

# Marketing Strategy Analysis of Thai Asia Pacific Brewery Company

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**Abstract**—The study was a case study analysis about Thai Asia Pacific Brewery Company. The purpose was to analyze the company's marketing objective, marketing strategy at company level, and marketing mix before liquor liberalization in 2000. Methods used in this study were qualitative and descriptive research approach which demonstrated the following results of the study demonstrated as follows: (1) Marketing objective was to increase market share of Heineken and Amstel, (2) the company's marketing strategies were brand building strategy and distribution strategy. Additionally, the company also conducted marketing mix strategy as follows. Product strategy: The company added more beer brands namely Amstel and Tiger to provide additional choice to consumers, product and marketing research, and product development. Price strategy: the company had taken the following into consideration: cost, competitor, market, economic situation and tax. Promotion strategy: the company conducted sales promotion and advertising. Distribution strategy: the company extended channels its channels of distribution into food shops, pubs and various entertainment places. This strategy benefited interested persons and people who were engaged in the beer business.

**Keywords**—Marketing Strategy, Beer, Thai Asia Pacific Brewery Company.

## I. INTRODUCTION

HEINEKEN was a beer that originated from Netherlands. It ranks second in the world and had been established for more than hundred years. Heineken aggressively entered into Thailand market in 1993. Signing of joint venture agreement for Heineken production in Thailand was held in September 6, 1993 which comprised of five groups of shareholders

The company had been registered in September 16, 1993 and its official commercial launching was held in 1995. The factory was located in an area of 100 rais, in Nonthaburi. Machineries were installed, raw materials provided and market planning and operation policy were prepared and created similar to that of Heineken (International) Company worldwide, although marketing administration, being the principal factor was made flexible to make it compatible according to each country's marketing needs or requirements.

## II. OBJECTIVE

The purpose is to analyze the case study for Thai Asia Pacific Brewery Company before liquor liberalization in 2000 as follows:

1. To study its marketing objectives

2. To analyze marketing strategy at its company level
3. To analyze its marketing mix

## III. METHODOLOGY

The study analyzes the case of Thai Asia Pacific Brewery Company using a qualitative and descriptive research method. The primary data were collected by interviewing beer experts and persons engaged in the beer business while the secondary data were taken from books, researches, and from public and private sectors' documents.

## IV. FINDINGS

### A. Marketing Objective

Heineken International (Netherlands) Company's had its principal objectives as follows: (1) It intended to attain leadership in the beer business for each segment, both sales revenue and production, (2) To produce products with standard and premium quality to increase beer diversity in the market. In Thailand, leadership policy in premium market was still attainable as there was still no leadership for such a market at that time. In view of the mass or economy market, the company would certainly not operate on this market due to the solid leadership in the said market.

The company created new marketing objectives as follows: (1) Within 3-5 year period, the company was required to increase sales revenue of Heineken to achieve a market share of premium beer from its current rate of 3% to 5% which was calculated to be 380,000 hectars and was equivalent to Hongkong which had very high sales making it first in Asia region, (2) After achieving its objective, Heineken International (Netherlands) Company would plan to produce a standard beer to be called Amstel with an expectation that it would be able to penetrate and occupy market share of approximately 10% of the total beer sales revenue.

Heineken International (Netherlands) Company was able to push Thai Asia Pacific Brewery Company to increase its distribution of Heineken thereby achieving an increase in the sales amount on premium market from 3% to 5% and continued to increased taking leadership in premium markets with market share up to 80% of premium beer upon completion of the 4<sup>th</sup> year (1998) which was one year ahead of their 5 year target period. The sales value of the company was as follows:

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TABLE I  
 SALE VALUE OF THAI ASIA PACIFIC BREWERY COMPANY'S PRODUCTS

Year	Million Bath
1996	731
1997	1,289
1998	2,038
1999	3,000

Source: Department of Commercial Registration, Ministry of Commerce

### B. Marketing Strategy

Marketing affects almost every aspect of our daily life. The choices we have for the goods and services we buy, the stores where we shop, and the radio and TV programs we tune into were all made possible because of marketing. In the process of providing all these choices, marketing drives organizations to focus mainly on customer satisfaction. Most of the things we wanted or needed were conveniently made available when and where we wanted or needed them. A marketing strategy specifies a target market and a related marketing mix. It plays a big role in the market activity of any firm [2]. The company's marketing strategies were brand and distribution strategy noted as follows:

**Brand Strategy.** The company was required to create a brand image for Amstel to be a tough brand and must achieved the same as that of Heineken, to battle liberalization for which a large volume of beers were expected to be imported from abroad aiming to expand its market in Thailand.

