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BEAM SUNTORY: DECENTRALISING CLOSER TO CONSUMER BEHAVIOUR

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"I've never known acquisitions where the two cultures match so well — our companies belong together." Says Manfred Jus, Managing Director Western Europe at Beam Suntory, which formed in 2014 following the acquisition of American spirits maker Beam Inc, by Japanese brewer and distiller Suntory. And Manfred would sense this affinity more so than anyone, having worked at Beam since it joined the portfolio of Fortune Brands (later Beam Inc.) in 2005. Since then he's enjoyed a successful career within the European division, moving from Marketing Director to Managing Director of Germany and Austria — Beam's largest European market — before his appointment as Managing Director Western Europe in 2016.

Of course, cultural differences exist between the US and Japan and Manfred admits that the ongoing discovery of affinities between the two firms is surprising given their divergent East-West origins. Suntory, however, Manfred's explains has unique characteristics amongst Japanese firms, which facilitates a compatible alignment with Beam. This in part hinges on one of Suntory's core values — Yatte Minahare or 'go for it' — which fits well with Beam's attitude of giving employees the freedom to set ambitious goals, develop innovative solutions and focus on beating competitors. Significantly for Frankfurt based Manfred and the Western European division, however, is the joint appreciation, he argues, Japanese and Germans have for detail and quality. In Manfred's words: "The way the companies have combined assets, resources and cultures is refreshing and progressive; they've slotted their identities together to create something new but also the same. And Suntory's thorough approach and emphasis on delivering a perfect product have made for seamless transition."



It's embedding organisational "attention to detail" which has dominated Manfred's first twelve months as MD, as he's sought to build the necessary infrastructure to achieve growth in "historically underrepresented" Western Europe. It's a journey, he explained, which began in earnest for Beam twelve years ago, following Fortune Brands acquisition of Allied Domecq in 2005: "Previously, most of the Beam business existed in North America but overnight its interests became global because it now owned established international brands, in addition to Jim Beam, such as Laphroaig, Maker's Mark and Courvoisier." Despite this sudden growth of Beam's presence in international markets, Manfred noted that creating the required processes and tools to leverage the more complex operation has been an incremental process — with the Suntory merger the key catalyst to propel the business forward.

With the necessary investment now in place, Manfred and his team have implemented various operational improvements, complimented by large scale talent acquisition, to capture growth and achieve success. As well as hiring country managers in each territory, they have introduced new processes including performance partnership models to incentivise distributors, and brand and commercial guidelines, which have simplified and improved its approach in different territories. He explains the rationale behind these changes: "The move from a centralised approach — with commercial managers based out of Frankfurt — to a decentralised approach was part of natural evolution for the company. Having commercial leaders in-country gives us a better understanding of culture, trade environments, legislation and consumer buying behaviour that helps us build stronger and more profitable relationships with distributors."

As of July 2017, Manfred confirmed most of the resources needed to begin implementing strategies and executing plans are now in place, but what are the priorities moving forward? While retaining a market leading position in Germany and Austria remains high on Manfred's list, building momentum in other key territories such as the UK, Scandinavia, the Netherlands, Spain, France and Italy is important too, he confirmed. Different markets require different solutions, however, and the business intends to exploit opportunities across on and off trade and as well as e-commerce and Global Travel Retail (GTR), with each channel offering diverse programmes for different brands.

While solutions are multifarious, general market trends across the region, Manfred explained, are on Beam Suntory's side, with consumers investing in premium spirit brands as they continue to "drink less but better." Premium whisky is Beam Suntory's key strength with a combined portfolio of American, Scotch, Irish, Japanese and Canadian whiskies; but whisky is only a part of its large portfolio, which covers several other categories - including cognac and vodka — allowing the business to target different countries with different brands depending on local tastes. In Manfred's words: "Only with portfolio breadth are we able to create such specific country plans. Our ambition is to become the fastest growing premium spirits company in the world. To achieve this, we need to establish ourselves in all key premium categories."

Solutions in part, as discussed, are operational. Much of the people investment, for example, is aimed at bolstering Beam Suntory's presence on the ground in key markets, driving growth through building close partnerships and working much deeper with customers, co-developing and executing plans. The other aspect is acquisition and in Sipsmiths Gin, Manfred explains, the business has made a shrewd move into a burgeoning craft market: "Gin is a high growth premium category and for several years, Sipsmiths has been voted as one of the hottest brands in bars. It's a craft gin, and the purest made this century. It is distilled using traditional copper pots and with 100% juniper berries. This old-style process justifies the premium price-point and a key reason as to why it's a favourite with bartenders."

Joining forces with Sipsmiths and allowing the business to maintain the 'craft' production of its gin while leveraging Beam Suntory's distribution muscle is a fantastic idea. The obvious question which arises, however, is will associating with Beam Suntory in any way dilute the authenticity of the Sipsmith challenger brand? Manfred states that it won't, and explains how both Beam and Suntory have a track record of preserving the heritages of smaller brands: "Preserving the roots and the authenticity of brands is in our DNA. Both companies have retained links with their family founders which go back over two hundred years. Jim Beam, for example, is run by Fred Noe, a seventh-generation relative of Jacob Beam who founded the distillery in 1795." Similarly, Manfred added, Makers Mark is still managed by the latest generation of the Samuel's family despite being owned by Beam Suntory since 2005. Also, Cruzan Rum, made in the US Virgin Islands, retains its ties with the Nelthropp family, who founded the brand in 1760.



