



A Shining Light For Heineken

Its Premium Light, while still a bit player, is drawing lots of attention from Joe Six-Pack

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The Chicago neighborhood Wrigleyville is best known as the home of its namesake, baseball stadium Wrigley Field. With nearly 100 bars packed into one square mile, it's also a concentrated microcosm of beer drinking. At bars like Sluggers, Casey Moran's, and Cubby Bear, two domestic light beers reign supreme with young professionals and baseball fans: Miller Lite and Bud Light.

Baseball and beer. Is anything more American? Not if Heineken (HINKY) has anything to say about it. Last March, the Dutch brewer launched an assault on the hugely profitable \$30 billion domestic light beer market with its new Premium Light brew. Ten months later, Heineken's light beer remains a pipsqueak next to Bud and Miller, but it's making a big impression. Anheuser-Busch Cos. (BUD) partly attributed weak sales of its light brands in the latest quarter to the new entrant's strength. And beer drinkers are voting with their gullets. "Bud Light has a watered-down taste," says Andy Anderson, a 28-year-old Chicago business student and Cubs fan. "Heineken Light has more flavor."

What Heineken has done is come up with a beer that appeals to Joe Six-Pack without losing the brand's European cachet. Even better, it sells at a premium over domestic brews. At Dark Horse Tap & Grille in Wrigleyville, a 12-ounce bottle of Heineken Premium Light goes for \$4.25, vs. \$3.75 for Bud Light. Meanwhile, Heineken has managed not to cannibalize sales from its original brew, the No. 2 import after Corona (GPMCF). In fact, the new beer appears to be giving the old one a lift.

One of the brewer's best moves may be the bottle. Its green glass and short neck are pure Heineken. And a slimmer, taller silhouette gives it a modern, minimalist look. "It's like a pretty girl you coveted," says Harry Schumacher of Beer Business Daily, "a little treasure you want in your refrigerator."

The brewer highlights the bottle on billboards and in ads, a departure from the sophomoric humor or sexy women typically used to attract the young males, aged 21 to 28, who quaff the bulk of light beers. Yes, the brewer's TV spots feature pop tunes like Don't Cha by the Pussycat Dolls. But you don't see the scantily clad singers; the bottle takes center stage. The approach is mirrored in the "Smooth Flight" promotion in bars, where "flight attendants" let barflies drinking competing brews "trade up to first class" with a free Premium Light.

Coming up with the right brew wasn't easy. Heineken had to appeal to the light drinker's palate. For example, Bud Light has a pale, amber color and a crisp taste. Still, Heineken knew it needed to play to the strengths of its core lager brand, which has a full flavor and rich, tawny color. Ultimately, finding the right balance took 15 months and 20 different versions. "We've been able to deliver a beer that plays in the light beer sandbox but is true to the Heineken brand," says Heineken USA's chief, Andy Thomas.

Although sales have been sluggish in recent years, light beer accounts for more than half of the overall beer market, up from 30% a decade ago. While more consumers have been drinking crafts and imports, which have been growing as much as 10% a year, imports make up just 2% of the light category, vs. roughly a quarter of full-calorie brews.

Heineken thinks it has hit the sudsy spot. It estimates it sold 510,000 barrels of Premium Light in 2006, up 50% from its original projection. There's little chance it will soon catch up to Bud Light, which sells more than 40 million barrels a year. But analysts figure that Heineken will easily double sales of its light brew to more than 1 million barrels by the end of 2007--remarkable for a newcomer. "[Heineken Premium Light] is taking share from domestic light beers as well as imports," says Charles Norton, co-manager of Vice Fund, which owns Heineken. "It's the best of both worlds."