

Lion nathan's strategy and position



SWOT ANALYSIS: SWOT analysis of Lion Nathan Brewing reflects its competitive advantage over other brewery companies. This SWOT analysis gives a picture about individual strengths of Lion Nathan, the weaknesses of the company, any opportunities presented for future, and threats from other brewing companies. All of these elements are of specific importance in assessing a company's core competencies and developing a plan for future achievements.

STRENGTH:

In the year 1999, Lion Nathan was considered to be one of the international brewery companies with its area of operations covering three main geographic locations around the world, namely, New Zealand, China, and Australia and now being mostly New Zealand and Australia. Being its area of operation restricted in the earlier days, this enabled Lion Nathan to attract a huge group of people and so gave the company a chance to experiment new products. Lion Nathan now has an excellent broad base portfolio and it offers a wide range of alcoholic beverages. Its massive portfolio is able to satisfy all the demands of its customers. It has captured a large proportion of market segment in Australia and New Zealand. It is mainly engaged in the production and marketing of alcoholic beverages of wine, beer, and spirits in New Zealand and Australia, although its products are sold globally. Lion Nathan takes it pride in being a part of Australia's and New Zealand's most favored brands like like XXXX, Speight's, Tooheys, Steinlager, Hahn, Lion Red, Wither Hills, James Boag's, Bacardi and St Hallett. It is mainly known for selling premium beers in these areas. Lion Nathan's main area of focus has always remained innovation and finding out new opportunities in order to

achieve growth. Its innovation has led to increasing consumption among the mass. Lion Nathan's new product XXXX Summer Bright Lager is a low-carb drink which is undoubtedly the lowest-carb beer in the Queensland market. Its new innovation has helped the company to top the market in Australia and with the overwhelming response, they attracted more and more group of customers across the country and its national distribution is above their expectations which is outselling 'Corona' its competitor. It also relaunched Italian beer and snatched away the customers of Coca-Cola Amatil's Peroni brand. It was a like a kick off to the its competitors. Lion Nathan also launched a new product 'Steinlager Pure' which is a smooth flavoured lager which consisted all natural ingredients of New Zealand and was completely preservative free which was a highly compelling export proposition which is now New Zealand's biggest selling classic lager. Even Lion Nathan is certain to become the second largest wine distributor after it took over the brands of Pernod-Ricard. It will sell 12 major brands of Pernod-Ricard.

WEAKNESS: Lion's operations are limited only to Australia and New Zealand and so its economy is far below expectations as compared to its competitors.

OPPORTUNITIES: The Asian beer market is said to be very strong. It is predicted that China will occupy one quarter of the beer consumption worldwide. There is a reduction in import tax on foreign made alcohol in China. Consumers in China focus mainly on premium-style beers and so this is an opportunity for Lion Nathan. China is experiencing a steady growth rise. Also, the Asian beer consumption is expected to grow 5% between 2009 and 2015.

THREATS: The global beer market has declined to a growth of 0.5% due to the regional differences. Also vehement competition in the beer market can take away significant proportion of Lion's market share.

PEST ANALYSIS:

POLITICAL FACTORS: The Australian Government has figured out the alcohol abuse as one of the major problem among youngsters in the Australian society. It has therefore imposed an excise charge on beer. This charge is imposed according to the alcohol content in the beer. Also, customs duty applies to all imported products. This duty is also levied according to alcohol content. For beer with alcohol content less than 1.15% the charge is 5%.

Industry sources have now made an assumption that the government's strict charges on beer is likely to cause the price of beer to go high as there is 10% GST levied on the service component. The same thing was repeated in New Zealand. The excise charges on beer were revised in New Zealand due to which the price of beer went up. Lion Nathan experienced a price rise of 4% due to this revised taxation policy.

ECONOMIC FACTORS: According to the Australian Drug Foundation, the alcohol manufacturers will no longer be able to advertise or sponsor sport within the next 10 years. Also, the alcohol industry has continued to act in bad faith by avoiding its own rules in areas such advertising to children through sports sponsorship, promoting responsible drinking, etc. This is likely to harm the economic background of the company. Advertising wine and spirits on social networking sites will be restricted.

