

THE INTERNATIONAL BREWING INDUSTRY MAGAZINE

BREWERS' *Guardian*

VOLUME 139 • NUMBER 5 • SEPTEMBER/OCTOBER 2010

Making Guinness greater

There's scope to grow the world's best loved stout into something much, much bigger - here's what's being worked on at St James's Gate

Global brand director
Brian Duffy

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TO ARTHUR

In 1759 Arthur Guinness brewed his first pints of his stout, in time a creation that would claim a global presence, becoming one of the truly international beer brands. Yet today at St James's Gate the thinking is that there's scope for more, potentially a doubling of the brands sales value over the next decade. Global brand director *Brian Duffy* discussed with editor Larry Nelson the possibilities for making Guinness even greater

The bar is jumping – there's live music on tonight. It's a relatively unknown band but there's some style in their play, an American blues-country fusion. The lead singer, admirably encouraged by a six-piece band positioned on a stage intended for fewer, is giving it his all to an audience that maxes out the waterhole's capacity, yet numbers fewer than 200 total. The women in our group are swaying, surprisingly given their less than enthusiastic responses to the earlier aging boy band delights of Westlife and the cooler, hipper charms of Snow Patrol.

The lead singer – you'd never guess this, not in a million years – is Tim Robbins, the Oscar-winning actor, best known for *The Shawshank Redemption*, *The Player*, *Bull Durham*, his relationship with Susan Sarandon and their liberal political activism. His singing ability has been panned by music critics in the bluntest of terms, the kindest suggesting that he not give up his day job, but never mind: Tim Robbins and The Rogues Gallery Band are in the house, and the Guinness-quaffing crowd in Dublin is with them in spirit.

Robbins' band is a 'special international mystery guest' as part of the Arthur's Day celebrations. You may recall the fanfare that Diageo generated for the inaugural day in 2009. This corporate-invented event celebrated the 250th anniversary of Arthur Guinness' first brew of his stout at St James's Gate, where the legendary entrepreneur and philanthropist had recently signed a 999-year lease. (The gold standard for corporate optimism these days is a 25-year lease, sadly.)

Arthur's Day was intended to be a one-off, a global event with live music in Guinness loving hotbeds such as Dublin but also Kuala Lumpur, Lagos and Yaoundé. Yet its success was such that it returned in force this year – according to Guinness global brand director Brian Duffy, more markets took part this year than last.

Duffy, who admits not having enjoyed Arthur's Day so much the first time around given the

potential for teething problems, is delighted with how the 2.0 event has played out, especially in Dublin, where shortly Ireland's government will need to bail out the country's troubled banking sector yet preach austerity to the voters.

"I think it lifted the spirits," says Duffy. "It sounds very presumptuous but it was a big day for Ireland, people were happier."

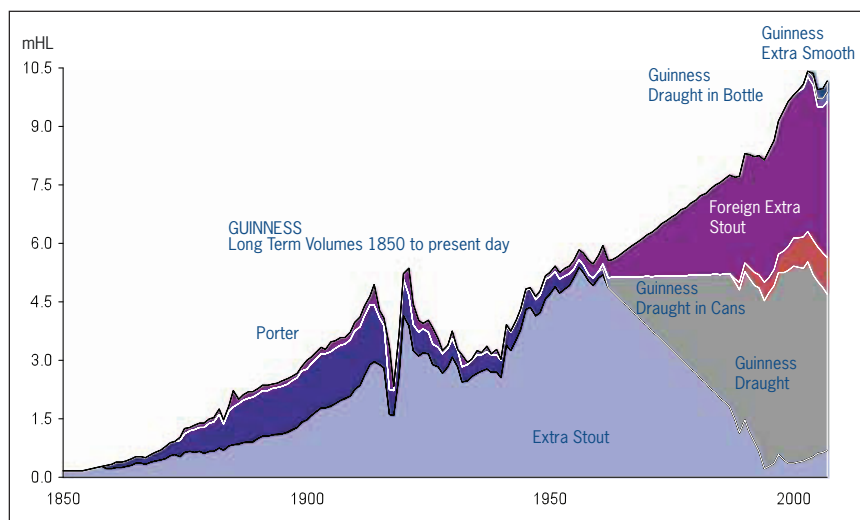
Guinness is a brand and stout a beer style inexorably linked with its Irish birthplace, yet today it is one of a handful of brands that can truly be considered global. Volumes are in excess of 10 million hectolitres; the sales value is around £1 billion, accounting for 50% of Diageo's beer business. While there are successful regional lager brands, such as Jamaica's Red Stripe and Harp in West Africa, Guinness is the portfolio's growth engine.

