INTERNATIONAL MARKETING STRATEGY.

TO: The Director, Management & Technical Institute

FROM : 20Aug 1997- Course : Advanced Honors PGDBM in

Marketing Management

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SUBJECT: Launching of **Indian Beer** in **U.K.** market.

COMPANY BACKGROUND

"UNITED BREWERIES" is the large Brewery Company in many states in India. The turnover of the company is about £40m. The market share of the company is about 45% in the Indian beer market. It brews a broad range of pilsner brands. They also brew amber coloured beers; abbey beer (MONARCHY) and spontaneous fermented fruit beers. "UNITED BREWERIES" wants to launch the abbey beer, MONARCHY in the U.K. market.

PRODUCT CATEGORY BASICS

• Features of adopted product category.

The product defies conventional categorisation as it cuts across the boundaries of the typical ale, lager and bottled beer characteristics. It encapsulates the discerning, the traditional ethos of quality ale without seeming old fashioned, serious or learned. It has the youth, ease and style of a lager with being just quick refreshment and it also manages to communicate the product quality and personal reward. It has the alcohol-by-volume range up to 6.6%. The product itself is strong, full-bodied, complex and smooth. It is positioned as a high quality, high priced specialist beer with along history. MONARCHY is alternative to wine on the table- an 'occasion' drink or a 'Sunday launch time' drink. The product/brand spans the gap lager and ale.

• WORLD MARKET

The total per capita consumption of beers of the world are in the following:-

YEAR	<u>LITRES</u>
1995	3063
1996	3126
1997	3111
TOTAL	9300

The percentage change in the beer consumption in 1995, 1996 and 1997 are -2.2%, -15.5% and -2.9% respectively in the U.K. market. In 1995, 1996 and 1997 the beer per capita consumption is 106.2lt, 102.3lt and 100lt respectively.

• GLOBAL COMPETITIVE SCENARIO FOR THE SAME

Per capita beer consumption of different countries are as follows.

COUNTRY	YEAR		-	GE IN % ISUMPT		
	<u>1995</u>	<u>1996</u>	1997	1995	<u>1996</u>	1997
GERMANY	142.7	144.2	137.5	-4.6	-5.6	-2.6
AUSTRALIA	101.9	103.4	102.1	-1.3	-21	-15.6
UNITED KINGDOM	106.2	102.3	100	-2.2	-15.5	-2.9
NETHERLANDS	88.5	90.2	85.2	-5.5	-1.3	48.4
JAPAN	54.3	55.1	55	-0.2	-46.5	-95.5
FRANCE	40.5	40.9	40.1	-2.0	-9.5	-2.8
RUSSIAN	22.5	18.8	17.1	-9	-26	-2.3
FEDERATION						

The top five brands in the global competitive worlds are as follows.

	OFF TRADE	ON TRADE
ALE	Mc EWANS EXPORT	TETLEY
	JOHN SMITH	WORTHINGTON
	DRAUGHT	STONES
	BODDINGTON	
	STONES BITTER	WEBSTERS
	NEWCASTLE	JOHN SMITHS
	BROWN	
COMBINED	29.3%	26.4%
MARKET SHARE		
LAGER	CARLING BLACK	CARLING BLACK
	LABEL	LABEL
	SKOL	FOSTERS
	HEINEKEN	HEINEKEN
	HOFMEISTER	CARLSBERG
		PILSNER
	KESTREL	XXXX
COMBINED	24.9%	51.3%
MARKET SHARE		

ADOPTED COUNTRY

• ENVIRONMENTAL ANALYSIS

SOCIAL

The premium class British peoples are very social in their natures. The marketers are accustomed either to the so- called nuclear family, with father, mother and children all living together under one roof, or, increasingly as society changes, the single parent family. The British people are very concerned about their language (English). In the U.K. most 16 years olds used take a job in industry, receiving on-the-job training at the most, and their wages may be as high as 80% of those of trained adults in the same job.