In Western Europe, much of Beam Suntory's marketing activity is still based around its core brand, Jim Beam, and complemented by campaigns promoting other products. Manfred noted how understanding specific preferences is always paramount before building a strategy and revealed the detail of new operational approaches to targeting consumer buying behaviour — between countries and within countries too — to ensure maximum returns. "Germany provides a classic example of how one territory can have diverse alcohol tastes. For example, we've learnt how consumers are still divided by the zonal demarcations established post-World War II, with those in the south preferring bourbon first introduced by US soldiers, while in the East Vodka, consumption is higher because of the Russian influence." Unearthing 'under-the-radar' trends such as those introduced by the on-trade is another critical factor to success, as is finding the best ways to engage millennials, whose consumer buying behaviour continues to challenge companies across the FMCG spectrum.

Manfred admits targeting consumers is more complicated than it was twenty years ago and this is particularly the case within Beam Suntory's core category of whisky. Where once Scottish Malts were dominant in premium segments, during the last few years their power has been diminishing, replaced by new world whiskies such as those distilled in Japan, England and Germany. This could be perceived as bad news for the Beam side of Beam Suntory which has, for several years, owned iconic Scottish Malts Laphroaig and Bowmore, though Manfred sees things differently: "In Europe, whisky is a popular drink — it's 'on trend' — and Scottish malt whisky brands still have a strong reputation in consumers' minds. Many of these new distillers are selling whiskies at a young age and can't yet offer consumers twenty or twenty-five-year-old liquids. Consumers decide what quality is and Scottish malts have defined quality for generations and we don't expect that will change anytime soon."

Emerging distillers, therefore, in Manfred's view are a good thing because they're driving people into the whisky category and creating new consumers who, he argues, will discover the older established whiskies as their appreciation for quality grows. Interestingly, Manfred added, because Suntory has won several awards in recent years, the business is currently struggling to produce the quantities of its whiskies needed to meet consumer demand. To capitalise on this heightened activity in the category, Beam Suntory is utilising various innovative campaigns to promote Laphroaig and Bowmore, emphasising their unique tastes and age. Bowmore, for example, has the oldest maturation warehouse in Scotland. Manfred emphasised his confidence with the German phrase 'Wettbewerb belebt aktiviert das geschäft' which translates as 'competition activates the business.' "If people are talking about the product, it will benefit the brands."

Since the Suntory acquisition, Manfred highlighted a renewed CSR drive across the global business. While commercial strategies differ depending on the territory, responsible communications to consumers are standardised: "We use a clear marketing code with guidelines on how to communicate with customers and impose restrictions on our marketing to ensure we act in a responsible way. These include only advertising via media where it's certain at least 70% of users are above the legal drinking age; using actors at least twenty-five years and old, and not leveraging multi-buy promotions in bars." Furthermore, Manfred explained, Beam Suntory is now rolling out the 'Growing for good' campaign across the Group, donating a percentage of its annual profit towards social and sustainability projects such as 'clean water' initiatives and encouraging and supporting employees to dedicate their time participating in activities beneficial for "nature, communities and society in general."



One of the reasons it has taken Beam Suntory twelve months to hire the talent it needs to achieve growth is ensuring those who join have the requisite skills and experience, but also fit into its culture. Manfred highlighted that, across all levels, people must demonstrate ability, be driven, comfortable with change and have an entrepreneurial spirit. In testing for these qualities, the business will sometimes find people: "perfect on paper, but lacking the cultural affinity we seek and which will allow them to succeed here." He added, "Getting the right people on board is important to us, because we know that executing a strategy is easier if you first get the people side of things right." Honesty is also key during recruitment processes, with Manfred admitting he's open about difficulties which exist in the business, before utilising several interview questions to assess how people will react in challenging environments.

Three years since Beam Suntory formed, the two firms have become closer and in Germany Manfred highlighted, the team is regularly in touch with their colleagues in Japan, thanks to several forums for exchanging ideas and learning from each other. Furthermore, in 2016, one hundred employees (almost the whole German division) visited Osaka to learn about Japanese culture, as well as gain better insight into Suntory's products, which now form part of Beam's portfolio: "It had a huge impact on the two organisations, enabling us to get a tangible sense of who our new mother company was and helped us to appreciate each other better." The Suntory Ambassadorship Programme is another initiative, where each quarter selected people are invited to go to Japan to learn about the unique Suntory culture. They then return to Beam and share with colleagues all they've learned.

As Beam Suntory grows, Manfred anticipates further recruitment across the Group. In conclusion, he re-emphasised why people should consider joining the business: We're an attractive organisation with a strong team spirit, pride for our products, great brands, consumer love, great culture and a rewarding environment with the freedom for anyone to make their mark and influence direction. We foster people's ideas, and provide fantastic support and development."

To learn more about Beam Suntory, please visit: <https://www.beamsuntory.com>.

By Janine Griffiths

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