There was talk in Dublin of Diageo targeting a doubling of Guinness sales in the next ten years. It's an idea that Duffy embraces:

"Certainly I think that we have the potential to do that. Talk is cheap, as they say, but actually when I look around the patch I think that's a realistic ambition for us," he says.

"And that's aggressive but none the less as I look around the world, and one's always reluctant to be the hostage to fortune, I suppose the message I'd like you to take away is that we believe that while Guinness has been around for a long time, our potential is still considerable."

There are three broad strands to Guinness' growth ambitions, ones true of any brand seeking sales: entering new and developing existing markets; brand extensions; and innovations at the point of sale, creating excitement around the brand. Given the almost unique approach to dispense – the slow-pour and the creamy head that emerges from the nitrogenated beer – this last element is more important for Guinness than many other brands.



Guinness growth and brand variants. History has thrown little in the way of obstacles to halt the progress of Guinness, save the Great Depression. The positioning gained in sophistication post-WWII with the move into African markets and the advent of FES. Packaging has played a role as well - note the proprietary widget boosted sales of Draught in cans and, latterly, bottles. Today Guinness' combined volume is in excess of 10 million hectolitres

Here, there, not everywhere

Guinness' strengths are in UK/Ireland; Africa, particularly Nigeria, Cameroon, Ghana, Kenya, Uganda and Tanzania; and across the Caribbean. The stout is brewed in each of these regions, in Diageo-owned breweries or under licence.

There's already a sizeable market for Guinness in the United States with a spike of interest around St Patrick's Day. Is it possible that the brand's Irish heritage, usually an asset, could limit its potential to certain drinking occasions?

"I think a brand can have an appeal beyond our tradition. We're very proud of the Irish thing; it is our traditional roots. We get great support from Irish bars; however, I think that the brand has an appeal beyond that," explains Duffy.

"If I feel that Guinness is a drink that I should drink on St Patrick's Day once a year – yeah, that's great. However, wouldn't it be great if I drank it regularly? And I think the opportunity to broaden the appeal beyond its natural fit exists, for sure."

By "opportunity" Duffy is referring to the surge in the American craft beer market. Consumers, he says, have an increasing thirst for more interesting tastes and an appetite for experimentation.