✓ LEGAL

In U.K., the parliament is made up of House of Commons and House of Lords. Legislation is enacted by the queen in the parliament in the form of acts of the parliament. In the U.K. the legal costs of both parties to an action are usually borne by the losers. In actions for the damages, lawyers are often willing to take a case on a contingency basis (no win, any free) in return for a significant proportion of the damages that may eventually be awarded. Those damages will usually be much higher than might be expected from a court in U.K. the government provide licensees to the outlets to sell alcohol and beers. The government also provide "children certificate" which permits children to be present in bars of licensed premises under certain conditions.

☑ POLITICAL

U.K. joined the European community in 1973. In 1995, member states agreed to remove all remaining barriers to trade with in the European community with the aim of creating the single European market permitting the free movement of goods, services, capital and people. U.K has also opted out the Social Chapter, so that new European community laws on worker's pay, hours and conditions will not take effect in the U.K. and this opt-out will give U.K an unfair cost advantage. It is however, possible that some of the requirements of the Social Chapter could be introduced under the guise of health and safety requirements; in such circumstances they would be binding on the U.K. Under the treaty of Maastricht on the European Union later ratified a single European currency is created. A central European bank controls the currency. U.K. has arranged to be specifically excluded, although it has the right to join if it so wishes.

<u>⊠</u> ECONOMIC

Member states of European Community agreed that, where VAT is charged the minimum rate should be 15%. Zero rating, however is still permitted. The total domestic expenditure is £675,546m. The Gross Domestic Product at market price is £668,866m. The Gross

National Product of U.K. is £589,659 less capital consumption of £68100m is the National Income, which is £521,559m. Britain devotes about 20% of National Income to investment. At the end of January1996, the inflation was .3%. It also interpreted the cost of living is not high. The unemployment gap (September 1996) is as follows.

<u>CATEGORY</u>	TOTAL
16- AND 17- YEAR-OLDS	100,000
SINGLE PARENT/DISABLED	210,000
OLDER MEN	150,000
MARRIED WOMEN	435,000
DISQUALIFIED/NOT CLAIMING	250,000
TOTAL	1,145,000

The OECD estimated that Britain's 1995-96 PSBR was approximately 70%. In 1996-97, annual debt- interest was 25 billion.

TECHNOLOGY

U.K. the member of European Community has devised a Community Patent Convention, under which Community patents would be granted; these patents would be defended in Special Courts whose judgements would be valid through out the European Community. New European technical standards have been introduced, and testing and inspection procedures are approved through out the European Community.

• MARKET PROFILE

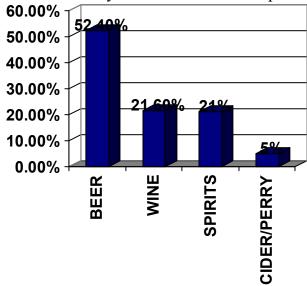
The following is the U.K. drinks market summary.

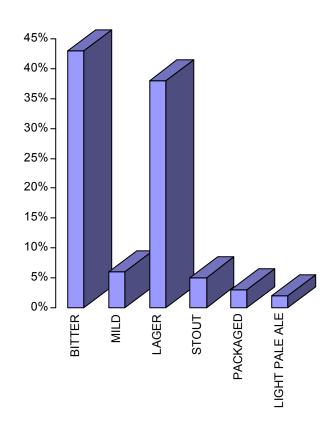
U.K. ACHOLOIC DRINK MARKET PROFILE,1997				
	CONSUM- PTION		SHARES BY TYPE %	
BEER:- HECTOLITRES,MIL LION	57.99	ALES/STOUT	51	
BULK BARRELS, MILLION	35.44	LAGER	49 100	
CIDER, PERRY HECTOLITRES,MIL LION	4.5			
GALLONS, MILLION	98.99			
WINE OF FRESH GRAPE HECTOLITRES, MILLION	7.11	STILL LIGHT CHAMPAGNE SPARKLING SEMI-	80 2 2	
GALLONS, MILLION	156.41	SPARKLING JEREZ PORT/ MADEIRA	6 3	
		MONITILLA /OTHER FORTIFIED VERMOUTH	1	
			5	
			100	
MADE WINES HECTOLITRES, MILLION	1			
GALLONS, million	22.09			
SPRITS HLPA,thousands Proof gallon million	879.5 33.86	Whisky Gin Vodka Rum Cognac Brandy	44 12 17 9 4	

Others	10

The consumption chart of U.K. is as follows.

