BREWERY, BRAND, AND FAMILY:
150 years of Heineken

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INTRODUCTION

In 1864, when Gerard Adriaan Heineken bought a brewery as a source of future income, he was just one brewer among many. There were hundreds of breweries in the Netherlands at the time, most of which have since shut down or been taken over. Only a few breweries have maintained their independence over the years; Heineken is one of them. That alone is an impressive achievement. But Heineken has also developed into one of the largest brewing companies in the world. In 2012, it was third in the global rankings by volume of beer sold.[1] In view of its longevity and its growth, Heineken can without reservation be described as a success. How can this success be explained? What did Heineken do differently from its competitors?

POSSIBLE ROADS TO SUCCESS

The company's managers like to explain its success by invoking the 'Magic of Heineken'. No one has ever clearly defined what this 'magic' involves, but the term is associated with a blend of tradition and pride: pride in the company and its brand, and in the Heineken family tradition of continuity from generation to generation.[2] In this book, we try to take some of the magic of Heineken out of the realm of mystery, or at least to analyse the factors behind the company's success. Our investigation covers six themes.

First, we look at innovation. In the nineteenth century, the brewing industry experienced several major advances that can fairly be described as technological breakthroughs.[3] In this study, we investigate what attitude the company took towards these innovations. Was Heineken at the forefront of new developments, or was it more of a follower? How much did innovation contribute to economies of scale, and how important have such economies of scale been to Heineken's competitiveness?[4] In this context, the American business historian Alfred Chandler pointed out the advantage gained by the 'first mover'; the first entrepreneur to invest in large-scale production, or to take some other crucial step, frequently stays on top for a long time afterwards.[5] This raises the question of the extent to which Heineken had a first-mover advantage, and of whether innovation played a central role in the later expansion of the company.

The second theme is the relationship between Heineken and its competitors: the choice between competition, cooperation, and acquisition. Clearly, Heineken was able to stand out from the competition in a positive sense. Its robust growth could be the result of ruthless competition, for instance in price or quality of service. Or maybe Heineken preferred other methods, such as cooperation with other brewers. Furthermore, besides striving for organic growth, the company could also opt to work with other brewers in joint ventures or to expand through mergers and acquisitions. Perhaps it even pursued all three of these strategies at once.[6]

Selling a high-quality product is one way to prevail in competition, but a good strategy for sales, marketing, and brand management – our third theme – can also boost sales. Two essential preliminary questions are what products the company wishes to sell, and in what markets. Breweries have faced a choice between selling to the hospitality industry (bars, cafés, hotels, and restaurants) or to home consumers. Another perennial choice, perhaps even more crucial, is whether to focus sales efforts on the domestic market or abroad. The choice of markets influences a company's sales strategy and methods – such as promotional activities, advertising, and branding. What role did these methods play at Heineken in different historical periods, and what did Heineken do differently from its rivals? How did Heineken position its brands in different regions of the world?[7]

Heineken did not restrict the growth of its business to the Netherlands. As early as 1948, Heineken referred to 'our international corporate group', and from the 1980s, it characterized itself as 'the most internationally oriented brewing company'.[8] Our fourth theme is Heineken's approach to international expansion. What countries did it select, and how did the company choose between options such as exporting, licensing, and establishing its own breweries outside the Netherlands?[9] We hope to find out how Heineken's choices differed from those of its competitors.

Our fifth theme is the role of Heineken employees, also referred to as human capital. In this area, again, companies can choose to remain in step with their competitors or try to stand out. In the Dutch brewing industry, consultation between employers and employees began in the early twentieth century. It would have been only natural for Heineken to lead the way in this process, as the country's largest brewing company, but did it actually do so? We also investigate what measures Heineken took to motivate and organize its work force. Did Heineken manage to create a distinct corporate culture of its own? Did the company have a 'personality'?[10]