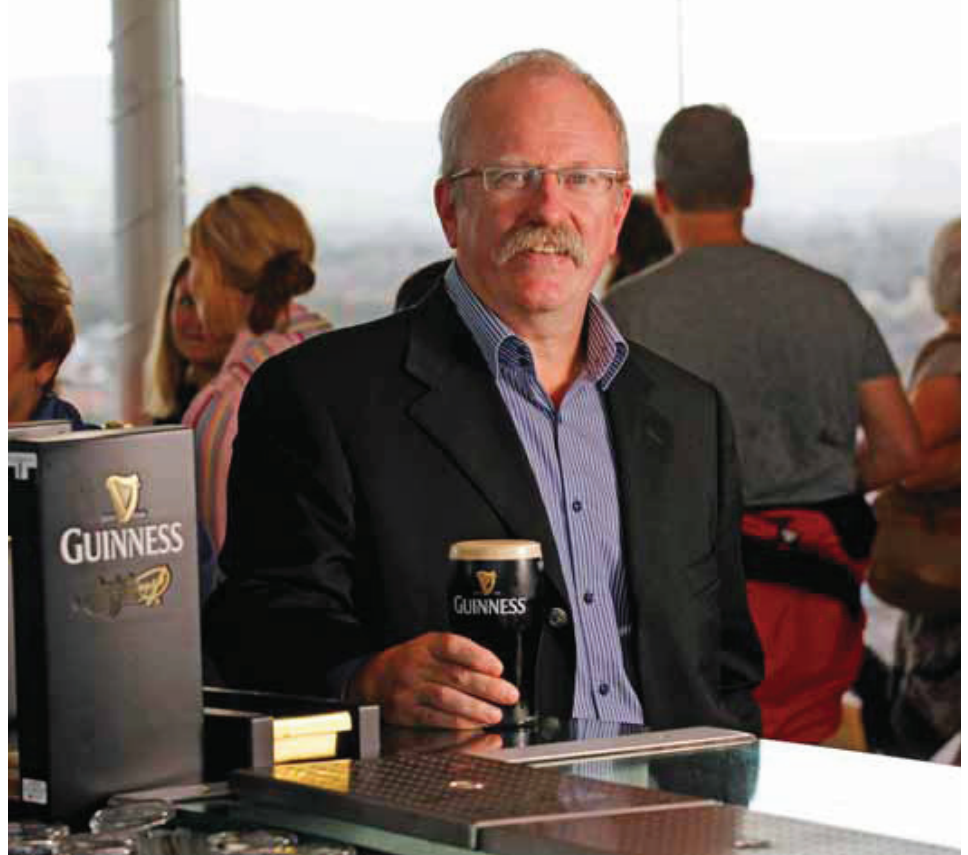
To that end carbonated 7.5% abv Foreign Extra Stout, the mainstay of the Nigerian market, has just been launched. The brand was already present informally, imported for expat communities familiar with the brand in their home markets. Duffy won't comment on volume expectations: "It's interesting consumer pull; let's see what happens."

Also moving Guinness away from its Irish heritage but not its brand positioning is a contest for consumers launched in time for the new American football season. Fronted by former Pittsburgh Steeler Jerome "The Bus" Bettis, consumers are invited to share their most memorable athletic moment on a Guinness website for chance to win football match tickets and take on Bettis head-to-head in a pint pouring contest.

Outside of the core markets Duffy is big on Guinness' potential in Southeast Asia, with the brand established in Malaysia in partnership with Asia Pacific Breweries; and in Indonesia, where it's being imported by a dedicated distributor. Guinness FES is also available in China in limited distribution, with it very much a premium import in style bars. Duffy is cognisant that a very small piece of the Chinese market could be huge business, but a full-on launch is premature, yet a recent visit left him, like so many others, convinced that he didn't understand China.

"China is undoubtedly an opportunity," he says. "We're not in 'let's attack it mode,' we're in, 'let's understand it.' I didn't observe a huge amount of brand loyalty emerging anywhere. People were trying different things."

Eastern Europe is also perceived as having potential. Guinness is available in Russia, where



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Brian Duffy, global brand director, Guinness

Diageo partners with Heineken. Russian volumes are "not huge, but it's worth doing."

Latin America isn't a priority. While Guinness is available in Irish theme bars, etcetera, distribution is limited.

"I have to say at this point in time, no," says Duffy. "It seems maybe counter-intuitive but that's a huge beer market with some very powerful and sophisticated beer players there. We're not looking there at the minute; and sometime we will."

But African markets, which now account for the greatest percentage of Diageo's beer volume, certainly are a priority. Diageo has a 25 per cent stake in Heineken's recently commissioned greenfield brewery outside Johannesburg. Given the size of the South African market, surely Guinness will be brewed there one day?

