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## BAVARIA'S MIX OF TRADITION **AND INNOVATION**

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By Professor Benoit Leleux and Jan van der Kaaij – May 2013

**IMD**  
Chemin de Bellerive 23  
PO Box 915,  
CH-1001 Lausanne  
Switzerland

Tel: +41 21 618 01 11  
Fax: +41 21 618 07 07  
info@imd.org  
www.imd.org

## The story

Founded in 1680, Netherlands-based Bavaria is one of Europe's oldest family-owned beer producers. It has a reputation for operating efficiency and brewing knowhow but by 2007, as its main western European markets matured and the global industry consolidated, the need to focus more on marketing was clear.

## The challenge

When the seventh generation of the Swinkels family took over management of the business, they agreed they needed to build a sustainable brand in a global market that was increasingly dominated by big companies such as Anheuser-Busch InBev, SABMiller and Carlsberg. These companies could afford huge global marketing budgets. Bavaria had revenues in 2007 of about €450m.

## The strategy

The new board consisted of five seventh-generation family executive directors aged 32 to 45 and one non-family member who had also served on the sixth-generation board. This was in line with the Swinkels tradition of asking each generation to reinvent Bavaria. Despite its long history, the company saw itself as fresh and young, with an entrepreneurial ethos.

The new management team wanted to position Bavaria as an innovative challenger. It could not afford to match the scale of the big global brewers in traditional television advertising, so it looked to lower-cost marketing that would play on this status.

- It built on earlier "guerrilla" marketing at big football tournaments that had begun at the 2006 World Cup in Germany. At one match during the competition, for example, several Dutch male supporters watched in their underwear after they were forced by match officials to remove their Bavaria-branded orange trousers as the company was not an official sponsor.

Four years later, in South Africa, 36 women in the crowd at a Netherlands-Denmark match suddenly revealed their striking orange minidresses. Fifa officials removed the women from the stadium but the stunt generated a huge amount of free publicity for a fraction of the estimated \$10m-\$25m paid each year by some big official event sponsors leading up to the event.

- Bavaria also expanded its City Racing events, in which Formula One cars do laps in city centres. Having initiated this in Rotterdam in 2005, the company wanted to do it in Moscow's Red Square, a move that needed the support of Vladimir Putin, Russia's president. Bavaria secured this for 2008 with help from Jan-Peter Balkenende, the Dutch prime minister.
- Bavaria developed new products such as alcohol-free beers. Its researchers also created new strains of yeasts that could ferment and generate flavours without producing alcohol during the brewing. Rivals' versions, by contrast, started out containing alcohol that was then evaporated away, taking distinctive flavours out too.

## The results

At the 2010 World Cup, Bavaria achieved a global profile without being an official sponsor.

The Moscow city race became an annual event, drawing more than 200,000 spectators in 2010. It drew even bigger crowds in 2011 and 2012.

The new non-alcoholic beer reinforced Bavaria's position in this segment, giving it a strong market share in the Middle East.

Bavaria's managers are looking at ways to engage the eighth generation of the family through social networking tools.

## **The lessons**

Bavaria's experience illustrates how a company can successfully develop its brand without losing focus on operations and product innovation.

Having a clear and shared vision at board level was essential. An older or mixed-generation board might not have been so dynamic with the marketing strategies, or willing to engage so radically in guerrilla tactics.

Mixing family tradition with product and brand innovation was a potent brew for Bavaria.

*Benoit Leleux is professor of entrepreneurship and finance at IMD, he teaches on the Orchestrating Winning Performance program (OWP). Jan van der Kaaij is a research assistant at IMD.*

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