Heineken came into the world as a family business, and the Heineken family has remained closely tied to the company. Our sixth and final theme is the relationship between the Heineken company and family. Family businesses take many forms. For example, some are wholly owned and managed by the family. In other cases, the family owns the business – perhaps through a controlling equity interest – but professional managers are responsible for running it. One important issue for family companies is succession planning for senior management positions. Can family members provide management continuity? If not, can they find suitable managers outside the family circle? We will examine how management continuity was achieved at Heineken. Family companies often have a conservative approach to finance, in which growth is limited by the family's financial means. On the other hand, family companies are often good at focusing on the long term. This history of Heineken presents an opportunity to gain new insight into these aspects of the family business and their relevance to the company's long-term success.[11]

During the 150 years since Heineken was founded, the factors behind its success have not always been the same. Each historical period has a unique character, and earlier developments often set the stage for a new dynamic in later years. With this in mind, we have divided Heineken's history into seven time periods.

A HISTORY IN SEVEN CHAPTERS

The organization of this book is chronological and thematic. Each chapter forms a more or less unified whole, defining the context within which the above-mentioned themes are discussed. The first chapter relates to the history of the Amsterdam brewery De Hooiberg, from its founding in 1592 to its purchase by Gerard Heineken in 1864. It briefly describes the changing fortunes of this brewery over a span of nearly three centuries. We look at what traditions and experiences shaped De Hooiberg and the industry as a whole in the centuries before the founding of Heineken.

Chapter 2 describes developments in the beer industry in the company's eventful early years, from 1864 to the outbreak of the First World War in 1914. For the most part, this was a period of economic growth and increasing international economic interdependence. For breweries, it was also a time of technical innovation and rapid expansion. Innovation is therefore one of the main themes of this chapter.

The period from 1914 to 1945, described in Chapter 3, stands in stark contrast to the preceding decades. With two world wars and an economic depression, these were difficult, demanding years for businesses and workers. Under these circumstances, both employers and employees banded together for mutual support and sought assistance from the public sector. Cooperation was the key word in this period. Heineken also turned its attention to opportunities outside the Netherlands to escape the limitations of the stagnant Dutch market.

Decolonization and postwar reconstruction, followed by unexpectedly rapid economic growth, form the economic context for Chapter 4. The search for new markets – both in the Netherlands and abroad – was of central importance. In the 1960s, a wave of mergers and acquisitions swept the beer industry, partly as a result of ongoing internationalization. After long hesitation, Heineken joined this trend in 1968 with the takeover of its competitor Amstel.

The reorganization that followed is addressed in Chapter 5. Along with integration, this chapter also discusses diversification, a strategy used by many companies to reduce entrepreneurial risks. The 1970s began on a positive note, but a worldwide economic crisis gradually set in, although its impact on the brewing sector was limited. Heineken tried to penetrate European beer markets while maintaining a presence in other parts of the world.

After the crisis, in the early 1980s, a new phase of economic growth began. In the 1990s, continued growth was accompanied by growing international interdependence and a revolution in communications technology. In Chapter 6, which covers the period from 1985 to 2002, we take a close look at Heineken's expansion in Europe in an age of increasing globalization. Towards the end of this period, international consolidation in the brewing industry threatened to strip Heineken of its status as an industry leader.

The first decade of the twenty-first century, discussed in Chapter 7, was marked by severe economic fluctuations. Yet in this time of economic insecurity, Heineken managed to confirm its status as a global player through four major acquisitions. In the closing chapter, we weigh the relative importance of the potential factors behind Heineken's success.

RESEARCH AND WORKING METHOD

This is not the first historical study of Heineken but stands in a long tradition of research on the company's history. In the twentieth century, several generations of executives invited historians to chronicle Heineken's rich past. The first book on Heineken, which appeared in 1948, was written by the journalist (and later politician) H.A. Korthals. He made grateful use of an unpublished manuscript, over 1,400 pages long, penned almost ten years earlier by the historian H. van Malsen.[12] In 1988 Heineken asked the historians M.G.P. Jacobs and W.H.G. Maas to write a sequel to Korthals's book. The result was *Heineken 1949-1988*. A few years later this manuscript was adapted into the lavishly illustrated volume *The magic of Heineken*, published in 2001.[13]

In 2010, Heineken contracted with the University of Utrecht for a new business history of the company and its environment. This idea was inspired by the approach of the company's 150th anniversary in 2014. The present volume is more than a sequel to a sequel and covers a broader timespan, beginning in 1592 and concluding in 2012. The annual report for 2012 marked the end point for our quantitative research. This is the first study to offer numerical data over a long period. It also describes and analyses the history of the company in terms of six themes. The objective of this approach is to reveal long-term lines of historical development and to gain an understanding of the company in its economic and social context.

