

Jack daniel market entry strategy

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Market Entry Strategy for Jack Daniels (Brown-Forman) to Germany Products Being Exported Consumer: Jack Daniels Old #7 Whiskey Industrial: Jack Daniels signature Whiskey Barrels International Business Policy 490 By: Market Entry Strategy for Jack Daniels (Brown-Forman) to Germany Brown-Foreman Company The Brown-Forman company who is the owner of the Jack Daniels brand since 1956 was founded in 1870 by George Gavin Brown, a young pharmaceuticals salesman in Louisville, who had the then-novel idea of selling top-grade whiskey in sealed glass bottles.

Since then it has grown into a company that in fiscal 2006 had sales of 2.4 billion dollars. The Brown family controls more than 70% of the voting shares. " This isn't a History Lesson, This is Jack Daniels" " Was it simply his lucky number? Some say that Jack Daniel had seven girlfriends or the #7 train carried his barrels. Only Mr. Jack knows the real reason. " Jack Daniels was founded in 1863, at age 13 Jack Daniel owned his first whiskey still. The United States licensed its first ever distillery in Lynchburg, Tennessee in 1866. This site is where Jack Daniels whiskey is still produced, today.

Jack Daniel's whiskey has become the top-selling whiskey in the United States due to few safety concerns involved in the distilling process. Also, prioritizing quality was Jack's other focus, he said, " Every day we make it, we'll make it the best we can. " Market Overview Germany is politically as well as economically one of the most important countries in Europe and the European Union. Due to its geographical position, its good infrastructure and its legal certainty, Germany is the first choice for many foreign companies when establishing a Representative Office or a subsidiary for their entry into the European market.

The German economy is the world's fourth largest and accounts for more than one-fifth of the European Union's Gross Domestic Product. The United States largest European Union trading partner is Germany, also, being the sixth largest market for United States exports. Germany's economy follows free market principles with a considerable degree of governmental market regulations and generous welfare programs. Germany has a welcoming attitude towards foreign direct investment (FDI). The German market is open for investment in practically all industry sectors, and business activities are free from regulations restricting day-to-day business.

German law makes no distinction between Germans and foreign nationals regarding investments or the establishment of companies. The legal framework for FDI in Germany favors the principle of freedom for foreign trade and payment. There are no restrictions or barriers to capital transactions, currency transfers, real estate purchases, repatriation of profits, or access to foreign exchanges. Economic Data Year| Average Unemployment rate| Annual Inflation rate| 2008| 7. 8%| 2. 6%| 2009| 8. 1%| 0. 4%| 2010| 7. 7%| 1. 1%| 2011| 7. 1%| 2, 3%| 2012| 6. 7%| 2, 1%

Consumer: The largest consumer market in the EU is Germany, with a population of over eighty-two million. Enormous amounts of trade are conducted in Germany. Germany's geographic location in the middle of the 27-member EU makes Germany a favorable gateway for many US companies to build their global expansion strategy. With Germany being the largest consumer market it gives the opportunity for Jack Daniels to gain a high value in market share. Industrial: A recent study conducted by the American Chamber of Commerce highlights the positive regard, in which the German

business environments held by US companies. US companies indicated that for the industrial market, 73 percent of participating American companies named Germany as their first choice for market entry; followed by Eastern Europe (57 percent), and Western Europe (33 percent). This is a good statistic for Jack Daniels because it shows that other companies are doing the same which opens up competition and for an easier market entry. Market

Challenges The following information must be present on the label: Product type (Trademarks, brand names or fanciful names may not substitute the generic/product name, but may be used in addition to the product name) * List of ingredients preceded by the word "Ingredients"; must show all ingredients (including additives) in descending order of weight as recorded at the time of their use in the manufacture and designated by their specific name. In the case of those products that may contain ingredients liable to cause allergies or intolerances, a clear indication should be given on the label by the word "contains" followed by the name of the ingredient.

However, this indication will not be necessary provided the specific name is included in the list of ingredients. * Net quantity in metric units (liter, centiliter, milliliter) * Date of minimum durability not required for wine and beverages containing more than 10% alcohol by volume * Special conditions for keeping or use (if applicable) * Name or business name and address of the manufacturer, packager or importer established in the European Union * Country of origin or provenance * Alcohol content for beverages containing more than 1.2% by volume * Lot identification with the marking preceded by the letter "L".