The beer market share by volume has been depicted above.





Emotionally, the ideal environment for the beers in U.K., with mixed groups of drinkers, typically with in the age of 25-45years, drinking smaller quantities of high quality beer often associated with food. Many beers appeal to women because it is not, as they perceive it, flat and tasteless like lager and it has higher alcohol by volume. The following chart shows the statistics of daily drinkers of alcohol in U.K.

Year ending March	1995	1996	1997
All drinkers('000s)	40865	39862	39584
Daily drinkers('000s)	4583	4188	4647
Index of intensity of usage by:			
Sex: Male	140	135	129
Female	63	68	73
Age group:18-24	73	72	61
25-34	94	64	60
35-44	94	93	99
45-54	93	114	98
55-64	122	124	125
65+	129	134	150
Region: Greater London	124	129	122
South East/ E Anglia	116	121	115
South West	113	110	113
Wales	78	101	75
East & West Midlands	104	97	108
North West	91	87	86
Yorks & Humberside	92	86	84
North	73	68	88

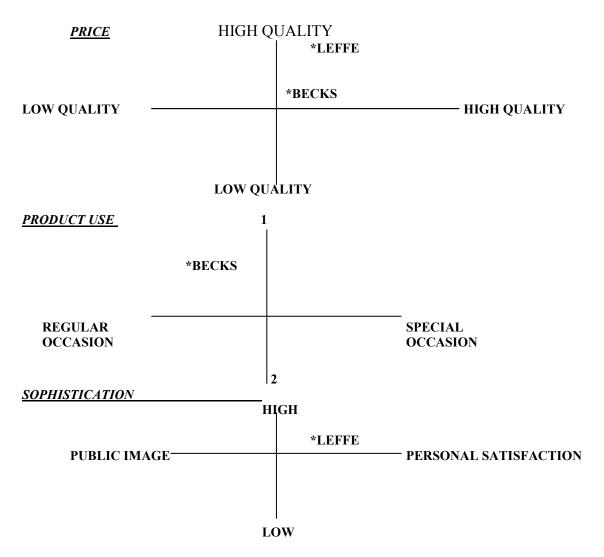
The following chart shows the frequency of drinking alcohol.

Drinks alcohol at least	Weekly	Monthly	Ever	Never
	%	%	%	%
All adults	59	74	83	17
Sex: Male	71	81	87	13
Female	49	67	79	21
Age group: 18-24	68	83	88	12
25-34	64	81	88	12
35-49	63	77	86	14
50+	52	65	77	23

The most efficient use of time is to approach the pub multiples, mainly brewers like Greenalls, Yates, Bass and Whitbread and also important channels.

• COMPETITION PROFILE

In U.K. the Interbrew have invested heavily in the Leffe brand and have positioned it as high quality, high priced range of beers. Interbrew also has, the other brands by the name of 'Becks' which is a premium packaged lager. The positioning maps are in the following:



Interbrew brews large range of pilsner brands (Classica Von Wunster, Dommelsch, Jupiler and Stella Artois). There are also number of coloured beers (Vieux Temps, Ginder Ale); "abey" beers (Leffe); spontaneous fermentation and fruit beers (Gueze, Kriek, Fram Boise, Bell-Vie); high gravity beers (Grand Gu, Forbidden Fruit); wheat beer (Hoegaarden White); and fully brewed and non and low alcohol beers (Stella Artois NA, Jupilar NA, Kriek NA). Leffe was described as clean and fresh, deep tasting. It delivered a sense of strength with being over whelming. Leffe Blonde was almost liked in Glasgow and had most problem in Manchester. Leffe Triple was very much liked, and tended to be seen as taking every thing that was good about Blonde one step further. Almost all the product range are found only in sophisticated outlets. These include the Trappist beers (Chimay, Duvel and Orval); fruit beers such as Timmermans and wheat beers such as Hoegaarden.