In writing this book, we made extensive use of the Heineken archives. Managed in part by the Heineken Collection Foundation and in part by the Amsterdam City Archives, they formed the main building blocks of our study. In addition to public documents such as annual reports, employee magazines, and press releases, we also examined the minutes of the Heineken boards and the company's cash books, correspondence, and internal reports. Archival documents from other breweries and sectoral organizations were also included in our research. Furthermore, we consulted secondary literature and interviewed many present and former employees.

ACKNOWLEDGEMENTS

First of all, we would like to thank Heineken for commissioning this study and showing such confidence in a good outcome. The company invited us to consult its archives and opened many of its files to us. We also thank the supervisory committee, on which Jean-François van Boxmeer, Charlene de Carvalho-Heineken, and Maarten Rijkens served on Heineken's behalf, and the academic world was represented by Professor Harry Lintsen (Eindhoven University of Technology), Dr Jaap Verheul (Utrecht University), and Professor Jan Luiten van Zanden (Utrecht University). The committee members reviewed the manuscript with great care and provided thought-provoking critical commentary. The Heineken executive board secretary, Francis Tjaarda, was responsible for coordinating the project. She steered us through the Heineken organization with great flair, contacted interviewees, and unearthed many a report for us. Dr Joost Dankers was an experienced guide in his role as Utrecht University's coordinator of contract research. All this made our work much easier.

We also extend our thanks to the many people who gave us access to Heineken's archives, particularly Annesietske Stapel of the Heineken Collection Foundation and the employees of the Amsterdam City Archives who brought us cartloads of materials from storage with accession number 834. We also gained deeper insight into the company and the beer market through our fascinating conversations with many Heineken employees. The appendix

to this book contains a list of our interviewees. We received comments from various people on articles presented at international workshops and conferences. Again and again, we found that there is keen scholarly interest in Heineken as a multinational company. This book benefited substantially from the intellectual debates that took place in those forums.

We originally conceived of this history of Heineken as a plain, simply designed publication, but the images available in the Heineken Collection were too tempting to pass up. Without question, the many photographs, films, brochures, and objects complement the text and illustrate the many facets of the company. Geert van der Meulen and Aranka van der Borgh at Boom Publishers, the designer Marise Knegtmans, and the illustration researcher Nienke Huizinga have worked with us to give sounds and images a meaningful role in the book. Without the contributions of all these people, this book would not exist in its present form.