In 2002, The company aimed to make Amstel to be highly recognized by increasing its recognition level from the rate of 65% to 75% and that to be achieved by implementing market planning which had been categorized into three ways such as follows: (1) Giving premium items as a gift, (2) Conduct advertising relative to Amstel for it to be acknowledged and increasing its advertising budget by 20% annually. Perform public relations at selling points which expected to increase its recognition and stimulate increase in consumption. Moreover, push girls (PG) were dispatched to introduce the product, and (3) Arranged marketing activities concerning music marketing and sport marketing.

In 2000, one marketing activity had been carried out for Amstel by conducting opening game for Amstel caps in cheering casting lots with rewards amounting to one million baht per week. In the late of 2000, marketing campaign of draft beer was conducted by both the company and some organizers who sought permission in bringing 21 branches to be carried out by them. They were divided as follows: Heineken 14 locations and Amstel 7 locations (as compared in 1992 where there were only 18 locations). As a result, sales of fresh beers increased to 800,000 liters (which had doubled the 400,000 liters in 1999) while sales in bottle had increased to 10 million bottles.

TABLE II  
 SALES OF FRESH BEER, (THE END OF 2000)

	Heineken	Amstel	Total	
Year	2000	2000	2000	1999
Liter	600,000	200,000	800,000	400,000
Million Bottle	50	10	60	50

Brand image of Heineken was attained by (1) Paying attention in every stage of production and by selection of the first grade raw materials from a source with the best quality and longer fermentation period, (2) Standardizing its taste and making it a good quality product. The company subsequently made an improvement to its factory until it was able to receive the ISO 9002 standards certificate for good quality and subsequently had been awarded the 2<sup>nd</sup> prize as a brewery producing beer of best quality worldwide which was regarded as a honorary reward for Heineken, and (3) Reconsidering brand awareness to be inflicted into the minds of consumers and to access target groups through extensive use of various media such as television, radio, printed materials, etc.

**Distribution strategy.** Heineken was the first grade beer of the world from Netherlands having cooperation with the team of Thai Namthip Company, a producer and distributor of Coke in Thailand helped successively in spreading the products to the market through its various channels of distribution of beverages. The system which belonged to Coke was able to cover Channels of distribution up to 400,000 points throughout Thailand with its principal system consisting of 30 major branches, 167 minor branches and another 1,700 car units. In addition, there were about 2,000 points of post mix machine assigned to fast food shops, convenient stores and corners at various schools and so forth. Coke brought other two modern types of freezer to open Thailand market, namely: (1) Blender and, (2) Crusher rendering services in Seven-Eleven stores throughout Thailand. Aside from this, there was another kind of freezer called "Fast lenmer Sundizer Freezer" being laid for service at supermarkets. Its feature was that it was a single freezer equipped with doors in two sides and positioned near the exit area where customers await while making payment.

### C. Marketing Mix

There were usually different opportunities – and possible strategies that a firm can pursue. Each one had its own advantages and disadvantages. Trends in the external market environment may create a potential opportunity which maybe more or less attractive. These complications could pose difficulty that may result to a zero ratio in the best target market and marketing mix. However, developing a set of specific qualitative and quantitative screening criteria could help a planning manager to analyze and define what business and markets the firm wants to compete into. It can also help eliminate potential strategies that are not well suited for the firm. It had been proven that the criteria selected in every specific situation grow out of an analysis of the company's objectives and resources [2].

### D. Product Strategy

To define the characteristics of a product or service that would meet the customers' needs. A product could be seen as the entire bundle of satisfaction that was offered by a marketer to the marketplace [3]. The company responded to the consumer needs by conducting a research relative to production, marketing, consumers' and general shops'

behavior consecutively. In addition to its product strategy, the company had improved the taste quality of its products as well as its packaging then it had simultaneously developed three more brands of beer namely. Heineken, Amstel, and Tiger that had been added to the consumers choices. Later on, its beer production had focused mainly into the two brands such as Heineken and Amstel.

