



Brendan Beere, from Millward Brown Lansdowne, on how the alcohol industry has tackled a seismic shift in consumer behaviour

“INNOVATION, INSIGHT AND THE BIG R”

“IT’S BEEN A HARD DAY’S NIGHT”

2009 was a turbulent year for the alcohol industry in Ireland. Actually, that’s somewhat of an understatement. Official figures show the on-trade market down by at least 10% on an Island of Ireland basis. The effects were particularly highlighted in recent estimates from the Vintner’s Federation of Ireland (VFI), the representative body for rural pubs, who report that over 4,500 jobs were lost last year in the rural pub industry and over 800 pub licenses were not renewed in the last three years. The industry is now at a stage where more than one pub is closing every week in Ireland and heavyweights like the Thomas Read Group and Capital Bars have faced liquidation. Shopping centres in Newry struggled to cope with the influx of consumers from the South - as up to 10% of off-trade alcohol volume in the Republic has now gone North. The social trend of entertaining more at home (X-Factor parties included) continues to intensify.

It’s fair to say that a new reality has dawned for the industry players and 2010 is sure to bring further challenges and issues to face head on. The onus now is on major brands and trade bodies to deliver better value, quality, service and facilities to customers. Donall O’ Keefe, Chairman of the Licensed Vintners Association (LVA) summed it up recently when he commented, “It’s too easy to do nothing. The trade must commit to developing their businesses and improving their offer. 2010 will be a tough year. Focussing on your customers, managing the business tightly and sheer hard work will be required. There is simply no other option”. Sound advice indeed.

But enough negativity, what’s ahead for 2010? Where are the opportunities to succeed? Conservative forecasts show things improving in the industry, but slowly. While acknowledging that 2009 was a tough year, Andy Crawford, Head of Consumer Planning with Diageo Ireland, is optimistic about the year ahead. “We reacted fairly quickly, realising that we had to. Like everything else in Diageo, we started with the consumer – how’s the consumer feeling, what’s going on in the consumer’s mind, how is that affecting their purchasing behaviour and how can we serve them best during these times? We’ve seen share growth because we’ve served the

consumer well with our brands and promotions”. This was probably most evident on the 24th September last year when the nation collectively rejoiced, rocked and toasted Arthur’s Day and the Guinness brand’s 250 Year Anniversary.

COUNT THE COST OF GREAT RESEARCH

Facing into 2010, the importance of strong market research continues to be fundamental for guiding brands through uncertainty. The value of uncovering powerful consumer insights continues to shape marketing strategy and drive growth. In Diageo, consumer insights are central to all brand and commercial activities and permeate all areas of the business - from marketing communications to sponsorship activities to sales. Andy Crawford highlights their importance: “In a time where discontinuity happens, people struggle. They want answers and they ask more questions. What insight does, it provides the answer. Diageo is a company that runs off consumer motivations and what consumers want. All our insights start with “consumers want”..... and we’re about consumer motivation and in order to do that we really need to understand the psychology of the consumer and serve their needs”.



Many consumers remain challenged by the economic environment but have adapted their behaviour to cope. Most have now got to grips with the new reality and have cut their cloth accordingly.

However, the picture this time last year was radically different: “We saw consumers who had got used to certainty struggling to cope in a world that very suddenly became very uncertain. Fear of unemployment, emigration, wage cuts, mortgage repayments and the banking collapse became the new reality. They were very confusing and difficult times and they didn’t know what was going on themselves, so trying to get them to articulate their fears was quite difficult and

probably required more skill than ever before, because Irish consumers have always been quite forthright and clear in their views. But what we have seen as we have progressed through the recession, is that consumers have replaced the initial panic with ways of coping."

The Consumer Planning team within Diageo have worked hard at really getting under the skin of the consumer, understanding their new fears and future hopes and motivations. The biggest difficulty in this process proved to be distilling the sheer volume of information available into something simple, meaningful and actionable that the whole business could work with. It involved intensely digesting and filtering masses of information, articles, data, and consumer research into specific output. The whole process yielded three key insights into how consumers think and behave in recessionary times. These insights continue to guide business strategy into 2010 and provide focus for brands to communicate.

"Insight IS Diageo's growth driver. One of the reasons why insight works is that in addition to unlocking consumer motivation it provides focus and by focusing on a smaller number of insight driven growth drivers our brand portfolio has become stronger and more resilient."

THE RISE AND RISE OF INNOVATION

Earlier this year in Long Beach, California, Bill Gates unveiled his vision for the world's energy future – zero carbon emissions globally by 2050. Zero. How are we going to get there? Gates uses the term "innovating to zero" to describe how through changing the way we view and handle energy sources, we can change the game totally. The concept is based on the power of companies coming together with fresh ideas to improve and invent further renewable energy sources. This is an extreme case of innovation completely altering the way business is done. At a more local level, Diageo view innovation as a focal element of their business *"I think innovation has never been more important. What we're seeing consumers do is interrogate the value equation more and more. This value is not just about price, which is where many businesses default to. What we know from our work is that most consumer decisions are made up of benefits. Benefits drive what the brand is worth. What innovation does is offer you more and more benefits for a fair price"*

The list of innovations brought to the alcohol market over the past 18 months from all stables has been notable. Heineken was the first to offer a five litre premium keg for the off trade. Bacardi, like Smirnoff, have a ready to serve cocktail offer for the off-trade. Bulmers has overseen the success of its Pear variant and only recently added "Bulmers Berry" to the variants which is looking to kick on into the Summer of 2010. IDL launched its West Coast Cooler Rose option, to complement the existing fruit flavour offering. Rose has proved an early success with the female market and indications point to further growth.

From Diageo there have been new product launches like Budweiser Ice Cold, Harp Ice Cold and Smirnoff ready to serve cocktails (like Cosmopolitan). The exciting new Guinness black

lager is currently being trialed in Northern Ireland, with a hope of rolling it out to the rest of the Irish market soon. Perhaps the most radical innovation however, over the past year has been Diageo's Pour Your Own Pint, which gives consumers the opportunity to take on the role of the barman, in the *"best seat in the house"*. The experience can be currently enjoyed in almost more than 250 outlets throughout Ireland with plans to roll it out further over the coming months. Although organic brand growth is paramount for success, product innovations will continue to be invested in line with consumer expectations. *"The way we approached it is that innovation is not an option, we have to do it. Why? Because consumer motivations are changing constantly and we need to serve them."*

JUST AROUND THE CORNER

It's not just product innovation that Diageo is focussing on. Concerted efforts are being made behind the scenes to support the pub and to help make it more relevant to the younger consumer. *"I want to work with our on-trade partners to make the pub the centre of the community again. So if consumers want to do gaming or they want to play poker or they want the cinema experience, are there ways in which the pub can do that? If people aren't going to restaurants any more, do they want good food in pubs? We've seen gastro pubs getting more and more prevalent"*.



Andy Crawford, Head of Consumer Planning Diageo Ireland

It is consumers who will inevitably decide how the alcohol industry is shaped over the next decade. Innovation in both the on and off-trade is forecasted to continue unabated. With consumers engaging more and more with digital media and digital content, it's felt that this area will represent a tangible opportunity for marketers and the trade to become smarter and more personal in their communications. The next generation, for example, has already seen iPhone launch apps like "Layar", which allows people to locate points of interest and relevant information by simply pointing the camera. This type of technology will change the game further in the years ahead and the real winners will be the ones who adopt quickest and change with it.