TRADE PATTERNS AND TREND OVERALL AND FOR ADOPTED PRODUCT CATEGORY

Many beers in U.K. are home produced and many are imported from different countries. The following is U.K beer consumption market of all beers which are produced in U.K. and imported in U.K.

HOME PR	RODUCED	IMPO	RTED	TO	ΓAL
BULK	Hectolitres	BULK	Hectolitres	BULK	Hectolitres
BARREL	(million)	BARREL	(million)	BARREL	(million)
(million)		(million)		(million)	
1993 :25.86	58.68	2.77	4.53	38.63	63.21
1994 :35.46	58.03	3.10	5.07	38.55	63.09
1995 :34.14	55.87	3.26	5.33	37.40	61.20
1996 :32.88	53.80	3.38	5.53	36.26	59.34
1997:					57.99

The percentage of increase and decrease are as follows:

YEAR:1993	1994	1995	1996	1997
(.10)	(.20)	(3.00)	(3.00)	(2.30)

The total U.K. import by the country of origin in ('000 hectoliters) are as follows:

COUNTRY OF	<u>1996</u>	<u>1997</u>
<u>ORIGIN</u>		
EIRE	2456	1951
GERMANY	1376	1184
NETHERLANDS	718	507
FRANCE	243	299
USA	122	153
BELGIUM	136	116
/LUXEMBERG		
MEXICO	137	62
CZECH	47	58
REPUBLIC		
ITALY	36	48
SPAIN	49	32
DENMARK	44	29
AUSTRALIA	34	27
NEW ZEALAND	16	21
CANADA	6	13
JAPAN	7	7
OTHERS	92	76
TOTAL	5519	4583

The trends in the U.K market of consuming beers are following through out the year. The following is the trend pattern of consuming beers in the U.K. market.

The proportion of total beer consumption (by %)

YEAR	BEER	YEAR	BEER
1984	59.1	1991	54.4
1985	58.1	1992	54.6
1986	58.2	1993	54.5
1987	57	1994	54.2
1988	56.5	1995	54.2
1989	55	1996	53.8
1990	55	1997	52.4

The percentage changes of beer market are as follows:

<u>Items</u>	<u>1994/95</u>	<u>1995/96</u>	<u>1996/97</u>	<u>1997/98</u>	<u>1998/99</u>
Total	(2.9)	(2.8)	(2.8)	(2.8)	(2.7)
Draught					
Ale					
&Stout					
Total	(9.0)	(8.4)	(8.0)	(7.9)	(7.4)
Bottled					
Ale &					
Stout					
Total	2.1	2.0	2.0	1.9	1.8
Canned					
Ale &					
Stout					

SWOT ANALYSIS

INTERNAL ANALYSIS

STRENGTH:

- 1. MONARCHY unique flavour- neither a lager nor an ale- could have been perceived as a problem but will work to our advantage as competition to wine.
- 2. Modern technology used for the brewing of the beer, which helps the company to get the advantages of economies of scale.
- 3. Good image in the home market (India).

WEAKNESS:

- 1. MONARCHY currently cannot compete promotionally with top brands; budgets will not allow the company to fight.
- 2. Market research has been very patchy for the lack of finance.
- 3. Lack of relevant market information regarding the different stakeholders in the new market (U.K.).

EXTERNAL ANALYSIS

OPPORTUNITIES:

- 1. Fashion trends favour imported beer.
- 2. Other premium products are successful in the market, showing price not to be a sensitive issue.
- 3. The standard of living is generally improving.
- 4. The U.K. licensing laws are being relaxed i.e [all Sunday is now permitted].
- 5. Beer consumption is on the upturn.
- 6. Wine consumption is increasing.
- 7. Personal imports are also increasing.

THREAT:

- 1. The introduction of alcoholic soft drink will intensify competition.
- 2. The beer market is fully saturated.
- 3. U.K. tax in relation to (alcohol by volume) is high.

STRATEGY FORMULATION

DEFINING GOALS IMMEDIATE AND LONG TERM

MISSION STATEMENT

To provide a growing number of MONARCHY consumers with a unique drinking experience which bridges the gap between beer and ale.