TABLE III  
PRODUCTS OF THAI ASIA PACIFIC COMPANY

Brand	Year of Launching	Type of Product	Alcohol Content / Proof	Parent Country
Heineken	1993	Premium	5	Netherlands
Amstel	2000	Standard	5.5	Germany

**Heineken:** It was 5 degree premium beer. Target group were working individuals with the age bracket between 20-35 years for which education and income were at a moderate level. It was upper level market with segment of about 7% of the whole market.

**Amstel:** It was a low calorie beer from Germany. Its taste was mellow and sharp contained in a tea colored bottle similar to a general standard beer. Target group were working people with age between 20-35 years. Its first production was performed in January 25, 2000 and was aimed to compete with Singha having proportion of approximately 23% of the whole market share. The company set an expectation by year 2005 which is a five-year period that it would be able to expand further and attain a target market share of approximately 10% through continuous marketing campaign.

**Tiger:** It was aimed to become a global beer of APB to be distributed in Thailand. Tiger was the most prominent beer in Singapore which had been recognized for its good reputation.

TABLE IV  
SELLING POINT, TARGET GROUP, MARKET SEGMENT, PRODUCT POSITIONING

Brand Name	Selling Point	Target Group	Market Segment	Product Positioning
Heineken	Taste and Quality	Working Group Age: 20-35	Top Market	Premium
Amstel	Standard	Working Group Age: 20-35	Middle Market	Standard

TABLE V  
BRAND SETTING AND BRAND BUILDING

Brand	Brand Setting	Brand Building
Heineken	International brand	Advertising
Amstel	International brand	Advertising

#### E. Price Strategy

One of the major reasons why firms found it difficult to designate a price to their products and services relates to the limited availability of information that may be obtained, but the relative difficulty with which information on demand might be obtained [1].

The company had its principles in establishing price which considers the following factors: (1) Production cost which included several things such as auction cost and packaging cost, (2) Competitors and competition, (3) Marketing and economic situations, (4) Consumer acceptance and customers' behavior, (5) Tax rates, (6) Advertising promotion policy.

Market sales price in Bangkok and provinces had to be equal to each other but profit margin added by agents and shops had to be approximately between 10-20%.

Nevertheless, price and consumer behavior tend to have controversial directions, particularly, during economic slowdown, in case where there was an increase in the price of the beer, consumers' behavior would certainly change. They would turn up buying the cheaper beers. The company had no policy for the increase in the price of beer, however, in 1998, it was deemed necessary for the company to adjust the price of Heineken. The price was increased to one baht more per bottle due to the increase in the Beer excise tax from 50% to 55% for which retail price would have to be set at approximately 56-57 baht per bottle. Apparently, it was found that it could be highly distributed and there was a specific target to attain a market share by the end of June 1998 which was approximately 4% of beer premium market at an amount totaling 42,000 million baht because Heineken was of good quality and was being promoted consecutively.

TABLE VI  
PRICES OF THAI ASIA PACIFIC COMPANY'S PRODUCTS, 2000

Brand Name	Packaging	Size (Liter)	Retail Price (Baht)
Heineken Beer	Bottle	0.640	59
	Bottle	0.330	33
	Can	0.330	33
Amstel	Bottle	0.640	44
	Bottle	0.330	25
	Can	0.330	25

#### F. Promotion Strategy

Companies used various types of sales promotion technique in an effort to attract customers. These extensive range of alternatives, had their own strengths and weaknesses, made available to the company in consideration of promoting its products or services. The fact that so many different techniques exists might indicate that many of them serve only very specific purposes, and that there was no convenient subset of techniques available for general application [1].

The objective of promotion and advertising was: (1) For Amstel to create an image as that of Heineken and to have its own proper product positioning, (2) To approach principal target groups and, (3) To create memory like Heineken to the greatest extent. The pattern in establishing memory for a product was made by: (1) Increasing the budget for 20% a year to make a repeat product, (2) Stressing on various advertising and promotion by the company through a broader scope of communication, (3) Holding different campaigns/programs via channels of distribution for specific products, such as providing premium as a gift and dispatching of push girls to various restaurants and other commercial establishments.

