



The Bulmers Effect

Michael Merrins, Managing Director, Bulmers Ltd, on the effects of the recession on the Irish drinks industry, the massive successes of the Bulmers brand and their continued focus on innovation.

The word Bulmers is almost a synonym for cider in Ireland, such is the level of market penetration of the Tipperary-based cider brand. This didn't happen by accident, however: it's the result of years of careful repositioning, innovative marketing and some brave moves on the part of brand owners Bulmers Ltd.

"We measure ourselves not in the cider business, because we have so much of the cider business here: we measure ourselves in the long alcoholic drinks (LAD) market," explains Michael Merrins, Managing Director, Bulmers Ltd.

His is not an idle boast. Bulmers grew its share of the overall Irish beer market from 2.8% to over 10% in less than a decade. Of course, recent years have seen changes in the market, with the Drinks Industry Group of Ireland reporting Ireland's on-trade declining by 8.9% last year, along with a corresponding 4% dip in off-trade sales.

"The economic downturn has damaged everyone's business," Merrins admits. "From the drinks industry's point of view, apart from the decline in the economy, people's drinking habits have changed and there is no doubt that the Northern Ireland factor has been a huge element, particularly in the off-trade. It has slowed down growth in the off-trade and even brought it into minus figures last year. Have we been affected worse than other sectors? I'm not so sure, but the drinks industry has had the smoking ban, the breathalysers, the morning-after breathalysers and a swing to the off-trade, which were all things that were going to happen with or without a bad recession."

Coping With the Recession

Bulmers has not been immune to the effects of the downturn, despite the fact that the brand marginally grew its share of the market last year.

“The prospects for the Irish economy in the coming 12 months are pretty grim for ourselves, customers and indeed consumers,” Merrins notes. “The last three years have been poor for our drinks industry and certainly not helped in Bulmers case with the bad summers. While, we’ve had a reasonable start to this year, we have had the benefit of the Six Nations, St Patrick’s Day, with better than last year’s weather, but we still believe it will be a challenging year. As far as our own performance is concerned, we have been flagging the LAD market up to this time last year but happily we have improved that position with a marginal growth in our share and hope to hold that position.”

The duty reduction from the Minister was most welcome. “Although the excise cut wasn’t a massive reduction, psychologically it slowed down people’s desire to go North for their alcohol purchases,” Merrins feels, believing that, allied to the UK’s recent excise hike on cider, it will further strengthen Bulmers’ performance in its home market.

Last year, Bulmers did undertake some initiatives, like the reduction in the price of the Bulmers Pint Bottle and this had “a positive impact in a climate where customers are looking for real value. In a similar vein, we changed our off-trade strategy,” Merrins explains.

“For the first time ever, we engaged in value pack activity. Heretofore, we didn’t engage on price: we went for ‘premium price, premium product’ and our offers were based around gifts rather than value. But whether anyone likes it or not, people are looking for value in every sector and we responded to that. Both of these initiatives, plus the duty reduction, were responded to very positively by our consumers.”

The MD feels that the move from on- to off-trade drinking will continue in Ireland, as he feels there is “a new gap in drinking time”.

“Up to three or four years ago, people went to the pub at around 7:30 or 8:30 and then went on to the nightclub,” he explains. “Now, people have the likes of Setanta Sports and Sky Sports in their homes, and they’re getting good value in the off-trade, so given the climate, they’re choosing to drink at home and go straight to the nightclub. We can’t ignore that.”

Bulmers have responded to this move, and not just on price: “We have been quite innovative in terms of our pack sizes and we have been innovative with retailers. We are particularly good on category management so we’ve been taking advantage of that. We are probably better than most at putting our product in danger of being sold.”

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Bulmers Pear

However, probably the largest contributor to Bulmers’ success over the last year was the launch of Bulmers Pear in March 2010. The cider category has traditionally been quite conservative in terms of new product development. Why the change over the last 12 months?

“We were very pleased with the success of Pear,” admits Merrins. “We realised that the loyalty of consumers is such that they feel like they own our brand, but if we didn’t give them



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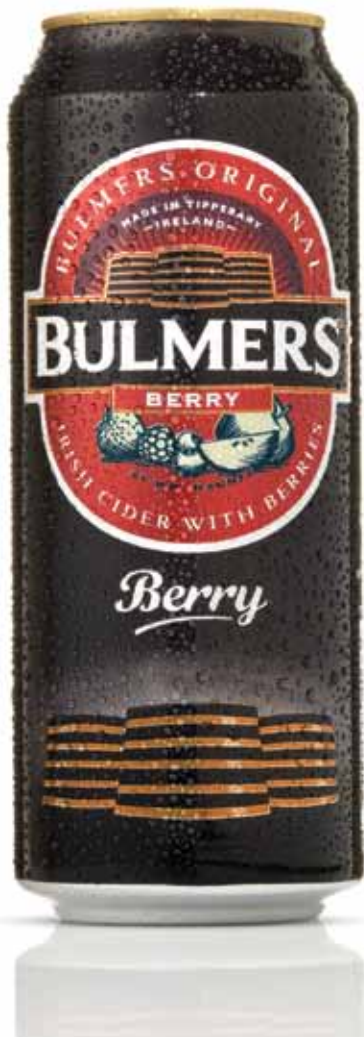
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something back, they would start to stray. In fact, they had already started to stray, because other companies do things with brands that attract them.” That all changed last spring with the high profile introduction of Bulmers Pear.