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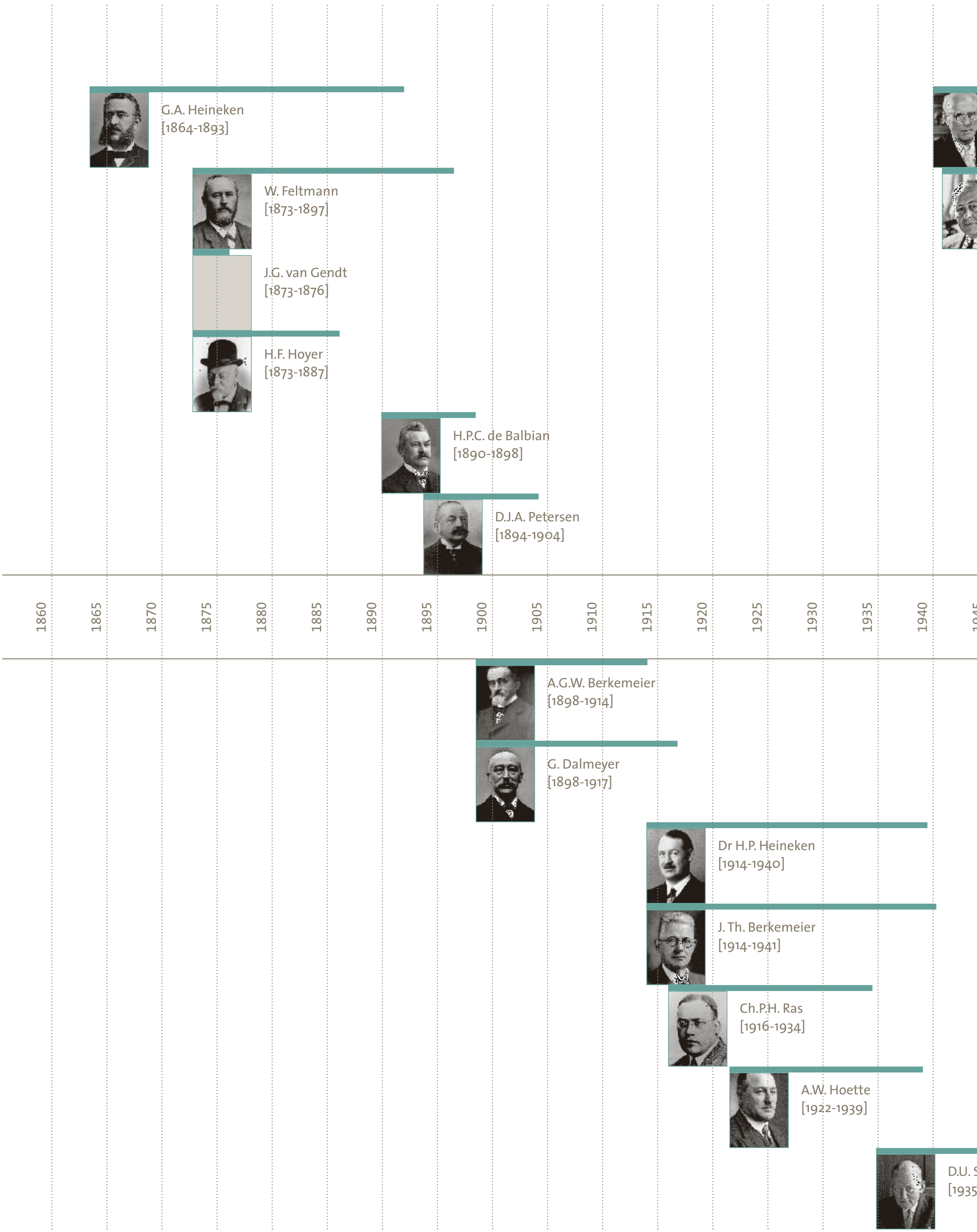
List of the members of the management board and (after 1961) the executive board of the firms of Heineken & Co (1864-1873), Heineken's Bierbrouwerij Maatschappij NV (1873-1972), and Heineken NV.