The company had the policy to push Heineken and Amstel to become widely known and they had used marketing mix to develop brand awareness by doing sales and advertisement promotion activities consecutively through the supporting budget provided by the parent company in 1998 which

amounted to maximum of 300 million baht and making increase of 10% in 1999 to become 330 million baht.

The company administered marketing with a new pattern and with a more aggressive aspect by separating marketing department and administration department from each other in order to maximize role and efficiency in operation by assigning marketing department to oversee entire plans and to arrange aggressive sales promotion activities in order to enable sales department to have liquidity to be able to distribute products to customers rapidly and provide convenience in purchasing the product. Sales teamwork was divided into two teams, namely, Bangkok teamwork and Provincial teamwork hence establishing solid teamwork.

Integral media would be used for sales promotion activities in order to achieve their goal of speeding up the sales in 1988 using a budget of 300 million by penetrating market through shops, department stores, pubs and various entertainment places thru promotion campaign entitled "Feel the Heineken Night" or the strategy so called "Closed to the Love" which the company upheld similarly as to the year 1996 which they would extend in order to boost Heineken sales at an amount meeting the target of 5% within 3-5 years or calculated to be 380,000 hectoliters thus equivalent to Hongkong market.

The company had conducted a separate and independent advertising and promotion Heineken and Amstel in order to avoid confusion to consumers. As to matter of advertising and promotion, the company made a plan to access consumer groups in a large quantity directly and in a comprehensive sphere. The company consecutively set up total expense budget in amount of 330 million baht in 1999 and the company also planned to raise its advertising budget in order to create image of Heineken beer to be widely known to the public as it was expected that competition of beer market in that year would become more severe. There were also several entrepreneurs demanding to generate new tasted beer in order to broaden the expansion of premium market level, for instance, in the first half year of 1999, Kloster would bring new beer with three different taste to the market and so Singha would plan to do as well.

**Promotion:** Approximately 80% of the company activities would be involved with sales promotion and advertisement while the rest would be concerned with trade incentives for agents, shops and consumers. Sales promotion activities that gave more advantage to Heineken were sport markets such as golf, tennis, sailing boat and so forth including music market and arrangement of draft beer markets in trade centers and department stores.

**Music market:** It was established to add attractions to shop outlets and entertainment places throughout the country however there were also some disadvantages for Heineken, like for example, it was unable to enter for distribution because competitors were already established into such places hence it became necessary to add more contributive activities.

**Heineken:** The company held the 14<sup>th</sup> Golf Major Program and Tennis Rallranger (September 1997) and Heineken Thailand Amateur Championship concurring amateur golf tournament (January 1999). The company also planned for

public relations to be held repeatedly in the same manner in order to match its policy with that of its parent company in Singapore which weighed the importance of supporting boat hence that policy had been achieved. The world of Heineken fair concerning hi-tech draft beer market was held by the company at the World Trade Center in November 1998 by making fun connoting every corner of the world particularly the five continents, namely, Asia, Africa, North America, Europe and South pacific by decorating the places and food arches establishing eminent points concerning identity of each continent.

**Amstel:** Marketing promotion activities still focused mainly to sports or sport marketing same as Heineken. Amstel sponsored the Euro Football Tournament 2000 for trade inventive purpose with modern traders and general shops by setting 15% budget from its year 2000 sales amount (See Table VII).

TABLE VII  
 PROMOTION AND ADVERTISING

Products	Promotion and advertising
	<p><b>Promotion</b></p> <ul style="list-style-type: none"> <li>• Sport market, golf, tennis and sailing boat</li> <li>• Music Market</li> </ul>
Heineken	<ul style="list-style-type: none"> <li>• Trade Incentive for agents, shops and consumers.</li> <li>• Add sales outlets of draft beer to be 250 outlets throughout the country (Trade centers, department stores and convenient stores)</li> </ul> <p><b>Advertising</b></p> <ul style="list-style-type: none"> <li>• Perform serials of motion-picture advertising</li> <li>• Television, radio, newspaper, magazine</li> </ul>
Amstel	<p><b>Promotion</b></p> <ul style="list-style-type: none"> <li>• Sport market, football</li> <li>• Trade incentives for shops</li> </ul> <p><b>Advertising</b></p> <ul style="list-style-type: none"> <li>• Television, radio and newspaper</li> </ul>

**Advertising:** The company had indulged into product advertising for the purpose of increasing sales revenue and creating good image by utilizing various media advertising such as television, radio, and newspaper, magazine and so on. Expenditure in advertising for each year became rather high (Tables VIII and IX). The company created advertising motion picture in order to establish goodwill and good image of Heineken severally such as in 1999 for which they performed spreading of pictures entitled "RIVAL" (May 15, 1999-May 15, 2000, for a period of 12 months).

