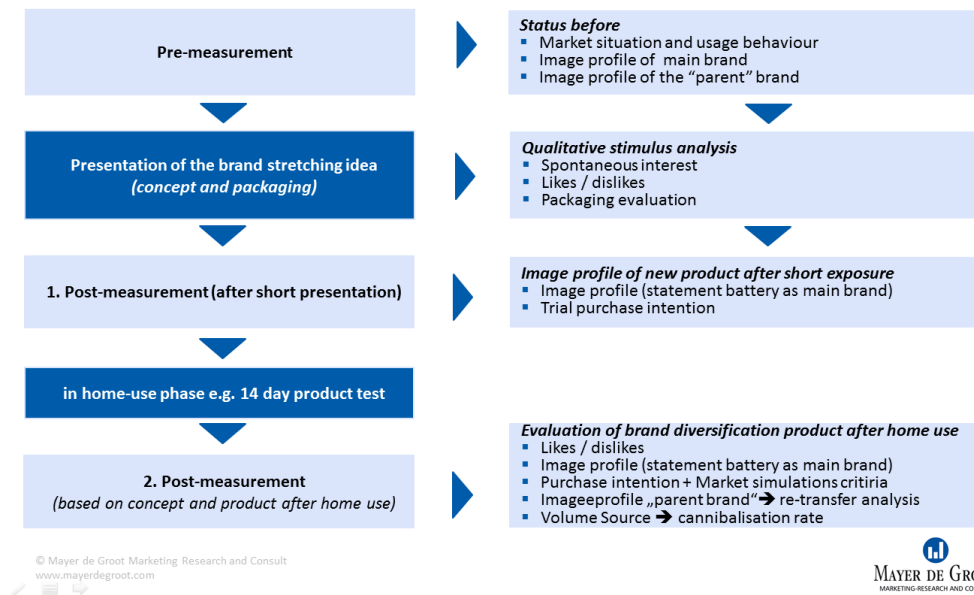


Beck's Gold was perceived to be significantly milder than competitive offers.

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## Experimental Test Design of the Sales Effect Market Simulation in Cases of Brand Stretching



### Home use test – a diagnostic acid test

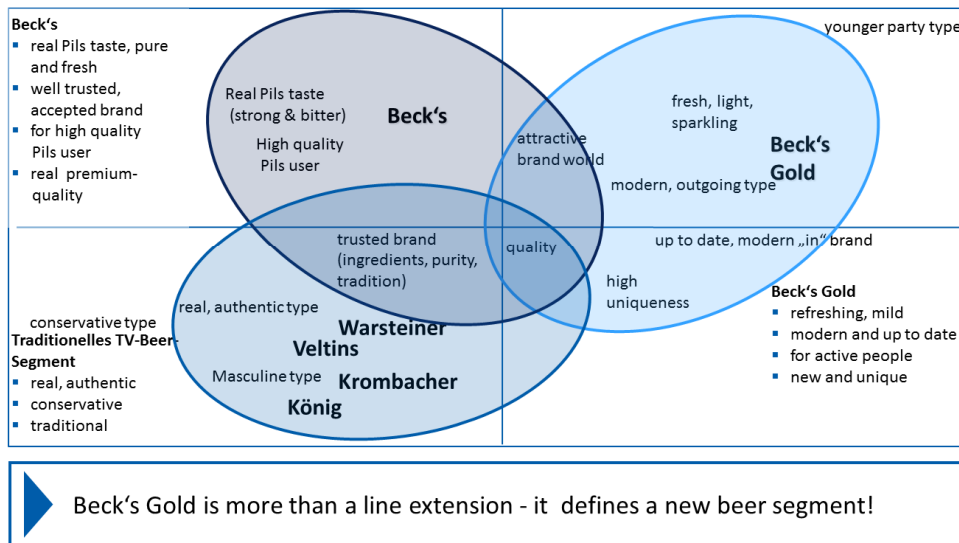
A home use test was conducted as a final research step of the research and development process. The research objectives were:

- To predict the size of the Beck's Gold opportunity in the German market.
- To check if Beck's Gold is able to convince a new market segment of sufficient size.
- To describe relevant target groups in detail
- To measure the perceived strength and weaknesses of Beck's Gold and to provide concrete advice for potential optimizations
- To determine the volume source and cannibalisation rate of Beck's Pils.
- To check the image effect of a potential Beck's Gold introduction on Beck's Pils: Is the image re-transfer positive or even negative? – Is the overall Beck's image strengthened or even weakened?
- To provide all necessary information in order to establish the most effective strategical route to establish Beck's Gold on the German market.