"Could be," Duffy responds. "It's certainly something we will examine. I wouldn't say any more than that. But, yeah, you'd look at that wouldn't you? And I think that has to be on the horizon but it's not happening as we speak."

The big three

Guinness' three largest markets are Ireland, United Kingdom and Nigeria, each accounting for about 20% of net sales. Despite recent economic

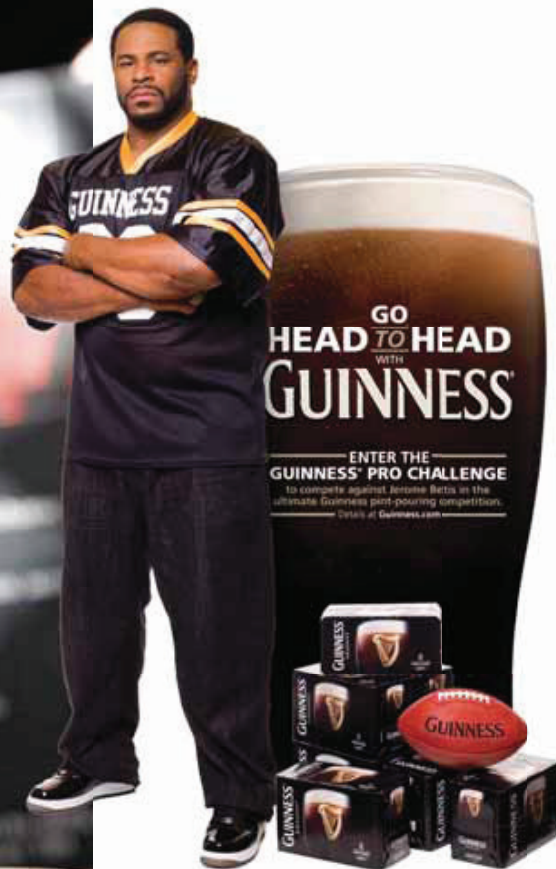
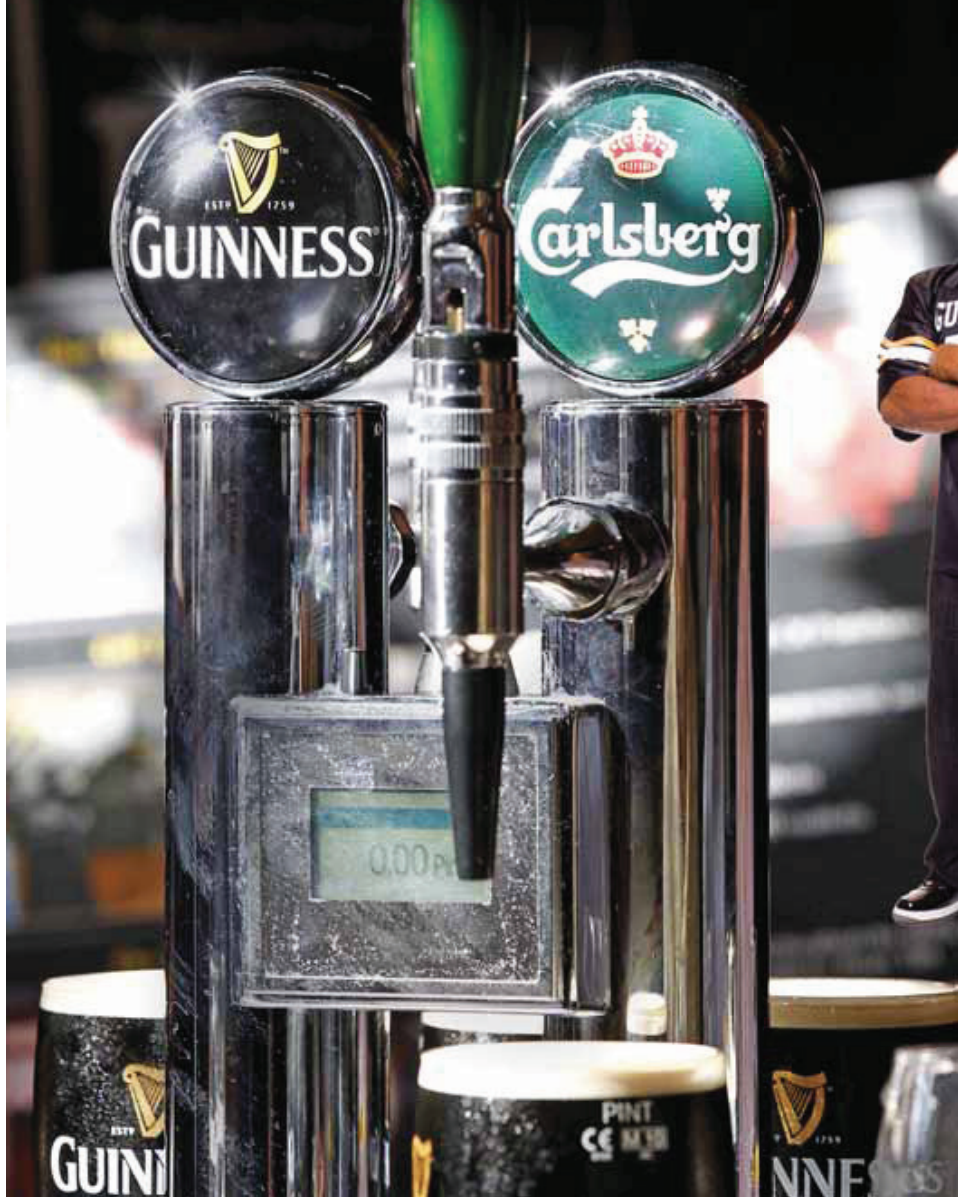
difficulties Nigeria's long term prospects make it a priority.