**Heineken:** Heineken had indulged into multi-media advertising media such as television, radio, motion-picture, newspaper, magazine and outdoor (Table VIII). Expenditure in advertising via television was relatively high due to the media working efficiently due to its rapid access to consumer target groups.

TABLE VIII  
HEINEKEN'S ADVERTISING BUDGET BY ALL MEDIA (THOUSAND BAHT)

Year	TV	Radio	Press	Magazine	Outdoor	Cinema	Total
1993	-	-	-	-	492 (100.00%)	-	492 (100%)
1994	-	-	80 (6.22%)	30 (2.33%)	1,176 (91.45%)	-	1,286 (100%)
1995	74,321 (79.45%)	6,429 (6.87%)	8,237 (8.81%)	3,156 (3.37%)	1,404 (1.50%)	-	93,547 (100%)
1996	110,350 (86.29%)	9,467 (7.40%)	2,410 (1.88%)	2,890 (2.26%)	1,608 (1.26%)	1,151 (0.90%)	127,876 (100%)
1997	97,558 (84.69%)	4,476 (3.89%)	54 (0.05%)	1,268 (1.10%)	1,848 (1.60%)	9,984 (8.67%)	115,188 (100%)
1998	68,755 (72.68%)	9,132 (9.65%)	4,241 (4.48%)	2,303 (2.43%)	1,078 (1.14%)	9,096 (9.61%)	94,605 (100%)
1999	114,947 (77.12%)	16,426 (11.02%)	2,881 (1.93%)	810 (0.54%)	-	13,978 (9.38%)	149,042 (100%)
2000	-	-	-	-	-	-	-

Source: Media Data Resources Company

**Amstel:** The company had engaged into television advertising media in 2000 up to 75.06% regardless of its high cost since it was widely and conveniently accessible to the

consumers. Additionally, radio and newspaper advertising media and so on were also utilized. (Table IX).

TABLE IX  
AMSTEL BEER'S ADVERTISING BUDGET BY ALL MEDIA (THOUSAND BAHT)

Year	TV	Radio	Press	Magazine	Outdoor	Cinema	Total
1998	85 (100%)	-	-	-	-	-	85 (100%)
1999	-	-	-	-	-	-	-
2000	164,659 (75.06%)	15,018 (6.85%)	39,672 (18.09%)	-	-	-	219,349 (100%)

Source: Media Data Resources Company

### G. Channel Strategy

Distribution strategies were concerned with the channels that a firm may employ to make its goods and services readily available to customers. The channels were constructively organized to bridge the gap of time and space between the manufacturer and the customer [4]. A key element of providing satisfaction in the marketplace was distribution and the marketing activity perhaps is the least factor. Distribution involved the physical movement of products to ultimate consumers. There were numerous methods of distribution [3].

The company's selling distribution was made through company appointed agents. The company chooses agents and provides them with credit on the basis of their criteria in selecting good agents. They usually appoints agents who are ready to invest with a high capital amount at the range of seven figures as that would enable them to buy enough products for their stocks. Agents had to have shops or place for business operation, must be having staff ready to devote themselves 100% for the business, must be ready to invest jointly with the company to enhance growth, not only for the purpose of earning profit for something else or to obtain a license as an agent from the Excise Department.

The company would deliver products to agents for resale to wholesalers or general shops. The company sold directly to supermarkets and convenient stores with high percentage proportionate to the dealers in the largest amount (whatever amount were kept confidential by the company).

