

Company market strategy



Business Strategies in Global Environment

Topic: You have been called upon by a group of company directors to advise them on the future strategic direction of the company. In particular they aim to participate more actively in the global market.

Required:

- Identify their current strategic management style or approach drawing on the schools of strategy
- Using relevant tools of analysis conduct an environmental audit of what you perceive to be suitable markets for the board to consider.
- Identify and discuss possible strategic directions that the board could consider in order to develop a greater presence in the global market.
- Assess the managerial challenges of implementing your chosen strategy.

Group:

- Rohit
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- Lalida

- Amornrat
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- Nith
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The success of any organisation lies in their goals and the mission. But establishing the goal is not enough to gain the success in this dynamic environment. Thus every company needs a strategy to achieve their goals. The classical meaning of the word strategy is the plan for victory in a war. Similarly in business war field strategy gives the strength required for winning. Selection and implementation of appropriate strategy leads to the great triumph but otherwise it could be a great fiasco and grand business failure. This report on the COBRA Beer Company will make an attempt to analyse the current strategies which are successfully used by the company, carry out an environmental audit of the company using the suitable environmental scanning tool, would suggest alternative strategies to be used in the future and finally will comment on most probable challenges the company may face while implementing those strategies.

ABOUT COMPANY

“ I felt very demoralised, but never once thought of giving up”- Mr. Karan Bilimoria (Clark Emma, 21 August 2003)

BACKGROUND

The Cobra Beer was the child of thought of a Cambridge law graduate Mr. Karan Bilimoria which won 12 Gold medals from the prestigious Monde Selection, Brussels, in 2006. The company was established in 1989 by Mr. Karan Bilimoria when he realised the requirement of smoother and less fizzy beer especially in UK market. (The CBI Directory) Today it is being exported in more than 50 countries and total retail turnover is £126 million. (The Economic Times, 16 September 2007)

MISSION

PRODUCTS

In the beginning Cobra wanted to set up breweries in Mysore, India at the cost of beer's quality, the decision was changed and they shifted to Charles wells brewer, UK. Now cobra is having breweries in UK, European countries such as Poland and India as well. (Clark Emma, 21 August 2003) Along with the Classic Cobra beer, it has a very unique product range as Cobra 0.0%, which is beer with no alcohol, Cobra Lower Cal with calorie content lower than 100 cal. and King Cobra, the world's first double fermented, bottle-conditioned beer, which is so successful that it increased the sells by ten folds in India. It also produces nine types of wines. (The CBI Directory)

MARKETING

Mr. Bilimoria was well aware of the importance of branding, as his first product brand name 'Panther' was declined, he chose cobra very carefully. Bottle was put up with sandy gold label and with cobra written in green. At least nobody can miss its presence in supermarkets. His targeted niche

market was Indian Restaurants in UK. Though beer remains dearer it was selling half of its production in 5600 Indian Restaurants. He gain popularity as the Indian beer maker. (Clark E, 21 August 2003) Along with creating first trade marketing team, Cobra is soon going to launch new designs for King Cobra and Cobra Bite. According to Will Ghali, marketing director of Cobra beer “ The aim was to give our beers a more contemporary, stylish appearance, and to increase the standout on shelf. We’re delighted with the new designs and, more importantly, feel that they’ll have a really strong appeal with our core consumers.” The company would be spending £14 million on marketing in 2008. (Parson R, 22 April 2008) Cobra beer in year 2005 announced a Cobra Vision short film competition for aspiring filmmakers which gave them an opportunity to appear national television. (The CBI Directory) Now it is sponsoring all prime time programs on UKTV’s Dave to make “ heavy weight presence” (Parsons R, 22 April 2008)

EXPANSION IN GLOBAL MARKET

Cobra has made its presence noticeable in UK, USA, South Africa, India and other European countries. As import duties in India are very high Cobra decided to produce beer in India. Cobra beer is now being produced in Rajasthan, Goa, UP and ‘ Som Breweries’, MP, ‘ Iceberg Breweries’, Bihar. (The Economic Times, 16 September 2007) Still the market share and per capita consumption in India is very low as compared to UK, being the major competitor The Kingfisher Beer of India. (Clark E, 21 August 2003) Cobra is now planning to acquire three more breweries in India as they are targeting to double their capacity to 20 million cases by 2012. Company also aspires to get listed in UK and India. (The Financial Express, 6 May 2008,) The

company started with £20000 of student debt in 1989 has already raised £25 million through unsecured loans from OZ Sculptor Finance Ireland investment funds and 2.5 million by issuing ordinary shares to private and institutional investors for its future plans. (Mood Food Magazine Food news, Restaurant News, Recipes, Nutrition, 17 July 2006) Cobra beer is now being exported to Dubai, Abu Dhabi, Bahrain and Oman. As the Middle East market is not well developed yet, cobra has introduced non-alcoholic Cobra beer in the region. For expanding in South Africa cobra is trying to acquire local breweries, so that company can get hold on the niche market. (Nolan L, 26 October 2006)

CURRENT STRATEGIES EXPLOITED

The company is currently using different strategies such as, differentiation, launching innovative products, identifying niche market, branding, exporting and expanding by acquisitions etc. which can be explained with the help of various models.