Nigeria's volume is largely comprised of Foreign Extra Stout, sold at a premium in the market, given its strength and complexity. A recently introduced variant, Guinness Extra Smooth, lower strength and slightly nitrogenated, now claims between 5-10% of the brand's volume and is in growth. Duffy says, "It's a decent volume. It is significant enough to be interesting."

And in Nigeria Guinness isn't the only brand in the Diageo portfolio that matters, with Harp lager also in growth.

"One of the challenges of brand management is, how far do you stretch your brand into situations? It would be great if it could be all things to all people, but that's really quite silly," explains Duffy. "We have a nice portfolio in Nigeria, very nice footprint in the beer market and I think a nice Guinness portfolio within that at the moment."

In the British Isles, it's a clichéd case of good news, bad news for both markets. The good news in its emerald homeland is that Guinness has added market share for 30 consecutive months; the bad news is that in the context of a shrinking beer market its volume is trading water. In the UK Guinness' share of the on-trade is at eight per cent, again in the context of a declining market.



US consumer promotion: breaking away from the Irish heritage limitation

Pour Your Own: 17% uplift in sales suggests success

Duffy notes that a 20% reduction in beer duty introduced by the Irish government last year has been by and large passed on to consumers by the industry. Diageo is also stimulating demand here with on-trade innovations such as fast dispense in stadia and a pour-your-own system.

Pour Your Own Pint isn't new technology but it's been embraced with enthusiasm for Guinness in Ireland. Two fonts are positioned on a table, with Guinness partnered with Carlsberg in the Republic and with Budweiser in Northern Ireland. The beer is fed by line either directly from the bar's cellar, or from a keg installed inside the table. Credit is purchased from the bar staff, who also provide fresh glasses for each pour.

At this time there are 500 units installed in 220 units across Ireland; the average 17% uplift in sales is impressive.

"Guinness takes a bigger share of the outlet," Duffy confirms. "It's the fascination of being able to create a Guinness pint. It's actually an attractive consumer pull for the outlet. But it does increase our share in the bar because people

want to do it and Guinness has a strong pull as it is a special pint."