REQUIRED DOCUMENTS The following is a list of the documents that are required and/or recommended when importing alcohol beverages into Germany and/or any other EU member state: * Commercial invoice * Customs Value Declaration * Freight Insurance * Freight documents * Customs Import Declaration (SAD form a common import declaration form for all EU Member States; must be drawn up in one of the official languages of the EU) * Packing List * Certificate of Origin * Insurance certificate * Simplified Export Certificate

IMPORT PROCEDURES An import declaration is required for goods from third countries such as the U.

S. When goods are imported into Germany, it is the responsibility of the importer or his authorized agent to declare them to Customs. A Single Administrative Document or SAD is used for this purpose. This is the approved form for the import declaration process. * The Single Administrative Document (SAD) may be submitted to the Federal Customs Administration, either through physical means or through an electronic declaration. * Goods are released from Customs for " free circulation" once the pertinent documents have been filed and payment of tariff duties has been completed.

After paying the value added tax (VAT) and any other applicable excise duty, goods are also released for consumption and ready to be marketed

TAXES/TARIFFS * Value Added Tax (VAT) is an indirect tax on goods and services which is borne by the end consumer and applied to the value added at each stage of the supply chain. * In Germany, it is called Umsatzsteuer.

Consumer: Germany's relatively high marginal tax rates and complicated tax

laws may constitute an obstacle, although deductions, allowances and write-offs help to move effective tax rates to internationally competitive levels.

The Germany industrial market is one of many fluctuations throughout the years. The real German GDP expanded by 1.7 percent in 2008, after a contraction of 0.1 percent in 2007. Forecasters predict that the economic growth would slow to 1 percent in 2009. Sluggish consumer demand, weak investment spending and the persistent crisis in the construction sector continue to exert a dampening effect on recovery. The German economy continues to suffer from structural problems, including inflexibility and over-regulation in labor markets, taxation and business establishment, as well as high social insurance costs.

This might slow the demand for Jack Daniels number 7 whiskeys due to it being a higher end drink. The German culture might not justify spending the 30 dollars on a bottle of Jack Daniels when you can get Evan Williams for half the price. Industrial: With the exception of participation in the EU Common Agricultural Policy, Germany presents few formal barriers to U. S. trade or investment. Germany has pressed the new EU Commission to reduce regulatory burdens and promote innovation in order to increase the EU member states' competitiveness.

Germany's government regulation is often complex and may offer a degree of protection to established local suppliers. Safety or environmental standards, not inherently discretionary but always applied, can complicate access to the market for U. S. products. American companies (Jack Daniels) interested in exporting to Germany should make sure they know which standards apply to their product and obtain timely testing, certification (CE),

and all the different regulatory compliances. Also the use of free trade zones and bonded warehouses might be a way to cut costs by assembling the barrels there instead of beforehand.

German standards are especially relevant to U. S. exporters because, as EU-wide standards are developed, they are often based on existing German ones. Market Opportunities For companies in the US, the largest EU market to enter is Germany. Germany is an important element to Jack Daniels Old Whiskey #7 and the signature Oak Barrels' exporting strategy into Europe. With the high costs of doing business in Germany come, high levels of productivity, a first-class infrastructure, quality engineering, highly skilled labor force, and a location at the center of EU.

This in turn makes Germany a very appealing country to export Jack Daniels brand into. U. S. Exports and Imports to Germany Year| Exports to Germany| Imports from Germany| Balance| 2008| 54, 505. 3| 97, 496. 6| ? 42, 991. 3| 2009| 43, 306. 3| 71, 498. 2| ? 28, 191. 9| 2010| 48, 160. 7| 82, 429. 1| ? 34, 268. 4| 2011| 40, 837. 0| 80, 616. 8| ? 39, 779. 8| 2012| 44, 983. 6| 99, 299. 3| -54, 315. 7| Between Germany and its eastern European neighbors, the labor cost gap has been significantly reduced. In fact, Germany has gained the labor-cost edge in recent years.

Since 2002, wages have risen in most European Union countries, with the growth rate averaging 3. 1 percent. While some countries; particularly those in Eastern Europe experienced a rise of more than seven percent. Germany recorded the lowest labor cost growth within the EU at just 1. 6 percent. This has been another decisive argument in favor of Germany as a premium market entry spot in the European Union Main Exports and Imports by <https://assignbuster.com/jack-daniel-market-entry-strategy/>

Commodity with Germany 2010 Commodity| Imports from Germany| Exports to Germany| Apparel| USD 115. 6 million| USD 142. 3 million|

Chemical goods| USD 7. 1 billion| USD 7. 2 billion| Electric Equipment| USD 9. 5 billion| USD 11. 4 billion| Beverages| USD 611. 9 million| USD 426. 2 million| Machinery| USD 15. 4 billion| USD 6. 8 billion| Cars and car parts| USD 25. 4 billion| USD 5 billion| Consumer: For the consumer product Germany's excellent workforce is decisive to the country's high productivity rates. It comprises over 40 million people, making it the largest pool of ready labor in the EU. Germany's world-class education system ensures that the highest standards are always met.