### Key results of the home use test

- In spite of the high level of spontaneous interest in the product (after the concept was presented), the willingness to make a trial purchase of Beck's Gold did not meet the required minimum level - especially amongst consumers of other premium beer brands. The concept was initially presented in a rather rational manner, and was not 100% convincing.
- The market potential of Beck's Gold turned out to be significantly higher after product use than before it. According to home users, Beck's Gold was seen as a unique and attractive product within the German beer market. The Beck's Gold taste also surpassed all consumer expectations - and sampling was recommended for this reason.
- Beck's Gold is obviously more than just a simple line extension: It defines a new and unique beer segment - as the graphic on the next page shows.
- The cannibalisation rate was low, due to the uniqueness of the product and its distinctive bottle design - Beck's Gold is *too mild* in taste for many Beck's pilsner beer consumers.
- The launch of Beck's Gold would mostly be at the expense of the competition.
- The Beck's Gold launch would cause positive Beck's brand image shifts and would strengthen the brand even further. There was no negative re-transfer.
- In summary, the home use test demonstrated high sales potential of the innovative Beck's Gold product.

## BECK'S GOLD creates a new Beer-Segment



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### Brand Strategy

Beck's Gold is positioned as a new, modern beer. The target group is made up of people who look for an uncomplicated beer with a "light" appearance, a refreshing, lively and mild taste, coming from a strong brand, with which the modern consumer likes to be seen.

The name 'Beck's Gold' and the UV-resistant clear bottle stand for high quality and created a new beer experience. – Beck's Gold incorporates Beck's core brand values: Freedom, international character and product quality. The brand competence is defined through pilsner (type of beer), bottled beer, a modern lifestyle brand and a genuine price premium (same price as Beck's "Original"). Beck's Gold is positioned as a 'sub-brand' alongside Beck's Pils and Beck's Alcohol free.

The strategic target groups of the Beck's brand (experience seekers / performers) are based on psychographical criteria. These target groups are made up of people who break conventions and who openly express what they want; single-minded individualists who are on the lookout for the unusual, the original and the authentic. Performers are quite similar to experience seekers except that they are orientated towards wealth and power. They are extremely self-confident and won't be told what to do by other people. – The brand values and target groups are identical for all 3 "sub-brands": Beck's Pils, Beck's Gold and Beck's Alcohol-free.

Based on the wide-ranging findings from market research carried out by Ralf Mayer de Groot, two points are essential in order to make the most of the high market potential of Beck's Gold:

1. The emotional positioning of the brand must be communicated
2. Direct product contacts must be created.

### Launch strategy

The brand was therefore launched in two stages. In the first phase beginning in June 2002, Beck's Gold was launched only in 250 pre-selected pubs and restaurants where any trends and changes in consumer behaviour could be detected quickly and accurately. These progressive pubs & restaurants were purposefully utilized with the intent to create enthusiasm for Beck's Gold amongst consumers.

The resultant success justified that strategy. Right from the outset, Beck's Gold was seen as a modern beer for forward-looking, active people. Within just 6 months, the new Beck's Gold achieved a market share ranging from high to very high in pubs/restaurants offering a greater proportion of bottled beers. Sales promotions (without price reductions!) generated additional sales increases. The cannibalisation rate vis-à-vis Beck's Pils in the green bottle was relatively low and remained so.





This successful first phase was a very effective preparation for the trade launch and distribution extension in the pub/restaurant trade which took place nine months later. The distribution channels were keen to list and offer Beck's Gold due to the high demand.

### The Launch Programme

During the nationwide launch of Beck's Gold, an integrated, cross-medial marketing and sales programme was implemented causing high image- and trial (purchase) impact. The innovative marketing mix included the following activities:

- TV- and cinema spots on all relevant TV channels
- Print advertising within high-circulation target group titles
- Distinctive and eye-catching sampling activities adapted to suit the target group (1.6 million bottles in total)
- 100,000 direct mails in Hamburg and Munich
- POS support (over 5,000 second displays in the first three months)
- Cooperation with print media (e.g. separate print campaign with Max magazine over 5 issues)
- Events (e.g. the Bread & Butter fashion show in Berlin, a series of parties in conjunction with Berlin-based radio station KISS FM)
- Cinema promotion (with CinemaxX)
- A sizeable Beck's Gold website on the Internet (120,000 hits during the Internet-based Beck's Gold Party campaign)

The inspired Beck's Gold TV and cinema spot managed to convey the emotional positioning of Beck's Gold. This was one of the essential steps needed to use Beck's Gold's high market potential to full advantage. Results from the advertising effectiveness test carried out by Ralf Mayer de Groot ensured high communication effectiveness, which would later be confirmed by reality:

- The TV spot communicates the unique and appealing positioning of the brand in the beer market and within the world of Beck's.
- The balance struck between established Beck's brand symbols (the ship, claim, *Sail Away* music) and new elements (product, place, visual language/ambience, new interpretation of *Sail Away*) was attractive and appealing.
- The intended taste positioning was communicated successfully.
- The spot achieved high impact and high image and sales effectiveness.