It's also the gift that keeps on giving: Duffy thinks that Pour Your Own, the hands-on experience of the two-stage pour, builds the quality message around the brand. "We are informing consumers about the proper construction of the pint and they carry that thought beyond the Pour Your Own experience."

There's more: at Dublin's smart new Aviva stadium Guinness is being dispensed by Fast Pour technology. A central feed that the glass is pushed up into dispenses a picture perfect pint in seconds rather than the brand promoted minutes, including the trademark creamy head. It is, it transpires for Duffy, a case of courses for horses.

"We have 1,000's of people who want a pint and they want it now and you have 15 minutes to do it," he notes. "We really need to listen to our customer's needs and our consumer needs and be flexible and creative."

Unprompted: Duffy goes on to pose an unexpected hypothetical question: "So – why not do [fast pour] everywhere?" He answers his own

question, "The answer is I don't have an answer for that. It's certainly an interesting one. I think it's exceptionally good. Our technical people are exceptionally clever. It does provide a quality pint in a very quick delivery which is that situation is what the customer wants."

And there's the thing – the customer and consumer come first; fast pour won't displace the two-step pour, the 'Good things come to those who wait' aura built up over decades. But Duffy is certainly open to fast pour being installed in other stadia should the customer request the solution.

In wrapping up dispense innovations, there's also the Surger, a plug-in stand with a metal plate on which a pint glass sits. A can of Guinness is poured in, the Surger is switched into life, and – voila – a smooth, creamy head is created before the consumer's eyes.

Japan was the Surger's first market, meeting a need in bars that were small enough to have difficulty storing kegs. Since then its use has been modified with it being rolled out into pubs and bars with insufficient throughput to warrant a full keg. The Surger has come on strong in the UK, with 7,000 units installed last year, and an increase is anticipated.

Duffy cautions that "We don't sell Surgers, we sell Guinness." That said, "It is kind of cool. The beer is dark and still. You initiate it and this perfect pint forms. It's a little spectacle in its own way."



In a glass of its own.

We wanted to design a glass that is fitting of Guinness and its history.

A glass that enhances the drinking of the famous brew.

So the roundness of the waist suggests the smooth rotundity of the Guinness in the mouth.

The tulip shape is especially

helpful in the two stage pour, which always brings the best out of the creamy draught.

Then, see the flutings folding in the glass? They give a good grip. And also echo the great harp so proudly embossed above.

(King Brian Boru's own harp,

many believe, which we honour in his memory.)

We hope you agree our new glass is fitting. But only when filled with Guinness, of course.

Any other beverage would not fit at all.

jkr

The sky's the limit above the line



The soaring genius of Guinness marketing

All of this doesn't touch on what is arguably Guinness greatest marketing asset, its advertising. Campaigns from decades back, such as Guinness is Good for You and Good Things Come to Those Who Wait, still have resonance.

The ads themselves have been award winners and much admired within the industry. In a recent UK poll to select the best advertisements of all time, viewers voted Surfer the best TV ad of all time.

Today the message is simpler, centred on aspirational and alliterative taglines such as Greatness, and Genius. Guinness advertising differs from many brands – it's thoughtful, provocative. In contrast to so many beer brands, it doesn't try to be your best mate with a self-deprecatory wink and a laugh.

Duffy acknowledges that his team and agencies are conscious of the brand's heritage and of it being different compared to other brands.

"We want to be more interesting, or we seek

to be more interesting and engaging beyond the obvious," he elaborates. "But equally we have to be conscious that we are a beer and don't get too serious because we are a beer. We don't want to talk down to people or bore the pants off them and be too serious. Because it is about being with friends and having fun."

Duffy's asked what his favourite ad is in advance of the interview, and it turns out to be a difficult call. In the end he plumps for Sky, an elegiac, stirring vignette about an African who decides to become a pilot, making a difference in many, many lives.

