

# Business overview of fosters group limited



Fosters group limited is the Australian owned premium global beverage company. It delivers a total liquor portfolio of beers, wines and spirits to millions of its consumers globally. Fosters manufactures Australia's most famous beer " Foster Lager", it also manufactures Australia's leading beer brands including Victoria Bitter (VB), Crown Lager, Carlton Draught and Cascade premium lager. It also produces world recognised wines such as Wolf Blass, Saltram, Beringer, Matua and Chateau St Jean. Wolf Blass was the number globally recognised wine product of Fosters.

In addition to the above paragraph, Fosters Lager is the largest selling Australian beer brand in the world. About 100 million cases of fosters lager is consumed by the people worldwide per year. It is brewed in nine countries over 20 plants. It is the world's third most widely distributed brand which is available in more than 150 countries. Foster lager is the international " flagship" brand for fosters group.

The beer market in Australia is increasing day by day. The consumption of beer by adults, teenagers, and women has also increased. In this present scenario of globalization and economic downfall, people are changing their drinking habits along with their life style. They are concentrating much on the products which they think are worth spending. Fosters being market leader in production of beer in Australia, is adapting itself to the changed mindsets of the people. In order to fit the mind sets of people of Australia it has introduced a new product under the name of Fosters called " Carlton Light", which is a low in carbs, low in alcohol volume and rich in its taste.

Furthermore, this report deals with fosters groups market analysis in Australia. It explains how fosters has successfully launched its products by considering every aspect of launching a new product. It also deals with fosters research on Australia's demographic, economic, socio cultures, political and technical environments, how it has segmented each of them in introducing its products. It emphasises on fosters marketing strategies and comes to a conclusion. At the end, this report will summarise some recommendations and implementation plan for further improvement of fosters market share in Australia. With this research we will find out that similarly if fosters introduces a new product, how it could be further improvised, depending up on the market analysis done on fosters marketing plan

## **2. Mission:**

Fosters Mission is to work together, respecting each other, our heritage, diversity, skills and knowledge to:

- Build premium quality, first-choice brands
- Deliver service excellence to customers and consumers
- Generate superior returns for shareholders
- Create an inspiring workplace
- be welcomed in the communities in which we operate (Business Studies, 2009)

**Vision:**

Becoming the leading premium branded beverage company in the world by maintaining particular goals include:

- First choice brands for consumers
- First choice employer for our people
- First choice investment for shareholders (Business Studies, 2009)

**3. Internal Environment:****3. 1. Products:**

Fosters group is a major organisation in beer and liquor industry overall Australia (Fosters Group A, 2009). It has many products in beer, wine, Cider and non alcoholic drinks which are under the flagship of fosters.

Major Beer brands owned by Foster's Australia include:

- Asahi Super Dry
- Brahama
- Carlton light
- Carlton Draught
- Carlton Midstrength
- Carlton Sterling
- Cascade Premium

- Cascade Premium Light
- Corona
- Crown Lager
- Foster's Lager
- Hoegaarden
- Kronenbourg 1664
- Leffe
- Melbourne Bitter
- Miller Genuine Draft
- Newcastle Brown Ale
- Pure Blond
- Stella Artois
- Victoria Bitter (Fosters Group B, 2009)

### **3. 2 Financial Situation:**

Fosters group has a much of its production in it beer products but its major sales turnover is with its wine production. The wine products of fosters group has taken a bottom line of 75%. Rest 25% is with beer and spirits (Hoovers, 2009). However, according to the beer industry statistics, fosters group has a major share and its sales are also high. Fosters annual report shows that the

company is in a very stable financial position and it's good for the any further expansion (Appendix 1). The net profits are enough for implementing or introducing a new product in to the market. Fosters can also expand with this net profit in to new markets.

### **3. 3 Channels:**

Fosters has chosen the best logistic services company which ensures the just in time delivery of its products to the stores. It also takes care of the warehousing, bottling, brewing and recycling of bottles. It has got the standardised infrastructure, simplified process and advanced transport management systems. Apart from this, it also takes care of the information and communication (ICT) technology utilised by fosters group in outsourcing their services globally (Ferret, 2008).

## **4 External environments:**

### **4. 1 Competitive environment and markets:**

The environment in which fosters group launching its products have many competitors but the acquisitions made by fosters group in Australia had made it the number one player of beer industry in Australia (Invest Smart, 2009). Apart from the other beer manufacturers, company's manufacturing non- alcoholic drinks is a major drawback for fosters. Because it acts as the substitute product for the alcoholic drinks and are low in price.

### **4. 2 Demographic Environment:**

“ Australia's diverse culture and lifestyle reflects its liberal democratic traditions and values” (Australian Government A, 2009). Its geographic location which is closest to Asia pacific region has given an added advantage

to Australia. People are diversifying to the new changes and the trends. Immigrants have helped Australia in enriching almost every aspect of Australian life, starting from business, cooking, arts, sports, science etc (Australian Government A, 2009).

### **4. 3 Political and legal environment:**

Australia is ranked second in the political stability in the IMD world competitiveness yearbook 2009 (NSW government A, 2009). With this it is clear that the markets in Australia have no threats or inconveniences by the government changes and policies. Though the changes occur, they will be in favour of the organisations because Australia has the decentralised labour market.