G.A. Heineken
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W. Feltmann
[1873-1897]
J.G. van Gendt
[1873-1876]
H.F. Hoyer
[1873-1887]
H.P.C. de Balbian
[1890-1898]
D.J.A. Petersen
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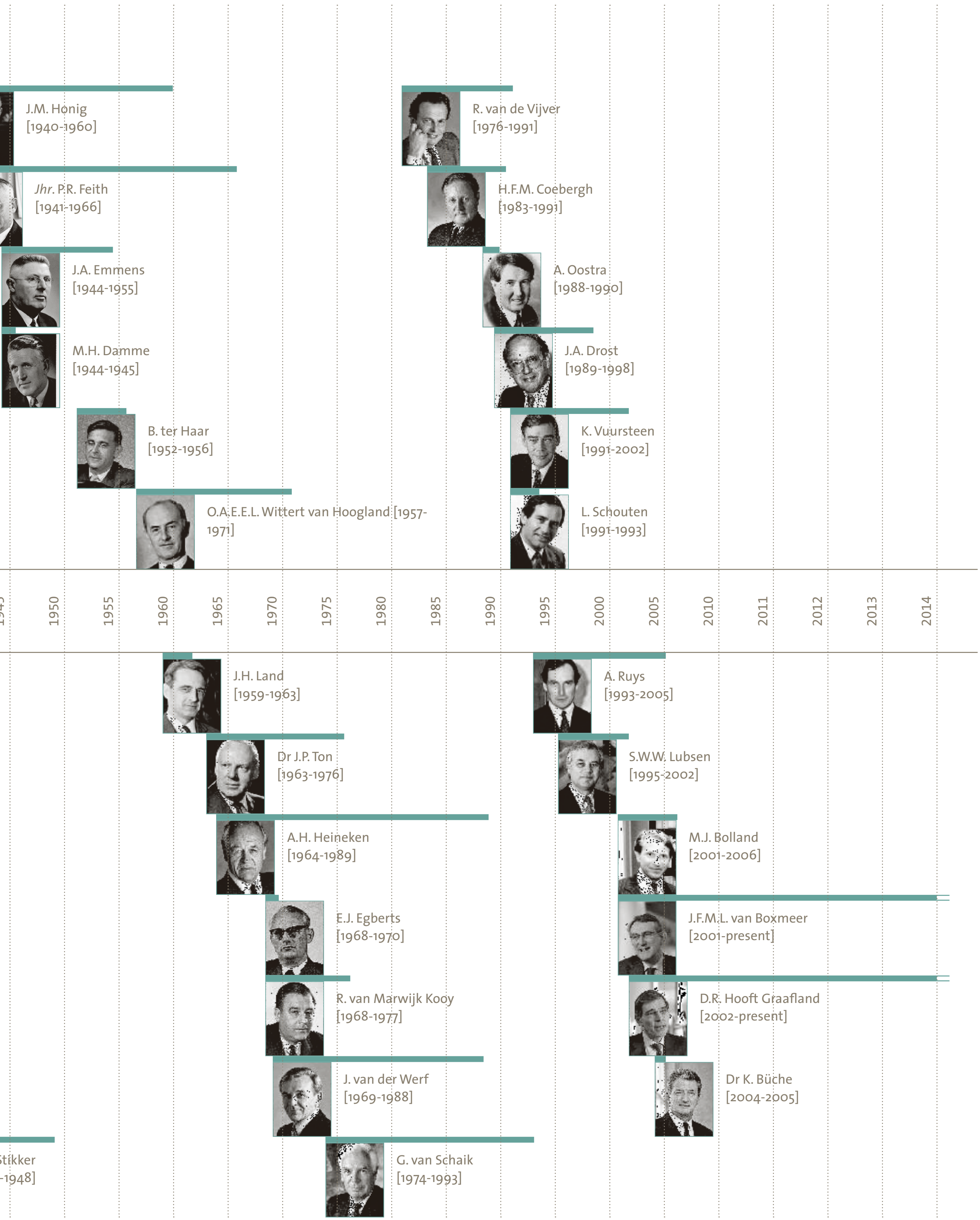
A.G.W. Berkemeier
[1898-1914]
G. Dalmeyer
[1898-1917]
Dr H.P. Heineken
[1914-1940]
J. Th. Berkemeier
[1914-1941]
Ch.P.H. Ras
[1916-1934]
A.W. Hoette
[1922-1939]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[1941-1966]
J.A. Emmens
[1944-1955]
M.H. Damme
[1944-1945]
B. ter Haar
[1952-1956]
O.A.E.E.L. Wittert van Hoogland [1957-1971]
R. van de Vijver
[1976-1991]
H.F.M. Coebergh
[1983-1991]
A. Oostra
[1988-1990]
J.A. Drost
[1989-1998]
K. Vuursteen
[1991-2002]
L. Schouten
[1991-1993]
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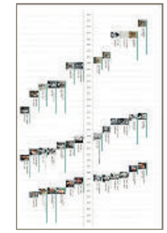
2014
J.H. Land
[1959-1963]
Dr J.P. Ton
[1963-1976]
A.H. Heineken
[1964-1989]
E.J. Egberts
[1968-1970]
R. van Marwijk Kooy
[1968-1977]
J. van der Werf
[1969-1988]
G. van Schaik
[1974-1993]
Stikker
-1948]
A. Ruys
[1993-2005]
S.W.W. Lubsen
[1995-2002]
M.J. Bolland
[2001-2006]
J.F.M.L. van Boxmeer
[2001-present]
D.R. Hooft Graafland
[2002-present]
Dr K. Büche
[2004-2005]