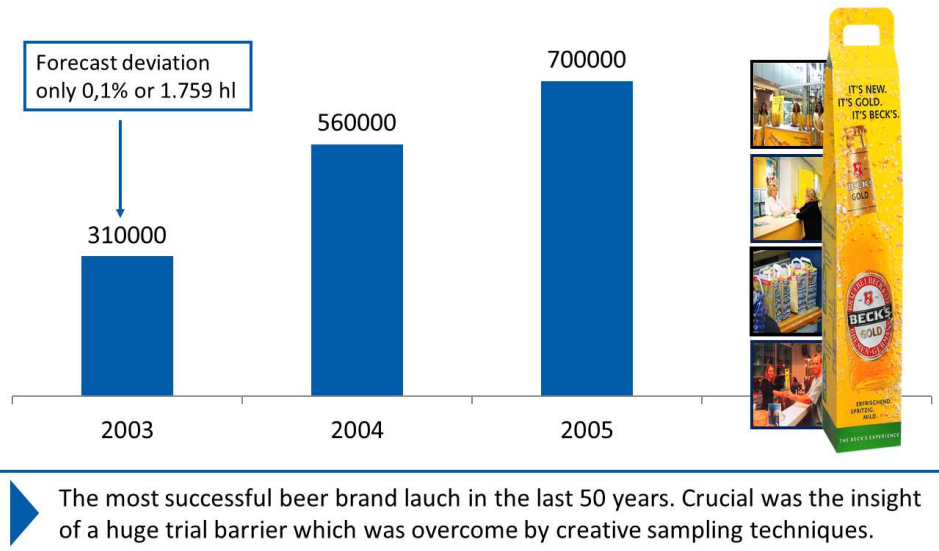
Unconventional sampling activities were deliberately used to create product trial. Beck's Gold carried out sampling activities at - undoubtedly unusual and eye-catching - places the target group frequented such as airports, top travel agencies, retail outlets favoured by the target group (boutiques, jewellers, fitness centres, design shops, chic hairdressers, etc), and universities. This unusual concept was justified by the sales figures for cities targeted by the sampling campaign, which were significantly higher:

Cities with sampling	standardized sales 64.2 litres
Cities without sampling	standardized sales 41.1 litres

### Beck's Gold Market Success

Despite a relatively small share of voice (4%) for Beck's Gold, the effect on demand of the Beck's Gold launch package exceeded all internal sales projections (though qualified by a quicker distribution and awareness build up), and even created temporary supply bottlenecks. Unavoidably, the Beck's Gold advertising support even had to be taken off air for a short while, in order to dampen some of this demand.

BECK'S GOLD Success:  
Volume Development 2003 – 2005 in hl



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The sales targets for 2003 were already reached in September. 2004 targets were exceeded in November 2003! This success is all the more impressive when one considers Beck's single-minded premium price strategy. Both Beck's and Beck's Gold costs 29% more than the average per litre price of all beers! - In 2008 Beck's Gold enjoyed a market share of more than 85 percent in its segment in spite of numerous me too products launched in recent years.

At 10%, the cannibalisation rate vis-à-vis Beck's Pils in the green bottle is low. As mentioned before, the source of the Beck's Gold volume is by and large other pilsner beer brands, wheat beers and other types of beer. This shows that Beck's Gold has established and defined a new market segment.

Worthy of mention here is the fact that the media budget for the entire Beck's brand did not need to be increased significantly despite the launch of this new product. This proves the high effectiveness of the launch campaign, as predicted: The advertising successfully communicated the advantages of the new Beck's Gold product, but also paid dividends for the Beck's family brand. Beck's positive image was further strengthened.

Gross media spend in T€ (share of voice) – source: Nielsen Media Research				
	2000	2001	2002	2003
Beck's	20,700 (6%)	26,900 (8%)	23,300 (7%)	12,000 (4%)
Beck's Gold	--	--	--	11,700 (4%)

### Validation of forecasts

The research methods (nowadays called Sales Effect Test System) used in this case yielded unusual good fit between forecasted and real market values. The deviation of predicted sales and real sales volume, which exceeded 300.000 hl in the first year, was only 1,719 hl (=0.1%). (Incidentally, a forecast of similar accuracy was also managed with NIVEA Soft in Italy and Germany). In addition the low cannibalisation rate was forecasted reliably. The surveys also provided sound advice in other marketing decisions.

Such market validation bore witness to the high degree of forecast accuracy of the brand extension market simulation. Beck's Gold delivers the proof that reliable market research methods can pave the way to even greater success of new brands and products.

**Summary** (see page 1)

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