"Music tracks I find quite evocative in an ad, so that's important," he explains. "The one I kind of settled on was probably the first Greatness ad from a couple of years ago. Sky: lovely, nice. I kind of stop what I'm doing if I'm in a presentation and look at it again."

Sky, of course, is available for viewing on YouTube.

Brand extension excitements

Guinness is many things to many people, but broadly the two strands are Guinness Draft, some of it packaged, and Foreign Extra Stout. But there's enough brand extensions in the pipeline to suggest that the volumes may further fragment.

These developments are for the most part slow burn efforts. In the past year the trial in Ireland of Guinness Mid-Strength, a 2.8% abv strength version, has finally been rolled out to hundreds of outlets. It almost wasn't the case; Duffy recalls that 18 months ago that there were just 10 outlets stocking Mid-Strength and only a few where it was performing well.

"If we were having this conversation at that time I probably would have said, 'I agree, it doesn't have any real legs at this stage'," he says. "But it was selling in some outlets and it held our interest."

Today Guinness Mid-Strength is available in 260-plus outlets and, according to Duffy, finding a place in people's repertoires. He's pleased with how well the lower strength variant mimics the higher strength original.

Duffy suggests, "That category of a lower alcohol beer, that's interesting because I think that goes beyond particular lifestyle or age. It might speak to occasionality as well, when someone wants beer but doesn't want a lot of alcohol."

In England there's been an equally slow-burn roll-out of Guinness Red, which uses lighter roasted barley to suffuse the beer with a distinctive red colour. The variant is available in 500 outlets in central England and a further 300 nationwide.

Duffy notes that according to a national customer Guinness Red is delivering four per cent

category growth. "Where we have it, it has grown the beer category in the outlet. It hasn't set the world on fire but it's doing OK, it's standing its own ground."

There's another distinctive British on-trade variant, Guinness Extra Cold, which is served at a refreshing 3.5°C. While popular, it's unlikely to be rolled out into other markets where normal serving temperatures are much closer to Extra Cold's temperature than in Britain.

The latest variant recently to market is Guinness Black Lager and here the expectation is global from the outset. GBL is on trial in Northern Ireland, Malaysia, and has just been launched in two US markets, Chicago and San Diego. It is brewed with lager yeast but visually looks as dark as Guinness, save the creamy head.

Guinness Mid-Strength, Guinness Red, Guinness Black Lager, not to mention Extra Cold: how many fonts does one pub need or want from a single brand on its counter?

"I think it's a fair question," says Duffy. "In a crowded bar front situation that's a possibility. We have Guinness, we have Guinness Extra Cold in many outlets as well, and a challenge would be can you have them all? So I think careful outlet targeting, making sure you are fishing where the fish are, is important."

The significance of Arthur

Arthur's Day is winding down into the early hours of the morning, and a second live set from Westlife is a sign that there can be too much of a good thing. Yet the demographics are interesting – these are young music lovers, men and women in equal number, enjoying Guinness, and toasting its originator in thanks for their enjoyment. And it's all for a good cause: proceeds from the event are invested in the Arthur Guinness Fund, which backs start-up social entrepreneurs.

There was a commercial upside for Guinness itself evident after the first event in '09, with a sustained upward tick in volumes. The music, the fun and the memories of an intimate evening seem capable of converting the tastes of youthful cider drinkers, at least for a few months.

So will Arthur's Day return come 2011? Duffy resorts to a favourite expression – hostage to fortune – but the answer is in the affirmative. "I'm very optimistic that that would be the case. I never want to be a hostage to fortune but, yes, absolutely so."

Arthur's Day. Not dubbed Guinness Day, or Stout's To You, or whatever, but a call to celebrate a visionary brewer, a relatable personification of the brand. The thing about this is that Diageo, 250-plus years after the event, is creating the world's first brewer-celebrity. Genius? Certainly, most certainly. 