More than 80 percent of the German workforce has received formal vocational training or is in possession of an academic degree. For the productivity rates and workforce size, it shows good potential for Jack Daniels to gain market share and higher employees that will work hard and grow the company to the German standards. Industrial: Industrial market entry is all about efficiency and margins. Germany's logistics infrastructure is among the best; its companies are also global logistics leaders. In fact, the world's leading logistics services provider is a German company Deutsche Post DHL.

Deutsche Bahn operates Europe's largest rail network and Lufthansa Cargo is one of the world's leading global air freight companies. Annual revenues of over EUR 220 billion in 2011 make Germany Europe's logistics leader. No other EU country comes close to Germany's market size. This enables transportation of goods and services to be much more efficient, and cost worthy due to convenience. Product Description Consumer: Jack Daniel's
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Black Label, also known as Old Number 7 or more commonly as JD is one of the best-selling whiskies in the world.

Made in the Tennessee Sour Mash style, it is very similar to bourbon with the additional step of dripping the fresh make spirit through a vat of sugar maple charcoal to " mellow" the whiskey before going into barrel. The result is a smooth, versatile whiskey that is true to its country roots. Whether drinking it neat, on the rocks or in a Jack and Coke or perhaps a Lynchburg Lemonade, Jack Daniels Black Label delivers a consistent, quality product that pleases imbibers around the world. It has been diluted from its original 45 percent alcohol content.

Every drop is filtered through sugar maple charcoal in large wooden vats also referred to as sugar mellowing. Industrial: (Jack Daniels Barrels) The Brown-Forman Cooperage is the only barrel making facility exclusive to one distiller. Formerly the Blue Grass Cooperage Company, the cooperage was renamed in 2009 to the Brown-Forman Cooperage. The scale of the facility is massive, including an aging and storage facility for the wood that goes into making the barrels that has over thirty million dollars' worth of lumber stored in it.

Jack Daniel's barrels are all made from American Oak. Wood is sourced from a number of regions, including the Ozarks, Appalachia, and a " Northern Region" that includes and surrounds Minnesota. The wood from the various regions is milled and then delivered to the cooperage. Fresh cut oak, or " green wood," is 85% water, so to be used for barrels it needs to be dried and aged. Drying wood too quickly can create splits, cracks, and checks

(microscopic cracks) which cause a barrel to leak, so the wood needs to be slowly aged outdoors to abide by the jack standards.

Also the barrel can only be used once so the demand is always constant for the American oak wood throughout the world. Fun Fact: In addition to gradually drying out the wood, exposing the wood to the elements also helps determine flavor. Green wood is high in tannic acids (as much as 12%), which translates into the bite you get when drinking the whiskey. When you dry wood outside and it gets drenched with rain and then dried by the sun, this helps reduce and “tame” the levels of tannic acid which makes for a smoother taste experience.

One of the things you realize when reading the steps for a Jack Daniel's Whiskey Barrel being built is how natural a process it is. While there's a fair amount of machinery that goes into the process, but the process all is focused on shaping and preserving the natural qualities of the wood. “Each barrel is as individual as one of us,” Jack Daniels always said. But this is why they are in such demand for all the different countries (i. e. Germany) for trying to produce and make the Jack Daniels brand.

Brown-Forman announced plans today for a new cooperage to craft barrels in Decatur, Alabama, in order to meet growing worldwide demand for Jack Daniel's Tennessee Whiskey. Brown-Forman officials said the tremendous growth of the Jack Daniel's Family of Brands both domestically and internationally necessitated building the new cooperage. Brown-Forman and Jack Daniel's officials joined with Alabama Governor Robert Bentley in Montgomery, AL, to make the formal announcement today. The Jack Daniel

Cooperage is expected to be operational in May 2014, and it will eventually employ approximately 200 workers.

