

Example of business plan on submiller plc

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BUSINESS PLAN: SABMiller PLC

SABMiller plc. is a company involved in beer brewing and the making of beverages. The company's headquarters are located in London in the United Kingdom. It is the second largest brewing company in the world when measured in revenue. It is also one of the largest bottlers of the Coca-Cola brand. Some of the biggest brands owned by SABMiller are premium lagers such as Grolsch, Peroni Nastro Azzuro, Pilsner Urquell and Miller Genuine Draft. Leading local brands are castle lager, Miller lite, Aguila, Snow and Tyskie (SABMiller Case study). SABMiller has established operations in 75 different countries across the globe. The country is established in Africa, Australasia, Asia, Europe, North and South America. The brewer is estimated to sell 21 billion litres of larger annually.

In 1999, SAB moved its headquarters from South Africa to the United Kingdom to improve its ability to get funds for its expansion plans. The company took a primary listing in the London stock exchange with a market capitalization of 35.6 Euros as quoted in December 2011. It is currently the 11th largest listing at then stock exchange. The company still holds a secondary listing at the Johannesburg Stock Exchange.

In 2002, SAB entered the North American market by acquiring the Miller Brewing company. This move was accompanied by a change of name to SAB to SABMiller. To gain more control of the lucrative market, the company engaged in a joint venture with Molson Coors Brewing Company in 2008. The two companies run a joint operation, which had a joint leadership of the two companies.

SWOT ANALYSIS

Strengths

SABMiller operates in 75 different countries in 6 different continents. This gives it a major global presence. The company also has the control of many of the emerging markets such as Asia and Africa. In these markets, a growing middle class with more disposable income creates a new market for beer consumption. The company has three mainstream, economy and premium brands, which serve various market segments and needs (SABMiller Case study).

Weaknesses

The consumption of beer is directly related to the level of disposable income available to the household in the economy. During harsh economic times, beer, which is a luxury, is usually neglected for needs that are more basic. Cheaper options are also often used. In the case of SABMiller brands which are trying to compete with local cheaper brands, this usually leads to low sales. The company also lacks assets in Western Europe and some parts of Latin America, which are key growth areas.

Opportunities

During weak economic times, the company's size and financial position allows it to make acquisitions of struggling brands at competitive prices. The company has not undertaken any major acquisitions unlike its competitors. This means that it is at a good financial position. The Middle East also stands out as a great market for non-alcoholic beverages, which the company produces.

Threats

The big brands that compete against the company have expansion plans, which could make them, grow tremendously. Brands such as Stella Artois, Budweiser, and Carling are set to become major brands. There is also intense price competition in the market especially from cheaper supermarket brands and regular promotional packages. The company will therefore have to invest more in advertising to increase brand presence and brand loyalty among its customers (George, and Tomas, 2012).

Key Strategic Issues

SABMiller is focused on dominating the global beer and beverage market by expanding and establishing itself in as many countries as possible. The company is currently located in strategic countries in all the continents where its products have a good market share. Unfavourable business in some of these markets is often offset by good performance in other markets.

For long time, the company has been earning over 50% of its revenues in soft currencies. This exposed it to many risks especially when their host countries had to devalue their currencies for economic reasons. The company is however committed to these markets because this is where they have some of the strongest market share and brand loyalty

Expansion into the Asian market has also been a great strategic challenge because of the economic model in some of the countries. China is a classic example. The country is communist as opposed to the capitalist economies, which the company is used to operating in. In addition to that, the beer brands available in the local market were of a lower quality than the

company could produce. The locals also have a fierce loyalty to their brands. Any idea of introducing other brands in these countries is key strategic issue.

There are also many beer brands available in the global market. The company therefore has to find additional ways to remain relevant without risking its core business. In recent times, the company has invested in other non-related industries such as Hotels and gambling. All this is done with the intention of cushioning the company from drastic decline in its core business segment, which are brews and beverages.

Corporate Strategy

The corporate strategy of any business is usually based on a market analysis of its strategic strengths and necessities. Strategic strengths are the areas in which the firm excels compared to its competitors. Strategic necessities are factors without which the company's position would be drastically weakened.