LONG TERM GOALS

- 1. Following further research, to re-define the brand image.
- 2. To then use advertising to pull demand through the distribution channels.
- 3. To achieve maximum penetration of the selected outlets.
- 4. To exceed the target results in the long term.
- 5. To introduce other beer (MONARCHY XX) in the medium term.
- 6. Growth of sales revenue.

7. Growth of profit.

SHORT TERM GOALS

- 1. Development of new products to maintain sales/profit growth.
- 2. To achieve the sales, distribution and profitability objectives set for the brands.
- 3. To reposition the packaging and promotion in accordance with market research.
- 4. To trial the effects of advertising on sales per outlet and new outlet gains.

DEFINING CHOICES

MARKET ENTRY METHOD

UNITED BREWERIES chooses the direct export method for entering into the U.K. beer market. Sales are made to the wholesalers and retailers like Tesco and Sainsbury. They also made contract with Belgo- two Belgian theme restaurants in London, which offers a three-course menu and over 100 beers. Contracts are also made with Malmaison – a chain of hotels, Oddbins, Elveden, Asda and also with different accounts. All these accounts buy beers from the company and earn profit. Sometimes they are also responsible for different types of marketing tasks (promotions, market research, and so on) in the U.K. market.

MARKETING MIX

↔ **PRODUCT**

MONARCHY is a specialist beer but it has decided not to position the beer in the exclusive niche market, for it is not readily accessible. Instead, as the product does span the beer categories, it has been decided to pitch it more accessibly against the main stream lagers and ales. It is wise to position the beer more simply as a traditional, continental beer which will further enforce the cultured and up-market feel of the product. MONARCHY will be available on draught and in bottles, both of which offer advantages.

- 1. It is the first specialist beer which will be available on draught, which will not only gives it a competitive advantage but will also reassures the consumers as to the company's commitment to the brand.
- 2. With regards to the off-trade market, although cans are still the most common means of packaging, bottles are growing in popularity. This trend is most pronounced amongst the company's target customers, who in turn helps, the company to decide upon the bottles.

♠ PRICE

The economic recession recently suffered has changed the consumer buying patterns. Research by Mintel in 1996 indicates that consumers are now buying fewer products but of a higher quality. Therefore MONARCHY beer must be marketed as a premium product not only due to its high alcohol- byvolume but also due to this changing economic trend. A premium price will be easily accessible to our target market of which many of that will be paying similar prices for premium lager. The price charged should in fact be slightly higher than the charge for Becks, in order to reinforce the point that MONARCHY is not a simply a premium lager but a premium specialist beer. This will allow Tesco and Sainsbury a margin of approximately £100 per barrel on-trade and £65 off- trade. It is not anticipated that this pricing strategy will evoke retaliatory responses from competitors. Producers of specialist beers, who already command high prices, are unlikely to perceive either the price or the product as a threat, for MONARCHY is not being targeted at this niche market. Brewers of more popular beers will perceive the product as too specialist initially to encroach substantially upon their market share. With regards to the price, MONARCHY does not really have a popular competitor in the traditional/premium market sector. Premium prices will also appeal to retailers, who could make greater profits while selling the product to consumers.

▼ PLACE

To reinforce MONARCHY high quality image, the outlets frequented by the target market will only distribute the beer.

1. These will up market pubs (that sell food) and themed restaurants. Stocking should be done in another 600 outlets in the country. These should be all in large cities, focusing on London, the South, Edinburgh and Glasgow. Manchester will be included in the later date due to the

- initial poor response the beer received in the city. Themed restaurants will mostly cover bistro style chains such as the French Pier Vector.
- 2. As well as these pub/restaurants, distribution will be encouraged in cultural centres, such as the Shakespeare Theatre in Stratford, and the festival Art Centre in Edinburgh. Jazz clubs will be considered, specially the world-renowned Ronnie Scots in London. These will account for another 20 outlets across the country.

Off –trade will be a very important market for the future and demands more extensive investment and time.