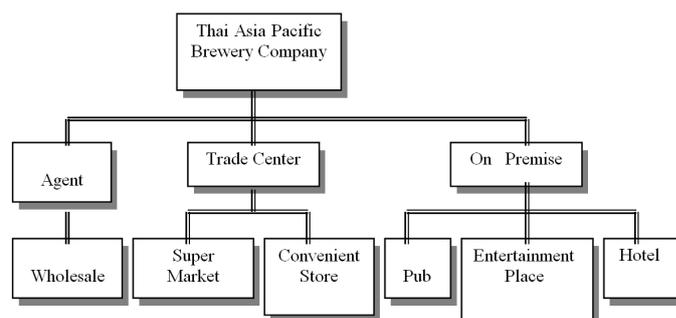


Fig. 1 Channel Structure of Thai Asia Pacific Brewery Company

Agents were encouraged to make cash payment enabling them to avail of the discounted price when making purchases in cash whereas for credit purchases, the price would be more expensive than that of cash purchases. Additionally, the company accelerated their expansion of distribution channels through restaurants, pubs, entertainment places and traveling resources were increased in order to obstruct channels of microbrewery growth. In 1997, selling distribution outlets reached 160 locations in Bangkok Metropolis alone.

Draft beer sale points were also established into 250 places throughout the country making an increase from just 60 former places while Heineken beer park project had also been extended to 10 more places due to the fact that competition of premium beer market was still vigorous.

### V. CONCLUSION AND DISCUSSION

Heineken, a giant beer from Netherlands was being imported to carry on marketing in Thailand under the operation of Thai Asia Pacific Brewery Company having a registered capital of 750 million baht by four groups of

shareholders, namely, Thai Life Insurance Company (APB) of Singapore, Thai Namthip Company And Thai Military Bank with the proportion of 50: 35: 10: 5. Production capability was 40 million liters per year. Heineken's taste was five degrees of alcoholic concentration having regarded as an important competitor of Kloster and imported beer like Miller aside from several brands of imported beers which includes Budweiser, Beck's, Corona and Guinness making this battle field to be an arena of virtually competitive products.

Heineken was made for distribution during the period of July 1995 targeting customer groups with moderate level to a higher income. Distribution was performed thru channels such as hotels, restaurants and food shops with the purpose of laying beers at a high level to avoid competition with former strong entrepreneurs such as Singha.

Marketing was conducted for Heineken aiming to push its sales volume to be increased and to have premium marketing share from former 3% to 5% or calculated to be 3,800,000 hectoliters. After Heineken achieved its target, Amstel had to be pushed to gain a market share increase to be 20% by the end of 2002. The company had focused on brand strategy. It was used to create its brand for being a premium to be popular in Thailand market and to have the highest sales volume by: (1) Paying attention in every stage of production, by selecting good grade of raw materials from an optimal source with lengthy fermentation of beer composition, (2) Making its taste standardized and have good quality, (3) Targeting memory of consumers and approaching target groups through various media such as newspaper, radio, printing materials, etc. With regards to the distribution strategy, Heineken was considered to be top ranking in the world being derived from Netherlands. Thai Namthip Company, producer and distributor of Coke in Thailand, were spreading products to market via beverage market channels used to cover channels of distribution totaling 400,000 points throughout Thailand. In addition, the 4P's strategy was used as follows:

**Product Strategy:** Brewery was being modified by the company until ISO 9002 quality certificate was obtained. The company again received the second reward for being a brewery that has Heineken beer as the best quality worldwide.

**Price Strategy:** Criteria in marketing price setting were used to be appropriate in consideration with the income of consumers, having criteria taken into account as follows: (1) Cost, (2) Competitor, (3) Marketing and Economic Situation, and (4) Rate of tax.

**Promotion Strategy:** Brand image construction was stressed by (1) Increase of advertising budget by receiving support from a parental company, (2) Putting emphasis on advertising and sales promotion in every aspect via communicative broad scope, (3) Program arrangement via specific channels of distribution, handing out a premium and dispatching PG (Push Girl) to large restaurants and so forth. Additionally, music marketing was held at selling points such as shops, on-premise throughout the country and sport marketing such as tennis, world foot ball and so on along with promotional campaign through various media such as radio, television, newspapers, etc.

**Channel Strategy:** Channels of distribution related to (Coke) beverage market were used comprising of 400,000 points throughout Thailand. In addition, draught beer selling point was increased to be 250 locations throughout Thailand from a previous 60 locations and 10 beer gardens were also expanded.

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