SOCIO-CULTURAL FACTORS: Beer consumers in Australia tend to follow a myth that low-carb beer helps in weight management. About 74% of the Australian population seems to believe this which builds up a strong social background of Lion Nathan. The 2011 Rugby Match in New Zealand provides a huge flock of tourist before and during the match with cheers to Lion Nathan

TECHNOLOGICAL FACTORS: Lion Nathan has been always a follower of technology and innovation. It believes in meeting its consumers demands. It has found the new QR code technology which helps its consumers in selecting the right wine for the right occasion. Each QR code is linked with a specific wine, and each scan will pull up a mobile-friendly site replete with information on each wine. Scanners can watch videos about the wine in question, get video tours of wineries, discover food pairings, read up on harvest and tasting notes and check out reviews.

ENVIRONMENTAL FACTORS: the company's demand for beer is affected by the climatic conditions. The cool winter led to a decreased demand for beer while the summer boosted the consumption of beer.

LEGAL FACTORS: In the year 2009, Lion Nathan did file any legal action for anti-competitive behavior or anti-trust or trade practices. Lion Nathan has had never experienced any sort of non-compliance with health and safety measures and regulations. The company has always complied with the laws.

CORE RESOURCES AND ITS COMPETENCIES: Competitive advantage is the strength of Lion Nathan. The beer brand broad portfolio is the core resource of the company. This portfolio gives the company a chance to outweigh other

brewery companies. Also, it is Lion Nathan's most valuable asset which reflects its performance. Lion Nathan has always remained committed to its brand. It spends most of its revenue by investing in the brand equity of its already existing core brand. It always tries to divert its customers to focus on its core brands as a national focus and encourages them to buy premium products. In Australia, Lion Nathan holds around 75% of group assets and 80% of operating profits. Lion Nathan's beer market share is experiencing stability of more than 44% including its most recently acquired Boags brands. In New Zealand, Lion Nathan is country's leading brewer and now considered the second largest wine distributor with its market share of more than 50%. The strategic focus of management is to maximise the performance of Lion Nathan's existing core business which involves increasing the returns from Australia's and New Zealand's beer business and also maximizing the value in fine wine business. Lion Nathan also aims at grabbing opportunities in spirits and ready to drink spirits markets and international wine export markets. Lion Nathan is considered to be a policy leader in areas related to alcohol taxation, liquor licensing, and responsible consumption. It regularly contributes and participates in government and community discussion on all alcohol related issues. Lion Nathan is also an active participant in tax and investment issues that impact the broader trans-Tasman business community.

COMPANIES CURRENT STRATEGY AND ITS IMPLICATIONS: Lion Nathan entered the soft drink, restaurant and sales promotion businesses but sold all this because it aimed to concentrate on promoting its beer business. Today, Lion Nathan's strategy is to concentrate on the alcohol business,

aiming to become a comprehensive alcohol beverage company.

Geographically, it concentrates on Australia and New Zealand. Although LN started out in the soft drinks with the Pepsi brand, it sold off that segment in 1998 because it did not contribute to profits to a degree that can be reflected in the EBITDA margin. The company also tried restaurant business, seeking synergy effect with beer-similar to Anheuser-Busch, which bought a bread company. However, Lion Nathan withdrew from this business as well when it did not contribute sufficient profit to the company. These examples suggest that diversification for Lion Nathan has always been undertaken to generate short-term profitability to make shareholders happy; in the end, however, the company always return to its original beer business which generates the highest earnings. Recently, Lion Nathan made one interesting decision concerning the company's international operation. In spite of the recent craze in the business world to penetrate and prosper in the Chinese market, Lion Nathan actually exited from that market in 2005. Since exiting the Chinese market, Lion Nathan concentrated its resources on the Oceanic market.

Growth Strategy: Lion Nathan strongly believes in sustainable long-term growth strategy in order to achieve top-line growth and bottom-line results. Its operational skills are the core competences that it has which can provide the foundation for a growth strategy. Lion Nathan has strong competencies in distribution, innovation, premium brands It successfully manages the growth strategy with its growth skills, especially its skill of new product development.