- 1. Tesco's, Sainsbury's and Waitrose will be heavily targeted with the promotional material and the promise of high returns. Furthermore Morrisons will also be targeted as it covers the north of England whereas Waitrose is predominantly situated in the south. These four company alone will account for 800 stores. This will not only make the product available to the target market but will also reinforce the product upmarket image. It will not be available in low margin/discount outlets such as Kwik Save and Aldi.
- 2. Product should also be available in the special stores such as Victoria Wine and Threshers.

♦ **PROMOTION**

Designing an effective advertising campaign. Which will meet all legal requirements is very expensive. Since the expenditure is outside budget set for MONARCHY, the company would consider public relations.

SPONSORSHIP- Sponsorship will inspire the sales forces to gain publicity and to improve a company's image and sharpens positioning. Considering the target market, the company should decide for the art sponsorship is used as follows:

🐼 Edinburgh Fringe Festival.

An arts page on the Internet.

The South Bank Show.

Cultural Centres.

THIRD PARTY ENDORSEMENT: Third party endorsement will be excellent for encouraging trial and overcoming dissidence. As the quality of

MONARCHY as a product is high, getting people to report favourably should only take a free trial. These free trials should include the following:

- Malcolm Gluck: Wine critic and connoisseur for the Observer and Guardian and author of 'Super Ponk'.
- GQ: The best selling male magazine.
- Clubcard magazine: This is a free magazine sent to all Tesco Club Card holders.
- BBC Good Food: Best selling magazine in the country and would reinforce the food connection.
- Marie Claire: The best selling female magazine after cosmopolitan (which is felt to be too young).

POINT OF SALE: Point of sale promotion would be very effective and care must be taken not to cheapen the brand.

GLASES: As on-trade the product needs to serve correctly, in the supplied glass, it will be a very costly exercise. On average, it will cost £900 for each of the on-trade channels to set up. It would be extremely important though, that this would be continued, as it is vital to the product prestige.

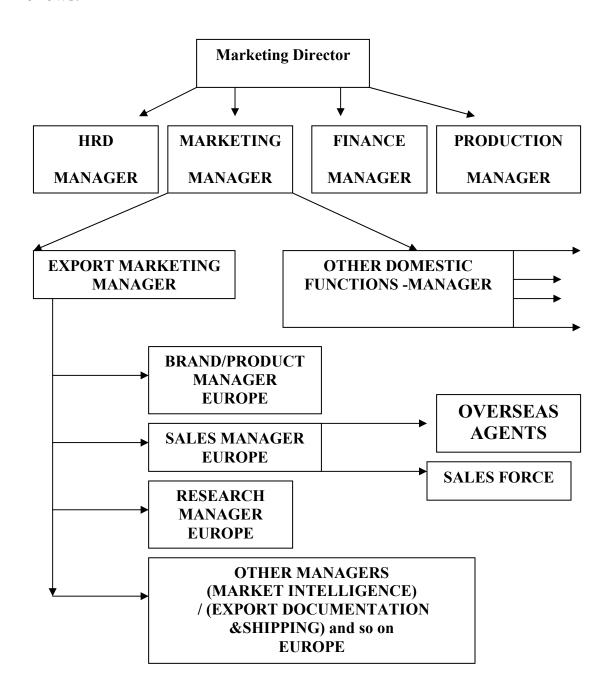
These activities are designed to attract innovators and opinion leaders. Throughout the five years period, sponsorship will increase and widen slightly in order to reach the early adopters and early majorities. The late majorities are followers and if their friend like the beer they will try the beer. Therefore people in this segment does not need targeting although they will be encouraged by third party endorsements. Laggards will not adopt MONARCHY until too late and are not worth being too concerned about.

(P.T.O)

OPERATIONAL ISSUES

• ORGANISATIONAL SET-UP

The organisational set-up of UNITED BREWERIES company are as follows:



• MARKET RESEARCH / FOLLOW-UP

• MARKETING INFORMATION SYSTEM / REVIEW / CONTROL

UNITED BREWERIES have to conduct large amount of market research to know the basic attitudes, values and behavior of the target consumers towards its product category (beer). Therefore the company have to gather large amount of data from the market. The company has to conduct the prelaunch market research and post-launch market research for its product category.