Industry life cycle

SABMiller is at a growth stage in the industry's life cycle. The company is looking out for growth opportunities through acquisitions and takeovers. The strategy is therefore based on the need to continually improve and increase its market share. The company is competing in a high growth market, which has great potential for growth especially in emerging economies such as China.

The competitors in the market are few in number but serve a large market portion due to their size and scale of operation. The large initial capital outlay required to enter the market limits entry of small investors. Successful

companies in the market are those, which have been in existence for many years and have grown through mergers and takeovers. SABMiller for example has been in operation since 1895 and has grown to its current size by joint ventures and purchases of viable companies. Its key success factor is its experience in the industry together with a strong brand name for most of its products.

SABMiller had a global market share of 11%, this is according to the company's annual financial reports in 2010 (SABMiller financial Report, 2010). SABMiller had a 23% share in the United States and 6.9% in the United Kingdom. Its leading competitor InBev NV had 14% while Anheuser-Busch has 11.5% share. The other significant competitor Molson Coors had 3.8% share. To increase its market share, the company is taking advantage of emerging economies in China and Latin America (SABMiller financial Report, 2010). These are attractive markets for SABMiller because a growing middle class with more disposable income form the biggest market for its products. The company is working together China Resources Enterprise to market Snow a leading brand in the country.

SABMiller has invested heavily in business acquisition and partnerships. The company bought Altria Group in 2002 and Bavaria South America in 2005. This move solidified the company's position in the new markets. In 2011, the company was involved in a hostile takeover of Fosters, which had interests in UK and Europe. Before the takeover, the company was owned by Heineken. These acquisitions and partnerships with viable companies will continue to

form part of the company strategy in its quest to dominate the beer and beverage market.

The various ventures by the company continue to be profitable. In 2011, the company made total revenue of US\$ 19. 408 billion. The net income stood at US\$2. 557 billion with total assets worth US\$39. 108 billion at the end of 2011. Its robust strategies for pricing and cost efficiency will continue to push its profits up. Latin America represents the strongest market while china has the largest market but the lowest profits due to lower margins. The company's strong financial position allows it to undertake strategic partnerships and acquisitions without affecting its overall operation.

Competitive Position

SABMiller has a strong competitive position in the market. Due to the barrier to entry, the competitive environment is relatively stable. The only issues arise where the consumption of wine and spirits affect the consumption of beer. In Britain, beer consumption has grown by 180% in the last 20 years while it is decreasing in the United States where wine consumption is increasing. The solution to these trends is to increase the demand for premium and ultra-premium beer brands, which have been enjoying growing consumption.

Business Unit Strategy

The competitive position for most of SABMiller's brands is relatively strong in many of the markets in which the brands are available. This is because the strategies of entry into the market are usually done through local companies, which have established market share and operations (George, and Tomas,

2012). This reduces the cost of advertising, which a completely new company would have had to incur. The life cycles for its various ventures is between the embryonic stages for new markets and mature for older markets. The competitive position for most of its ventures is favourable in the very least and Dominant for its most successful ventures especially in Africa.

Possible business unit strategies to improve its overall global position will be those, which reduce costs, increase sales and conserve the environment. In the current business market, issues such as tax compliance and environmental considerations influence consumer decisions (George, and Tomas, 2012). Therefore, the company has to ensure that its business operations comply with local taxation and governmental regulations. The company has taken a step toward environmental conservation by using bottles, which have 30% less glass. These bottles require less energy during production thus reducing carbon emissions.

Additional marketing strategies are also needed to increase brand awareness and loyalty. The emerging markets of Latin America and China are characterised by fierce brand loyalty to local brands. To tackle this, the company should increase the value of its brands to the customers compared to competing brands. The company should also increase local participation in the company through employment, community projects and environmental conservation programmes.

Reference List

George S. Yip, G. Tomas M. Hult, 2012, Total Global Strategy, 3rd Edition,
Pearson

Education Inc.

SABMiller Case study

SABMiller financial Report 2010.