“The timing of the launch of Pear was very important for Bulmers as it completely rejuvenated our Bulmers brand,” Merrins explains. “It brought a lot of lapsed Bulmers drinkers back to the brand, and it also brought a lot of new drinkers to the brand.

“Our bullseye market for Bulmers Pear was 18-24 year olds, predominantly female, and yet when we launched it, every gender, every age group tried it and drank a lot of it, throughout the land,” he notes. “We got numbers beyond our expectation. It surprised us, but it was just what we needed at a time when our brand was flagging.”

While admitting that “there is always a settling down period” after a new launch, Merrins is delighted that

Bulmers Pear remains the number one pear cider brand in Ireland.

Undoubtedly, one of the primary factors behind the success of Bulmers Pear was its award-winning ‘Embrace the Pear’ advertising campaign, with Merrins noting how the company “completely changed our advertising approach, introducing some humour into the campaign with the Clonmel workers, which really captured the imagination.” That campaign saw Bulmers really embracing digital media for the first time: “you can expect more innovation in that area because that’s our bulls-eye target market”.

Bulmers Berry

Having committed to renewed innovation with the launch of Bulmers Pear last March, this year saw the company unveiling another new product, almost a year to the day since Pear, in the shape of Bulmers Berry. Is it a case of leveraging the positive reaction to Bulmers Pear or is it being treated in a completely different way?

“We’re using a lot of the same criteria but quite a different approach, because it is a different product and the audience is different,” he maintains. “The ‘Undergrowth’ campaign is quirky and different but it does retain some of the key elements, such as the Clonmel workers and the humour.

“As the product is only in the market a few weeks, it is very early days and like all new products, it takes time to get distribution and buy-in, but we are hopeful that it will be successful and further support the Bulmers brand.

“We are very committed to innovation in the cider market and this is going to be part of our way forward and we see it as key.”

International Performance

While not shying away from the brand’s less-than-stellar performance in the UK market over the last couple of years, Merrins is upbeat about Magners’ international future (British firm HP Bulmer maintain international rights to the Bulmers trade mark).

“Internationally, we have been repositioning ourselves for growth,” he

notes. “The past two years have been really difficult but we believe we have stabilised our position and hopefully it’s a case of ‘onwards and upwards’.

“In the UK business, we have very much gone back to basics,” he continues. “We’ve re-structured our team and made great progress, particularly in the off-trade. We’ve changed our advertising campaigns, which are now much more appropriate, and are receiving positive response from trade and consumers. Given the brand is a short six years in the UK market and the contribution it makes to the overall business and given the size and scale of the GB cider market, we would be quite optimistic for the future, albeit in a strong, competitive market.

“Here in Ireland, because we have such a share of the cider market, we don’t even think about the cider market – our recruits are stout, ale and lager drinkers,” he continues. “In the

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UK, we’re only an infant and we’re competing against people who own the cider market, and Heineken are fairly formidable opponents. We went at it, spent a lot of money and we made really good progress, but we’ve had to readjust our thinking and approach to it.”

Magners League

One of the big factors in their favour is their continued sponsorship of the Magners League, one of Europe’s premier rugby competitions. Indeed, high profile sponsorships have been a key part of the brand’s marketing strategy for some time, from the Bulmers International Comedy Festival to the Bulmers Summer Sundays race meetings.

“Outdoor, TV, radio and in-store or pub Point Of Sale is a very good communication tool and hopefully, most people, if not all, will get to see it. But the one thing sponsorship allows us to do is to engage with consumers in ways which advertising won’t,” Merrins explains. “If you look at the audiences for the sponsorships we’re involved in, it is primarily our target

audience. It brings other elements of our Bulmers personality to the brand and it really creates great occasions and environments for people to try our products.”

We wondered would they ever consider changing the entire brand family name to Magners, given that their biggest sponsorship is the Magners League. While admitting that it’s a constant question they get asked, Merrins feels that there is no confusion between the brand names.

“Because we have a brand called Bulmers here, with the level of share we have, there is unquestionably a risk that if we move to Magners, our loyal Bulmers drinkers may not appreciate that we’ve changed the name of what they like best. If there were indications that it was confusing or impacting on our growth or sales, naturally, we’d have to consider it, but at this point, it’s not on the agenda for changing.”

Irish Heritage

With recent high profile campaigns like Love Irish Food focusing on brands’ home-grown credentials, how important is it for Bulmers to promote its Irish-ness?

“Very important,” he avows. “We are absolutely Irish to our roots and every single aspect of our communications highlights that. Our loyal customers feel that they own the Bulmers brand, not us, and they know it as an Irish brand.”

So finally, how can the Irish drinks industry get back to a state of growth again?

“As I said earlier, the Irish economy is in a very difficult place at the moment and will be for the next couple of years and that makes trading in the drinks industry very challenging,” Merrins concludes, “but we will do all we can to take full advantage of our innovation, despite these challenges.”

