

The german beer industry

Business



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Discuss how the changing technological environment present International threats and opportunities to the German beer industry. To discuss how changing technological environment presents international threats and opportunities for the German beer industry, the term of changing technological environment has to be explained. The literature distinguishes between a micro environment and a macro environment.

Micro environment concludes factors, which are directly influenced by a company.

These factors are organizational - Marketing- Mix, Structure, processes etc. Macro environment contains political decisions, cultural and social changes and technological changes (Lee and Carter, 2009). Technological changes can include three sections to improve business processes of companies. The first is through technological innovations in products and processes. For instance producing processes in different industries are much easier and faster today than before 30 years.

Product life cycles are less long today - modern technology allows permanent improvements and innovative new products detach older products.

That is a development of modern industries, which can be observed (Dickens, 2011). The second one is through communication and information. Technology increases productivity by time saving devices and allowing companies to work in collaboration with team members within a network, who are not present or the ability of fast access to data from anywhere of the world (Bobbie, 2004).

Furthermore modern Technology allows companies to do consumer or market research in a very short time, especially through the internet which provides opportunities for companies to enter new markets across several countries and sessions in a very fast and easy way now (Litany et al. , 2010).

The third one is through mobility and innovation in transportation. Today manufacturers are able to transport products with the help of airplanes, trains and ships in a geographical freedom without losing quality of products (Dickens, 2011). Genealogy provided the German industry opportunities to increase general production output. Improved Information and communication technology (ICT) and innovative transport systems results a less complex of processes to enter new markets by aimed communication and fast distribution. But one of the most important international opportunities that changing technological environment presents to the German beer industry is the improvement in production processes.

Process optimization and increased efficiency are priorities of the most companies.

For Instance high-gravity wort fermentation or efficiency of wort sugar uptake are process activities resulting in reduced capital expenditure and gains in economies of scale (Stewart, no date). Economics of scale eventuates when a decline in average cost can be achieved through an increase in output of one product (Sullivan A. And Suffering S. , 2003).

In addition many of the big global players are leveraging from innovated brewing and fast fermentation processes. There are heavy investments in

brewing development to produce more efficient for instance to exploit ingredients or save water and gain economies of scale.

In the USA breweries like Enhances-Busch, Miller and Coors managed to dominate the mass-producing sector and gained in economies of scale (Trembler et al. , 2005). World market leader ABA Ellen from Belgium owns more than 200 beer brands today, undaunted Beck's, a German beer.

Local breweries did not attempt to expand in the past and today they are suffering room acquisition of big global players. The device of big breweries is to produce efficient and cheap. But many German customers are struggling against this mass- production provided by modern technology.

Most of them argue that the quality of the beer is suffering from mass-production and decide to buy local German beer brands, which are more expensive (Schismatic, 2012). In times of cheap mass- production there are still customers, who are ready to pay more for quality - according to the case study the same applies to emerging markets.

So local German breweries could use their quality as a unique selling proposition and start to operate and get together by mergers for instance to share costs and risks of overseas operations.

It is logical, that only a few German breweries will be able to invest in international operations, because of small financial resources. Therefore maybe only 100 of the 1300 German breweries will stay alive in future - but these breweries will be strong enough to create an availability of German beer internationally. One opportunity for German breweries is to expand to

emerging markets like China then, where according to the study customers are ready to pay for quality, as we mentioned. Producing towards the Reinstitution promises that required quality.

Referring to the Paper that most of the small German breweries got small financial resources and no experiences in overseas markets, so cooperation with another famous German brewery, as we mentioned, or a Joint venture in a foreign country like China to reduce certain risks, costs and gain specific market knowledge, could be profitable.

The infrastructure, especially communication and information channels to gain knowledge about local preferences will enhance the way of doing business there. But new technologies and innovative processes provide rival producers new opportunities and form new threats for the German beer industry.

By producing more efficient and creative with support of modern producing generations. Example is given in the study by offering alcohols or mixed beers etc. Eventually global players, who enter the German market by acquiring German breweries and are close to the market, will be in a position to adapt their own products in the future with support of modern technologies in research methods etc. To gain knowledge of local preferences by ongoing efficient industrialized mass reducing processes.

And if German breweries still stay small in distribution, big global players will be able to dominate more of the almost saturated market.

This is especially because of modern efficient way of brewing and the declining costs involved through economies of scale for example. 2. Discuss the impact of the current economic global crisis upon the operations of the German Beer industry, given that it appears to be fractionated and has smaller financial resources than its main competitors. According to a publication of the new economics foundation (Neff, 2012), the world is in the second phase of an economic crisis, which has a global reach and affects not just only the world's major institutions, but also the established ways of thinking.

The Neff asserts that the contemporary global economic crisis is a continuation of the financial crisis of 2008. In 2008 the world's third-largest investment bank at that time, Lehman brothers, bankrupted and led to eventual a collapse of the whole financial system. The Neff explains that the crisis of 2008 was halted but not resolved. Now the results of the second phase of the global economic crisis are stagnation and austerity or cut public spending, so the Neff.

Furthermore the Neff argues that austerity is hindering economic growth, because firms sell fewer goods and services and therefore this creates job losses as we can see in Ireland, Greece and now in the United Kingdom. That global economic crisis impacts the beer industry in several countries proves a declining number in annual per capita consumption of beer in Greece, which has been hit hardest among the countries by the beer recession and by the crisis itself (Ewing, 2011).

The main impact of the economic global crisis upon of German beer industry is, that one and more people loss their Jobs worldwide within the crisis (BBC, 2009).