PRE-LAUNCH MARKET RESEARCH

The company has to gather different types of marketing information to fulfill the action standard specified for the research. The data sources (internal & external) which the company can avail can be profit/loss statement of the company itself and external information can be from BMRB. Drink Pocket Book, Target Group Index, Kompass, Dunn & Bradstreet, Kluwer & Crone, reports of EU & OECD on trade statistics and prospects for the member countries, publications and statistical summaries and intelligence reports. Information can also be gathered from the syndicated market research service agencies including ANBAR, KEYNOTE, MINTEL, EXTEL and EUROMONITER. The primary data can also be gathered by conducting the focus group interviews. Test marketing in Edinburgh is very essential for the company to get the inferences which will be the qualitative data regarding its brand (MONARCHY). During the test-marketing period the company can also arrange for the store surveys and pub surveys through informal chats with the target audiences. The company can also use different types of research instruments like questionnaires with the intention to buy scale regarding the price and likert and sementic differential scale regarding the quality of the brand.

P <u>POST- LAUNCH MARKET RESEARCH</u>

The post-launch market research should be a ongoing strategy for the company for every three months. The data sources that the company should stress on are the sales statistics by product and target consumers, sales call reports, complaints, debtors and creditors information, delivery details, stock levels, profitability and so on. The company should also have to stress on the

different types of secondary external source data. To know the changing values and attitudes of the customer, the company should conduct home audit of the target customers and could request the target customers to maintain a dairy and in-house scanning fascilities. The company should conduct the retail shop audit for the specific shops, which will stock the brands of the company. The company should also conduct the telephone research with dichotomous questions. The company could also resort for the importance and rating scaling techniques to understand the changing perception of the target consumers.

CONTROL

The company has to keep control on different aspects of the marketing tasks to keep the top hierarchical management in touch. The company can use different types of ratio standards for the different types of stakeholders of the company. The company can fix three calls per £100 for the sales forces operating in the market. It can fix that the different retailers have to deliver 20 to 30 bottles per week. The company should also fix the amount of glasses as gifts by setting the breakage standards for the different types of licensed shops. The company should arrange for the customised cash memo and release orders for the different stores and retailers to keep the track for sales per stores. The company fixes the profitability margin of £88000 from the market.

• SUMMARY OF THE BUSINESS PLAN

UNITED BREWERIES is an Indian brewing company. The company chooses to launch its brand (MONARCHY) into the U.K market. The company wants to position the brand (MONARCHY) as a high quality premium beer, which transcend the traditional barriers between ale and lager in the market. Therefore the company sets different types of objectives for the brand in the U.K. market. The objectives are as follows:

SALES : To increase total sale volume to 20,000

hectoliters in five years.

DISTRIBUTION: To increase the number outlets to 1000 in

five years.

POSITIONING : To gain brand recognition for

MONARCHY as a high quality premium

beer.

MARKET SHARE: To gain .09% market share of off-trade market in five years.

The company chooses to enter into the market by using the direct entry mode. It has made contracts with different types of retailers, distributors, and stockists. The company has also made contracts with different types of licensed shops to penetrate the up-market.

TARGET MARKET

The product will be targeted at influentials. The core market is composed of 24-45 years old males and females. As the target audience will be well-educated professionals, advertising and distribution will be used to give the product an 'up-market' feel. For example promotional activities will include sponsorship of cultural events.

SUMMARY OF THE MIX

- PRODUCT: The marketing program will stress the brew historic, monastic background combined with the fact that it does in fact transcend the barriers between ale and lager.
- PRICE: A premium price will be charged to reinforce the product quality/ unique image.
- PROMOTION: There will be an art and cultural bias to all promotions in order to appeal to and reinforce the image of a well educated, sophisticated target market.
- PLACE: The product will be pushed through higher quality retail outlets such as Sainsbury's and Victoria wine. This will not only make available to the target market but will also reinforce the product upmarket image. The product will continue to be distributed through ontrade outlets, where restaurants and pub multiples will be targeted.

CONTROL

The company will control the basic marketing tasks by establishing the different ratios for the sales forces, distributors, retailers and the stockists. The Mother Company UNITED BREWERIES will also establish certain profitability from the market.