- Differentiation: Low price, Segment specificity, Differentiation or Hybrid etc. can be used as the competitive strategy. Johnson et. al. (2006) gives the strategy clock which differentiates between winning and failing competitive strategies. ' The Strategy Clock: Competitive Strategy Options(Source: Johnson et. al., 2006, p. 243)

The Company has gained the competitive advantage using the differentiation

strategy. The differentiation as competitive strategy was first explained by Michael Porter in 1980 using a model known as Generic business level strategy.

Source of Competitive Advantage

Cost Uniqueness

BreadthBroad Target Market CostDifferentiation

Of Leadership

Competitive

Scope Focused Focused

Narrow Target Market LowDifferentiation

Cost

‘ Porter’s Generic Business Level Strategies’

(Source: Porter M, 1980, p. 39)

- Product development: Ansoff’s Market Expansion Grid:
- Branding:
- Acquisition:

ENVIRONMENTAL AUDIT

- SWOT
- Porter’s Five Forces

RIVAL FROM INDIA

The SWOT analysis suggests that United Breweries from India is one the important competitor for COBRA not only in Indian Market but also in the Global Market. The credit for the success of UB goes to its Chairman Dr. Vijay Mallya.

Journey of UB from Kingfisher Beer to Kingfisher Airlines

INTRODUCTION

United Breweries Ltd. (UB) was formed by a Scotsman Mr. Thomas Leishman in 1915 when he united five breweries owned by him in Madras (Chennai), India. The company was then bought by Mr. Vittal Mallya in 1947. (www.kingfisherworld.com, cited on May 28, 2008) The company got the real thrust when Mr. Vijay Mallya, son of late Mr. Vittal Mallya became the chairman and took the charge in 1983 and the UB became India's first multinational. Today UB group is recognised as the seventh largest spirit makers in the world and the beer is sold in more than 32 countries worldwide. But UB group lead by Dr. Vijay Mallya did not want to confine themselves only to beer production. Versatility was the key strategy used very tactically by Mr. Mallya. UB group own a software company established in USA in 1993 which is also listed on NASDAQ, Kingfisher Airlines launched on May 9, 2005, which is India's second largest domestic airliner, India's first lifestyle channel ' NDTV Good Time' launched on 7 September 2007 and India's First Formula One team Spykar F1 team bought with Mr. Micheil Mol in October 2007. (The Times of India, 2 April 2008)

PRODUCTS

The UB group, which acquired McDowell & Co. Ltd is well known for its innovative product range. The UB products ranges from kingfisher beer to 17 different types of whisky such as, Black Dog Whisky, Single Malt Whisky, Signature Whisky, No. 1 McDowell's Whisky, McDowell's Vintage Whisky, McDowell's Premium Whisky etc., 3 types of Brandy, 2 types of Rum, 3 types of Gin, 4 types of Vodka such as Romanov, Alcazar, White Mschief, Red Riband Vodka. (www. clubmcdowell, cited on May 28, 2008)

GROWTH

UB acquired Triumph Distillers & Vintners (TDV) in December 2002 and Shaw Wallace and Company Ltd (SWC), the second largest Indian Spirits company in June 2005. it has also increased its investment in Herbertsons Ltd (HL) which in total has increased the market share of UB from 24% to 52%. (www. clubmcdowell, cited on May 28, 2008) Apart from that UBL is having strategic alliance with Scottish & NewCastle Plc (S&N), which generates the revenue of \$6 billion. Because of the joint venture S&N can launch International brands like Kronenbourg in India, while UBL got S&N's global network to further globalization. (www. kingfisherworld. com, cited on May 28, 2008) Along with the export of Alcoholic Beverages UB exports men's casuals, formal shoes, ladies foot-wares, processed food items, pharmaceutical products and incense sticks to various parts of the world. (www. clubmcdowell, cited on May 28, 2008)

ADVISED STRATEGY

- Diversification: Ansoff's Market Expansion Grid
- Portfolio management: Shell's directional policy matrix

Prospects for Sector Profitability

C Unattractive Average Attractive

O

M Disinvest Phased Double or

P Weak Withdrawal Quit

E Custodial

T

I Phased Custodial Try Harder

V Average Withdrawal

E Growth

N

E Cash Growth Leader

S Strong Generation

Leader

' The Shell Directional Policy Matrix'

(Source: Shell Chemicals UK (1975) Acquired from Lancaster (2002))

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ANALYSE STRATEGY

CONCLUSION

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