It will be the second cooperage owned by Brown-Forman, which operates another facility in Louisville, KY, and will double the company's barrel-making capacity. "Barrels are more than a container for our whiskey; they're an important ingredient," said Jeff Arnett, Jack Daniel's Master Distiller. "All of the color of Jack Daniel's and more than half of our whiskey's flavor is derived from the barrel. We believe in the importance of the barrel in making our whiskey so much that we are the only major distiller that makes its own barrels. Product Pricing

Consumer: Jack Daniels Old No 7 goes for roughly \$23.99 per 750ml. This is your average price but since this Whiskey is being exported into Germany the rough price in Euros is 18.47 with the conversion rate but then you must factor in the fact that alcohol is sold in different amounts in Europe. For 700ml it is 19.61 euros roughly. So it is cheaper to get whiskey abroad than it is here. The Germany price is also taken into account that their currency is rated different than ours in the fact that their Yen purchases different amounts than the US dollar.

Also the prices of alcohol are different from the US in the fact that every country has their own regulations and tax rates. The age of the drinking age is also another factor which might cause the price to be lower due to younger adults usually having less income. Industrial: Most sales forces don't sell in a manner that yields the most profit. Relationships, of course, are important. But to garner the highest price, your sales force needs to

confidently produce why your product offers the highest value compared to rivals. Value always doesn't mean lowest price.

Instead, it is the offering that provides the best "deal" (most benefits for the price) for clients. Do to these different factors or pricing the whiskey barrels will be sold at prices compensated by exchange rates and currencies. * US: \$160.00-\$200.00/Per Barrel * Euro: Eu123.04-Eu153.80/Per Barrel These prices will account for a 20% profit margin and take care of any costs that are gained through the export process. It makes sure that the company (Jack Daniels) has the right amount of cash coming in so there barrel manufacturing is up to full productivity potential. Product Promotion

Consumer: Although, Jack Daniels Old #7 generally meets the criteria as straight bourbon, the company disavows this classification and simply just markets it as a Tennessee Whiskey. Old Senator Roger Motlow, believed in 'stomach to stomach advertising.' " If you can get them to taste the whiskey, you won't need any advertising. " Its target audience is mainly AB, male, 34-55; conservative people, with a strong personality based on the sense of effort and a life of tradition and strong values. The Jack Daniels drinker is an anti-conformist consumer, often like music especially rock music or country music especially in the States.

Basing on the facts that 55% of whiskey drinkers use bourbon whiskey with a mix and that the majority of the people who mix a whiskey with a Cola or other substances are likely to use it in a bar or a club, assumptions can be made suggesting Jack Daniels drinkers are likely to be slightly younger than other type of whiskey drinkers. Furthermore marketing strategies conducted by Jack Daniel's in the last five years suggest a reposition of the brand to <https://assignbuster.com/jack-daniel-market-entry-strategy/>

appeal a younger audience. Sports sponsorship and music-related associations will attract a 24-35 years old type of audience, with an interest to expand the target to a female audience too.

Industrial: The most successful market entrants are those that offer innovative products featuring high quality and modern styling (Jack Daniels Whiskey Barrels). Germans are responsive to the innovation and hightechnologyevident in Jack Daniels whiskey barrels. The German market is decentralized and diverse, with interests and tastes differing dramatically from one German state to another. Successful market strategies take into account regional differences as part of a strong national market presence which Jack Daniels had done very well.

The experienced representation is a major asset to any market strategy, given that the primary competitors for most American products are domestic firms with established presences. Jack Daniels can overcome such stiff competition by offering high-quality products, services at competitive prices, and locally based after-sales support. Jack Daniels whiskey barrels are one thing that is unique and that is needed to produce the special Jack Daniels taste. The German culture is one that approves of the brand which also is a huge advantage. Conclusion Consumer: As shown below Jack Daniels is growing worldwide daily.

Germany is no exception that it is an important part to conquering the global market for whiskey the fact that they are considered in their own category as Tennessee Whiskey helps because of how their whiskey is processed through the barrels is different to other ' bourbons. ' They do have a competitive edge in that regard since their product is considered more regal than other

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brands since they are in a category of their own. Germany is the perfect export country for the Jack Daniels Company and should use the market to their advantage. Industrial: As Jack Daniel's has grown from a U.

S. brand to a global one, so the Jack Daniel's marketing team has grown from a small number of people to a global marketing organization. For Jack Daniels whiskey barrels, Germany is politically as well as economically one of the most important countries in Europe and the European Union for the Jack Daniels business. Due to its geographical position, its good infrastructure and its legal certainty Germany should be the first choice for any foreign company when establishing an office or a subsidiary for their entry into the European market.

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