

Chapter XV

Heineken USA: Reengineering Distribution with HOPS

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ABSTRACT

To facilitate the parent company's push to gain market share, Heineken USA needed to be more responsive to market demand fluctuation. Because of the long lead-time between order and delivery, they found that responding to marketplace changes in a timely fashion was becoming increasingly difficult. In the meantime, major competitors such as Anheuser Busch were responding to consumer demands for fresher products by providing freshness label dating. Heineken USA launched its new Internet based system called Heineken Operational Planning System (HOPS) to allow the parent company to produce the beer closer to the time when they need to deliver it, so the customer receives a fresher product. The new system enables Heineken USA to achieve 50% reduction in the lead-time from order to delivery and 10% increase in sales.

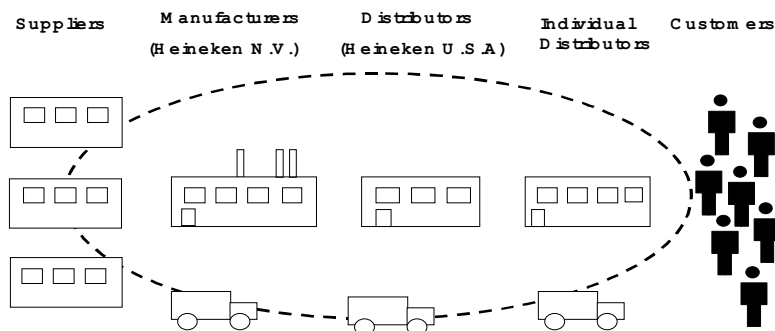
BACKGROUND¹

The brewery that would later become Heineken N. V. was founded in 1592 in Amsterdam, The Netherlands. Gerard Adriaan Heineken produced the first beer under the Heineken brand name in 1863. The company grew steadily and in 1931 they embarked upon their first international operation, a joint venture with Malaysian Breweries Limited in Singapore. That year also saw the first Heineken exported to the United States. Heineken N. V. is currently the world's second largest brewer, trailing only U.S. based Anheuser-Busch. The company has ownership interests in more than 110 breweries and its product is available in over 170 countries worldwide. The European market, where Heineken is the leading brand, accounts for more than two-thirds of total sales. Heineken was the leading imported beer in the United States until 1998 when it lost that status to Grupo Modelo's Corona.

Heineken USA began operations in January 1995 as a subsidiary of Heineken N. V. In the past, Heineken was imported to the United States through private distributors under licensing agreement. When Heineken introduced its beer to the American market, there were no more than 30 import brands present. However, by the eighties, this number has increased to more than 300. Fierce competition from the imported segment contributed to the decline in Heineken sales. Heineken N. V. bought back the distribution rights and established a wholly owned subsidiary in White Plains, N. Y. With the establishment of the subsidiary, the parent company was planning a new market push in the United States (Roberts, 1999).

New York headquarters houses executive administration, finance, operations, sales and marketing personnel, and the data center. The data center is responsible for running the day-to-day operations of the U.S. business. Heineken USA has offices in Los Angeles and Atlanta as well. Since brand's European heritage is of essential importance when it comes to the positioning of the Heineken brand in the U.S, all U.S. Heineken beers are brewed and bottled in The Netherlands and shipped via sea to various demand points in the U.S. When distributors place orders, the shipment leaves the closest demand point and is quickly trucked to the distributor. Distributors then deliver the beer to its final destination at restaurants, bars and stores² (see Figure 1 for Beer Supply Chain).

Figure 1. Beer supply chain



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