One-Stop Shop Strategy: Lion Nathan offers a variety of services to its customers. Its main idea is to provide convenient and efficient service and also to create the opportunity for the company to sell more products to clients and customers

Social Media Strategy: Lion Nathan has also adopted Media strategy to promote its long-neck bottles of Toohey Extra Dry (TED). These TED bottles were tucked in boring non-descript brown bags. Lion Nathan launched a program named TED696 and created designer bags with the help of street artists and designers. These design opportunities were given to public who took over the ownership of the new brand with their innovative designs. Even MTV was involved in it to celebrate the winning design. The media strategy of Lion Nathan worked so well that the sales of longneck TED bottles reached 500, 000 sales just in the first 8 weeks of competition.

Complete Brand Strategy: Lion Nathan's success is mainly depends on its wide range of brands. Its people help in generating huge amounts of profit and boast a portfolio of Australians' and New Zealanders' favourite brands. Lion Nathan invests mainly in brands and upgrade their breweries. Lion Nathan has invested 8 to 10% of their revenue income in innovation which goes hand-in-hand with their brand strategy.

Culture Strategy: Lion Nathan's culture strategy focuses its main attention on creating a sense of purpose, vision and values, developing a leadership capability to model the desired behaviors, and reinforcing those behaviors through appropriate processes and systems. Lion Na's values-based model consists of 10 core behaviors, which are hardwired into all HR processes,

including remuneration, performance, and talent management. Lion Nathan believes in promoting a healthy drinking culture. Lion Nathan as a whole works in order to change the unhealthy drinking behaviour and has supported campaigns to prevent alcohol misuse and minimise the potential harm associated with it. Its investment strategy has the aim of facilitating wellbeing of people and identify the major areas of alcohol abuse.

RECOMMENDATIONS: Strengthen the company's brand name among mass marketers through intense price competition: Recently, mass merchandisers like the chain big supermarkets such as Coles and Woolworth, have emerged following integration of the retail industry. Each state in Australia has its own popular brands, and there are strong regional preferences. Lion Nathan that are popular in each area, such as Tooheys in New South Wales and XXXX for Queensland, but in each case their popularity in other states is not as high. It is important to extend recognition of these brands nationally because a national brand will stimulate sales to the big national chain retailers.

Strengthen the premium beer category: LN does not have a strong presence in the premium beer category, despite the company's high market value. It is important to promote premium brands such as Hahn Premium and James Squire, and internationally known Beck's. Lion Nathan began brewing Kirin Ichiban, brewed only by the first wort in the brewhouse process at the Malt Shovel Brewery in May 2003 in response to surging growth in the premium category. This is one brand to be nurtured in the Australian premium beer category.

Extend to other alcohol beverages: Price controls on beer, including price increases by the two-company monopoly, seem to be wavering. Recent diversification in market indicate a shift from beer to either wine for older people or RTD for the younger generation. In particular, the price difference between premium beers and RTDs is getting closer. Also, the population increase, largely due to Asian immigrants who typically do not drink much alcohol compared with Australians, has not increased beer consumption. To cope with this situation, LN must seek additional business in other kinds of alcoholic beverages, as a substitute for the beer business. Slightly more than 8% of Lion Nathan's revenue in 2006 was derived from the wine business since the company entered that segment in 2000.

A new threat to the duopoly: SAB Miller, one of the biggest players in the world, is planning to enter the Australian beer market in cooperation with Coca-Cola affiliate, Coca-Cola Amatil. When this occurs, it will take advantage of Coca-Cola's huge channel, which is reportedly 3 times larger than that of beer. This means it is highly likely that SAB Miller will gain market parity in a short period of time. It is necessary for both Foster's and Lion Nathan to establish strategies that will build high entry barriers immediately.

Lion Nathan's future strategies are translated to the bundle of competencies. Lion Nathan should build sustainability in the beer business first, and then become a comprehensive alcohol beverage company by extending into the wine and RTD segments so that diverse customer preferences are met. This strategy is supported by 3 factors. (1) an expectation that major floating shareholders want Lion Nathan to hold its beer business as a "cash"; (2)

Australia's duopolistic beer market share, although it is becoming less stable; (3) the simple distribution system.