Therefore they are not able to spend much. Because of that they fear about the uncertain future and want to save money. This fear impacts their customers buying behavior. There is a strong resistance to buying and therefore prices have to be lowered (Herrmann, 2009).

In addition more and more people are drinking at home rather than in bars or restaurants to save money. This in turn leads to that more people loss their Jobs, governments are hindering productivity by value-added taxes, which lower institution and cots Jobs (Ewing, 2011).

That means that there is a declining buying power and changing careful buying behavior, especially of price sensitive German customers, like it is told in the study. The paper shows already a declining number of beer consumption, because of some factors, like Trends, demographic changes and government decisions against alcoholic drinks etc. The fact that the people spent less money, as mentioned before, will accelerate this process.

The general economic crisis in Europe, like in Greece, Italy and Spain intensified the situation (Bloomberg, 2013).

So this countries import less to overcome the crisis and are out of the question of a potential markets. There is one matter occurred within the global economic crisis especially in Europe that could have a huge affect on the German beer industry in future. The European Union follows a common

policy outwards in interests of each country. But in times of economic crisis like in Greece, the idea of a common Identity of several nations within the European Union failed.

Many Greeks for instance are blaming Germany and France to benefiting from their spending for Greece in order to help (The Independent, 2012). Both are the main supporters for Greece attempt to overcome the crisis by attempt to support investment and economic growth there (RET, 2012). But as mentioned, not only Greece; Ireland, Portugal, Spain and Italy are heavily indebted countries, who are next to face the economic crisis in an extreme kind (BBC, 2012). Situations like these can destroy a common relationship between countries within the ELI, because everyone seeks for reasons for the fail of the economy in each country and as it had been said especially Greece is blaming the policy of EX. about that.

This fact forces countries and governments to shut themselves off from the EX.

and concentrate on local policy, economy and matters instead showing common interest in the EX. as a whole. This could lead people to think more nationalized and consumption could concentrate on domestic products instead of expensive imports, like of a good quality German beer, to save money. These happenings, particularly in Europe, show a negative initial situation for German beer industry and as we said above potential markets in Europe in the future.

According to the case study the German breweries are fractionated and got smaller financial resources than their competitors, which is hindering the industry to expand overseas and enter new markets to gain success and profit. Like Koenig says in the study the German market is saturated and as I said before the economic crisis in Europe precludes a potential market there.

Emerging markets are potential markets because for instance of several factors like the market size in China etc. And according to the paper the fact that customers are ready to pay more for quality in economy in Europe has fallen into a critical situation.

Increased consumer spending and the open business policy of China provide really new opportunities for western companies (BIB International, no date). The expansion to such markets is related with new costs, which complicates the operations of the German beer industry, because of small financial resources. Grave et al.

(2012) analyzed the beer industry in China in a Journal article in the case of Scrabbles. The paper argues that Porter's (1980) differentiation or focus strategy may work in western countries, but not in emerging ones. The challenge is, it says, to maintain value proposition as a quality one while responding to local demands.

The Five forces industry analysis resulted that there is a high competition in the Chinese beer market, high supplier power, low buyer power, medium threats of entrants with high entry barriers, i. e. Language barriers, and low to medium threats of substitutes.

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So no matter how attractive emerging markets are, it might be risky to enter China; but first you are established, you will gain big success. This success requires financial resources, which German breweries can only gain by consolidation with associated German breweries or joint ventures with Chinese impasse.

Scrabbles gained big success by Chinese acquisitions and undergone little affects of the economic crisis, so the Journal article. So certain German breweries should get together to share costs and try to enter new emerging markets - as we mentioned European and German markets are almost saturated; if they do not try to find new markets, most of them will collapse, raddled from the impacts of the global economic crisis by declining numbers in consumption, less buying power and changes in buying behaviors. .

With reference to the EX. market only, explain how contemporary cultural and social changes might affect the future development of the German Beer industry. Cultural and social changes are macro environmental matters that businesses have to adapt on to stay competitive. Consumer preferences are dynamic and invariably changing. As consumer preferences have to form adaptations, companies have to consider trends to produce goods which satisfy consumer needs in real.

Not only demographic changes, on which I will be come back later, but different ethnically, religious, racial groups and changes in proportion of gender within a society can affect companies in their businesses (Richards, no date). By referring to the Paper an important social change is that more and more people in Europe and in the world become more health conscious.

This includes government decisions about penalties related with alcohol in public and suggestions, like it says in the study, to general lifestyle and nutrition of the public.

Science and medicine promote this trend by distribute the opinion that long term use of alcohol leads to Disease Control and Prevention, 2012). Wellness products are shaping food markets, especially in Germany. Health is status symbol for newly olds and young people are interested in healthy products, as well to prevent illness (Agriculture and Agro-Food Canada, 2010).

Further drinking beer has a bad image today. We associate beer drinking with luses and riots in football stadiums.

In an era in which apparently health and wellness plays a significant role, especially people who cares about their outward appearances, do not drink beer, because they do not want a beer-belly (Reilly, 2012). These described trends can have a significant affect on German beer industry, especially in a shrinking market, like the paper says. According to the Study besides his there is a declining number of consumption of beer. A low birth rate in Germany, within a declining number of population impacts every area in life and influence economy, as well.

Fundamentalism des Inner, 2011). Particularly demographic changes in Germany and Europe lead to a cease of the core target group. A low birth rate in Germany, within a declining number of population impacts every area in life and influence economy, as well. In addition the case study provides that younger generations prefer to drink alcohols and mixed beers instead of traditional beer.

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