

Case Studies on
Brewery Industry: Old Wine in a New Bottle?
Vol. I

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OVERVIEW

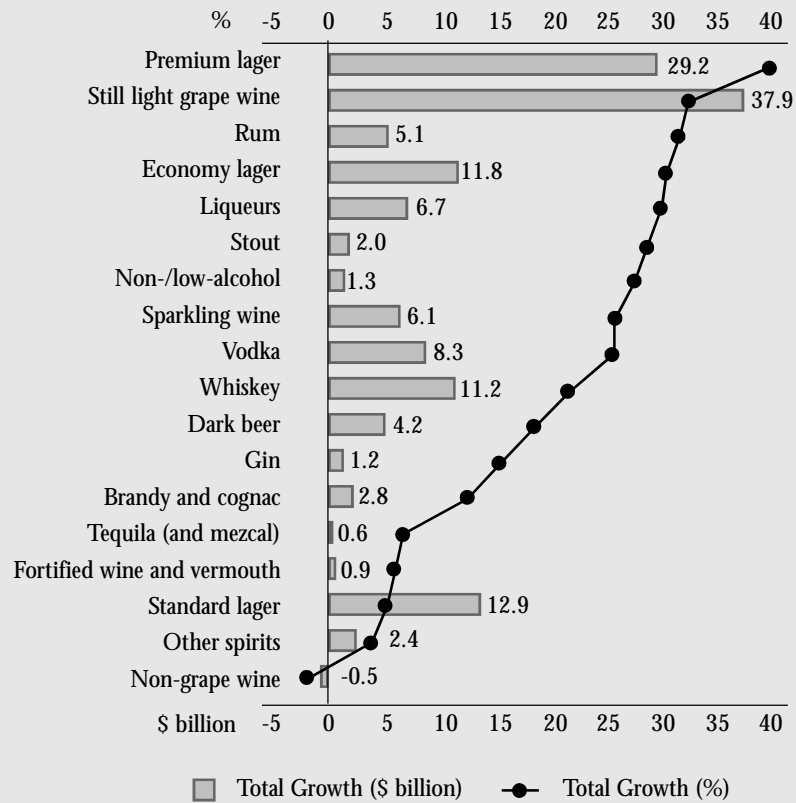
Over the years, the global alcoholic beverage industry underwent an unprecedented change with a number of factors influencing its development trends. It is a highly localised industry dominated by a large number of small players, but truly global players like Anheuser-Busch and Carlsberg also witnessed steady growth. However, the industry offered few opportunities to grow organically owing to high-entry barriers like high costs of distribution and greater emphasis on brand building.

Therefore, majority of the companies sought inorganic growth and expanded globally through aggressive mergers and acquisitions. As globalisation gained momentum, large brewers expanded across borders either by building their own operations or by acquiring foreign brewers. While Anheuser-Busch and Heineken leveraged on promoting their flagship brands, Interbrew and South African Breweries (SAB) grew by acquiring leading national and regional brands; SAB's acquisition of US' Miller Brewing to form SABMiller exemplifies the same.

Further, the industry faced a number of challenges. On one hand, demographic and lifestyle changes brought significant changes in consumption patterns of alcoholic beverages and on the other, these consumption patterns differed significantly across different regions. Western Europeans moved towards consumption of non-alcoholic beverages, while Northern Europeans preferred more of wine and less of beer and spirits. In contrast, in Southern Europe, beer and spirits witnessed a growth phase with a declining market for wine and in Eastern Europe, people preferred beer to spirits. Additionally, change in beverage consumption habits of Asians from tea and other non-alcoholic beverages towards beer and spirits offered significant opportunities for global brewers to expand into Asia.

These differences in consumption patterns led to category wars not only within the alcoholic segments but also between alcoholic and non-alcoholic segments. Thereby, brewers offered a wide range of products to cater to the diverse tastes of the consumers, and even the affluent and sophisticated consumers demanded branded high-quality products. This led to premiumisation in the alcoholic segments, resulting in substantial increase in sales revenues (Exhibit I).

Exhibit I
Global Alcoholic Beverage Category Value Sales and Growth (1999–2004)



Key Points

- Price increases and trading up delivered double-digit growth over the last five years
- Still light wine is the clear winner, contributing almost 27% of the total value growth in the industry
- Premium lager is the other key driver of value in the beer market, although both economy and standard are still delivering significant incremental value
- Within spirits, vodka and whiskey are contributing the greatest incremental value opportunities.

Source: "Achieving High Performance in the Alcoholic Beverage Industry", <http://www.accenture.com/NR/rdonlyres/A901C74A-DA48-4645-A4D5-811ABBA9F903/0/GlobalAlcoholBeverage.pdf>, 2006–2007

However, brewery markets in developed countries were getting matured and players were faced with stalled growth and declining consumption. Brewers then sought growth opportunities in emerging markets of Asia, Eastern Europe and Latin America and some of them even diversified into other non-alcoholic and flavoured beverages.

This book, consisting of ten case studies, provides an in-depth understanding on the various development trends in the global brewery industry, growing competition and other challenges and various strategies adopted by different players under different challenging situations. For instance, the case study, *BBH: The Russian Venture of the UK Brewer, Scottish & Newcastle*, highlights the UK brewer's foray into an emerging market (Russia) to compensate for stalled growth in matured markets of Western Europe. Likewise, *Pernod Ricard: The French Beverage (Wine and Spirits) Company's Growth Strategies*, talks about the multinational wine- and spirit-maker's diversification into non-alcoholic beverages like fruit juice, the resultant complexities with lost focus on core business and its revival strategies by divesting non-core businesses. Other case studies deal with various other aspects like intensifying competition in the industry, repositioning strategies in tune with changing consumer preferences, etc.

Thus, all the ten case studies provide a comprehensive outlook on the global brewery industry amid challenges – like maturing industry and declining consumption – and players' response to those challenges with various competitive and growth strategies.