Exposure to the Russian market has weighed on Europe’s brewers. Carlsberg’s shares are down more than 10% this year. Heineken though has performed a little better. I think it was a pretty firm set of first half numbers. The Dutch firm recently warning warm weather sales though have had some impact.

Alexis Nasard joins us, Heineken’s President of Western Europe. Alexis, good morning to you and welcome.

Alexis Nasard
Hi, thank you.

Geoff Cutmore
Just give us a sense of how tough it’s been this year and how you think you’re going to close out the full year.

Alexis Nasard
Needless to say that there are lots of head-winds and structural issues in Western Europe - I mean, the media is rife with statements about that - but the reality is that Europe is not about to disappear, it is 6% world population, 26% of world GDP. You can look at the glass half empty or half full but it clearly is a very large glass and there is a lot to be done in it and I have to say that with our new strategy in Western Europe (which we call the ‘Not an Inch Back Strategy’) we’re having some promising signs. In the first half of the year we’ve grown revenue and we have grown profits and on a year to date basis we are growing in 100% of the markets in terms of market share.

Geoff Cutmore
And you can do that without growing costs? – because we know that the challenge has been if you want to maintain sales you’ve had to sacrifice margin, costs have gone up as you’ve increased marketing spend.

Alexis Nasard
We can do that without sacrificing margins because we have a very clear cost strategy (which we call ‘Cost for Revenue’) and that is very targeted and very focused on enhancing gross margins and cutting back office costs in order to invest in marketing and sales.

Geoff Cutmore
You’ve got a phrase for everything here! So that’s ‘Cost for Revenue’, ‘Not an Inch Back’ …

Alexis Nasard
[Laughs] Exactly!

Geoff Cutmore
… what do you have written on your desk when you come in in the morning?

Alexis Nasard
But these phrases are important, if you want the full organisation to follow at each and every level you need memorable sound bites, otherwise it becomes a very theoretical strategy that stays in the boardroom and I strongly believe that catchy words are important.
Geoff Cutmore
Just very quickly, one last one from me (everybody else wants to come in, I know), to be Rumsfeldian about this, Russia was a sort of unknown unknown and it came a bit out of the blue and obviously a lot of the brewers have struggled as a result of having exposure in Russia and that was meant to be a big growth market. We know about Western Europe and I think you've got a strategy to deal with it. When it comes to Russia and other unknown unknowns at the moment, how prepared is the business for further shocks in this area?

Alexis Nasard
One of the strategies we have in terms of growth as a company is what we call ‘Balanced Growth’ …

Geoff Cutmore
It’s another one!

Alexis Nasard
… ‘Balanced Growth’. There has been a lot of hype on emerging markets in the past few years, for good reasons (demographics, social mobility, all the rest of it) but it is a reality that they often develop in a sort of pattern and they’re harder to predict. Once you even-out your growth profiles between developed and developing markets, that risk is automatically hedged and today we believe we are reasonably well prepared to cope with these things, we have many contingencies in the system.

Lothar Mentel
Is perhaps one of the strategies to look at perhaps the non alcoholic market (still talking beer) but there’s a growing part of the population that might enjoy beer but has a problem with alcohol?

Alexis Nasard
That’s a very good question. By the way, the strongest innovation in the beer category in the past ten years has been Radler; Radler is beer mixed with lemon juice, with 2% alcohol. It is a huge innovation, it’s our most successful one actually for us and in the beer category and 70% of the volume of Radler is sourced from the non beer category and non alcoholic category, so we’re having increasing signs that the non alcoholic or lower alcoholic content is very promising in terms of our Innovation strategy and, I tell you, we’re all over it!

Steve Sedgwick
Why would anyone put … I have another question! … why would anyone put lemon juice in beer!? … that’s terrible … they’ll start putting lemonade in beer next, they’ll be doing!

Alexis Nasard
That’s not what dozens of millions of people would agree with! [laughs]

Steve Sedgwick
But they’re wrong!! [laughs] Why would anyone adulterate beer? … it’s fine as it is!

Geoff Cutmore
You put lime in a Sol, say. Sol is one of your brands, right!?

Alexis Nasard
Yeah, yes, of course.

Geoff Cutmore
So you stand around in the wine bar …

Steve Sedgwick
Do you, Geoff!? Is that what they do in Oxfordshire!?

Geoff Cutmore
It’s what they used to do in the 80s! That’s what they used to do.

Steve Sedgwick
That’s not what we do in Sussex, I’ll tell you!
Alexis Nasard
It’s refreshing and it gives you some swagger too, the lemon! [laughs]

Geoff Cutmore
He’s got enough swagger already!

Steve Sedgwick
I don’t need swagger! Now for my sensible question … well, I say sensible! … why do you think SABMiller thought that there was a possibility that the family which owns 50.01 or 50.1% of the stake, why do they think that that was a goer at all at any stage?

Alexis Nasard
Maybe you should ask them! [laughs]

Steve Sedgwick
I’m asking you, because they approached you! Because it never got going, did it, anywhere, as well and this all came out in, what, September, I think it was? I’m just wondering why SABMiller thought that was the deal that could be done?

Alexis Nasard
You know that the whole consolidation of the industry is very much top of mind for many people and many players and people will make attempts, people will try and people will have their own game plans. As far as we’re concerned, we’re very clear that we are determined to stay independent because we believe this is our best path for growth and as far as the day-to-day is concerned, we don’t over agonise about speculations about all that and we keep our heads down and focus on what we can control, which is delighting consumers and shoppers.

Steve Sedgwick
Okay, that sums it up for me anyway. I still don’t get the lemon and lime stuff though, gents, I’ve got to be honest with you!

Alexis Nasard
We’ll send you a case!

Steve Sedgwick
Oh no, you can’t do that! You can’t do that. It would be very kind but I’m afraid we’re not allowed to accept but thank you anyway!

Geoff Cutmore
Strongbow cider has been a staple in this country for years and yet we’ve seen a lot of new entrants into the cider market. Are they starting to lose sales? Is Strongbow coming back?

Alexis Nasard
Strongbow is coming back and, by the way, let me just make a preamble to this, we welcome the increased innovation in the cider category, as we welcome increased innovation in the beer category, more excitement will grow the pipe …

Geoff Cutmore
But everybody says that!!

Alexis Nasard
… no, but it is a fact! This year the beer market in Western Europe is growing. Now there are a lot of effects, including the World Cup and other things, but there are also structural effects. It’s been more innovative than ever, there has been more investment than ever. So we think it’s a good thing because it’s a win/win in the final game. As far as your question on Strongbow is concerned, Strongbow is coming back and, by the way, in 2014 Strongbow Dark Fruit was elected the ‘Best FMCG Innovation in the UK’, so it’s been a huge success and we are line extending and innovating on our full portfolio but also on the Strongbow brand.
Geoff Cutmore
Do you remember Strongbow?

Steve Sedgwick
Of course I remember Strongbow!

Geoff Cutmore
Do you remember school discos!? It was about the only thing you could get, wasn’t it, too young to buy beer? … somebody always used to bring a bottle of Strongbow, didn’t they, or Bulmers!? …

Steve Sedgwick
I didn’t drink Strongbow! Wasn’t the shandy ‘Double Decker’ or something!? I don’t know, I’m just trying to trawl out from the late 70s/early 80s here!

Geoff Cutmore
Alexis, it’s been a real pleasure, thanks very much for coming in. Alexis Nasard, Heineken’s President of Western Europe.

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