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DE HOOIBERG BREWERY 1592-1864

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In the seventeenth century, Amsterdam was the undisputed centre of the Dutch Golden Age. The front of De Hooiberg Brewery is visible just beyond the bridge, to the left, in this painting of the Nieuwezijds Voorburgwal circa 1660 by Gerrit Adriaenszn. Berckheyde. Casks of beer were often transported by boat on the city's many canals.

The acquisition of the Amsterdam brewery De Hooiberg (The Haystack) by Gerard Heineken in 1864 marked the beginning of the multinational company Heineken. Yet even then, De Hooiberg could already pride itself in a long history, having been established in 1592. In other words, Heineken bought not just a company, but also a tradition. Over its nearly 300-year lifespan, De Hooiberg Brewery had weathered many wars and economic recessions, and frequently struck out in new directions. The history of De Hooiberg, described in this chapter, thus provides an excellent opportunity to trace some major developments in the brewing business.

It is remarkable that De Hooiberg survived for nearly three centuries, given the many political and economic upheavals in the Low Countries during that time. The brewery was founded in a historical period when the seven northern provinces of the Low Countries were breaking free of the Habsburg Empire and forming the Republic of the Seven United Netherlands. This conflict went down in history as the Eighty Years' War against Spain, lasting from 1568 to 1648. But long before the war ended, the Republic embarked on an age of prosperity fuelled by flourishing international trade and undergirded by political power and prestige.

The seventeenth century became the Republic's Golden Age, with the city of Amsterdam as its radiant centre. The Golden Age brought the Republic a thriving economy and a leading role in the arts and sciences, especially painting.[1] For both moral purposes and entertainment, Dutch paintings from this time often portray people drinking beer and wine.[2] The Republic's newfound wealth – which was not evenly distributed among its people – initially meant good business for its brewers. In the growing cities, consumption of beer increased. But as the seventeenth century wore on, brewers faced competition from new consumer goods such as coffee and tea, brought to Amsterdam by international trade. It was during this period, in 1682, that the fourth generation of De Hooiberg's founding family decided to sell.

In the final quarter of the seventeenth century, this flourishing era in Dutch history gradually came to a close. Neighbouring countries were trying to achieve the same prosperity, sometimes by closing their markets to Dutch products or waging war on the Republic. These wars were tremendously costly for the Dutch people and diverted resources from more productive use. Although the Republic was ultimately incapable of maintaining its status as a major political power, it continued to form political alliances. Likewise, the Republic lost its economic lead, although it remained influential as a source of financing.[3] De Hooiberg Brewery changed hands three times between 1680 and 1744, when it was purchased by a partnership. This was the start of a long period of continuity.

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Imported beer from outside the Netherlands was unloaded on the Oudezijds Voorburgwal, near the Oude Kerk. This painting by Jan van der Heyden shows the 'beer wharf' circa 1650.

In the eighteenth century, Great Britain took over the mantle of economic and political leadership from the Republic. The technological advances that took place there led to the Industrial Revolution, which despite its name was actually a very gradual shift. Iron and steam engines opened the way to mass production. In politics, the French Revolution of 1789, with its rallying cry of liberty, equality, and fraternity, was followed by the Napoleonic Wars. The Republic was dragged into these European wars in 1795, when it was 'liberated' or 'occupied' by French troops. The blockade of overseas trade routes in 1806 was particularly harmful to the Dutch economy. The French occupation also brought about a political transformation, as traditionally autonomous provinces were fused into a centralized state. After the Netherlands had regained its independence in 1813, it became a kingdom in 1815, with King Willem I as its ruler.[4]

At first, the Netherlands appeared to be making a speedy recovery from the wars and their disruption of international trade. But in the 1840s, its growth stagnated. While some neighbouring countries were in the throes of the Industrial Revolution, the Dutch were pining for the bygone days of the Golden Age and wondering where they could possibly find dynamic men of business to lead the country forward in the 'march of progress'. Starting in the mid-nineteenth century, the gradual integration of the international economy presented fresh opportunities, and Dutch industry managed to seize hold of them.[5] It was precisely at this juncture that De Hooiberg's owners decided to sell the brewery after managing it for 120 years.

Owners of De Hooiberg Brewery, 1592-1864

PERIOD 1	THE FOUNDING FAMILY AND THEIR DESCENDANTS
1592–1603	Weyntgen Elberts, widow of Jan Thymansz, founder
1603–1640	Giert Jansdr., daughter of Weyntgen and Jan
1640–1673	Jan and Timon Veeneman, sons of Giert Jansdr.
1673–1682	Nephews, nieces, and cousins of Jan and Timon; business sold

PERIOD 2	THE BREWERY AS MERCHANDISE
1682–1713	Buyer: Hermanus Gosinck
1713–1717	Quirina Maria van Heyningen, Gosinck's widow; business sold
1717–1729	Buyer: Nicolaas Noppen
1729–1731	Pieter Noppen, Nicolaas Noppen's brother; business sold
1731–1743	Buyer: Theodorus Fries, goes bankrupt in 1743
1744	Brewery sold at public auction

PERIOD 3	BREWERY JOINTLY OWNED BY A GROUP
1744–1855	Partnership of Pieter Bolten & Co
1855–1864	Conversion of partnership into public company: NV Maatschappij De Hooiberg

PERIOD 4	A FAMILY BUSINESS AGAIN
15–02–1864	Owners sell brewery to Gerard Adriaan Heineken

In the sixteenth century, beer was an everyday drink for people of all social classes, as appropriate with breakfast as with supper. Because it was unhealthy to drink water, beer was primarily a means of quenching thirst, but it was also consumed on festive occasions. For this range of purposes, brewers produced weaker and stronger varieties of beer. Many towns and villages had breweries of their own. The main sixteenth-century centres of beer production included the towns of Delft, Gouda, and Haarlem, which brewed both for local consumption and for the surrounding area. Beer was even exported from Holland to other Dutch provinces and abroad. By comparison, Amsterdam still had a modest beer industry: sixteen breweries in 1585.[6] The flavour and quality of beer varied greatly from city to city, depending on the grains used, the herbs and spices added, and the quality of the water. The beer was usually made from a mixture of grains, such as oats, wheat, and barley.[7] From the fourteenth century onward, most beer brewers in the province of Holland used hops to give their beer a bitter flavour. They also produced beer with a low alcohol content, known as small beer or small ale. Because this inexpensive drink was intended for daily consumption, it was exempt from sales tax.[8]

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Starting in the fourteenth century, brewers in Holland used the flowers of the hop plant to give their beer a bitter flavour. The original source of this image is unknown.

Local authorities in beer-producing cities and towns insisted on close involvement in the brewing process. Since beer met a basic need, they monitored its availability and quality. They also kept close track of production levels, because taxes on beer were a major source of revenue. The authorities even aimed to ensure the quality of local beer sold outside their city, and to this end, they stipulated precisely what ingredients had to be used and in what proportions. Beer sales were subject to strict supervision, so that ordinary beer would not be sold as small ale to evade tax.

An Amsterdam ordinance from 1514 exemplifies the detailed rules imposed by many towns and cities, painstakingly describing all the conditions that local brewers had to meet. Because canal water was unfit for consumption, the city decided what sources of water its brewers could use and how their water supplies would be inspected. The ordinance also dealt with the quality of the grain to be used, the amount, and the permissible varieties. Likewise, it regulated the amount of beer per batch and the duration of the brewing process. Brewers were only allowed to make one batch a week, and they could not brew beer for sailors ('ship's beer') until the needs of the city's people had been met. Brewers were protected from default: whenever a brewer filed a legal complaint against a publican who had not paid his bill, the court would bar the publican from going to another brewer. Of course, the ordinance also specified how much tax had to be paid. In fact, brewers were required to swear that they would comply with their tax obligations in good faith. These