### **4. 4 Economic Environment:**

Australia has a strong and flexible economy. It has capitalized the countries proximities for the emerging new Asian markets on its longstanding trade links to Japan and the United States. In 2007 Australia registered its 17th consecutive year of economic expansion with GDP growth averaging 3. 5% per year (NSW government B, 2009). Even during the economic downfall, Australia has remained stable and maintained its position.

### **4. 5 Socio-cultural environment:**

The Australia is a multilingual country with lot if international immigrants entering in to this country every year. It has broad varieties of culture that adapts any change easily (Australian Government A, 2009). According to the statistics of Australian bureau of statistics, it's clear that population of Australia is increased by 2. 1% during the 12 months ended at 30 June 2009

(Appendix 2). Along with the population increase the alcohol consumption rate of the people has also increased mostly amongst teenagers aged between 17 -19 years.

#### **4. 6 Technological Environment:**

With the globalization, markets are getting much more advanced in their products. Organisations are producing products at a rapid rate in bulk due to automation of their industries. Australian government is also spending lot of money in developing its countries infrastructure and technology which helps the foreign investors in putting their investments. Research and development has advanced along with the advancement in technology, helping in development of new discoveries (Australian Government B, 2009). Australian market is always ready in adapting new technological changes, discoveries and developments.

#### **5. SWOT Analysis:**

Strengths:

Globally recognised brand

Largest selling beer brand in the world available in more than 150 countries

Wide range of beer products

Strong corporate representation in the market place ( it also produces premium wines such as wolf Blass, Saltram, Beringer, Matua and chateau St jean)



Seen as a good corporate citizen with the promotions of the events such as formula one, AFL and Rugby

Australian owned company (Business Studies, 2009)

Weaknesses:

Communities changing attitudes towards alcohol consumption

Falling per head beer in Australia

Communities attitude towards plastic packaging

People becoming more health conscious

Opportunities:

Further expansion in to domestic and global markets

Acquiring more number of breweries and wineries

Acquisition of more number of hotels and restaurants by introducing fosters products

Gaining public support by taking initiatives on environmental friendly packaging and recycling programs

Threats:

Strong competition from other beer producers in the market

Public changing their tastes and perceptions in demanding imported beers

## **6. Marketing Objectives:**

The marketing objectives of fosters group includes:

To increase market share

Increase product range

Expand geographically

Expand through export

Maximise customer service (Business Studies , 2009)

To increase market share:

Fosters is trying to expand itself to increase its market share over the years.

After the acquisition of New South Wales brewer Tooth and Co, fosters gained the advantage of becoming market leader.

By 2001, it has acquired more than five brewing companies across Australia becoming the number one producer of beer by volume in Australia.

Increase product range:

By acquiring small and big breweries, fosters with its products along with the acquired products has increased its product range. These products are widely distributed throughout Australia with fosters as its flag ship

Expand geographically and Expand through export:

The prime method of export is by acquiring breweries internationally, this in turn leads to its geographical expansion. With this geographical expansion it can cover a wider market and also increase its market share globally

## **7. 0 Marketing Strategies:**

### **7. 1 Target Markets:**

Fosters groups main target are the people who consume alcohol including beer, wine, spirits, cider and other pre-mixed drinks. When the Carlton light was introduced, everything has changed. This product has concentrated much more on the segments where people are more likely to prefer low crabs beer and people who are health conscious. This segment includes youngsters, corporate employees and women.

Continuing, from the outline of the statistics obtained from Australian Bureau of statistics, we can conclude that the people are spending more in both alcoholic and non-alcoholic drinks (Appendix). So, by studying the statistics, Fosters has introduced Carlton light in to the markets which eventually boosted its sales. Along with this, Carlton light has grabbed the attention of the people who are in love with Foster's other products.

### **7. 2 Product:**

Here " Carlton light" was a new product which was introduced in to the Australian markets. So, this report focuses on its " potential service". As mentioned by Stuart, et al, (1995), that a potential service is considered as the level at which the organisations tries to delight their customers by finding out better ways. Similarly, Fosters has introduced Carlton light in

order to delight its existing and new customers by providing them with low crabs, ultra light beer.

Furthermore, in addition to the introduction of its new products, Fosters has always concentrated on branding them. Since the core product of Fosters is “beer”, the company wants its core product to be different from its competitors. So, in order to differentiate, Fosters has mainly targeted on its branding by creating a brand image. This was done by shaping the bottle to the international recognizable standards with a long neck bottle, appealing labels, high contrast colours etc. This has differentiated foster’s products from other players in the market.

Various other products under Fosters such as Victoria Bitter, foster lager, Crown lager and cascade premium draught have a special recognition for themselves in Australia (Fosters C, 2009). This already established recognition has given the “Carlton light” with the same recognition, which eventually improved the brand image of Fosters.

### **7.3 Pricing:**

According to Kerin, (2008), pricing is considered as a crucial of the marketing mix because it determines the revenue that the company’s products will earn (Kerin, 2008). In determining a product’s pricing, pricing strategy matrix should be considered by every organisation (Kotler, et al, 2009).

From the above table, the price skimming strategy was used by Fosters in pricing their products. Fosters doesn’t want to penetrate in to the markets by keeping their prices low because, its existing products are already higher in costs compared to other brands in the market (Invest Smart, 2009). Foster

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has gained first mover advantage by introducing Carlton light with a premium price. It has sustained its growth by maintaining steady sales over a period of time. Carlton light has gained the market share by hitting the markets at the right time. During this period, the demographic segments of Australia have become more health conscious, this statistics have helped Fosters in launching Carlton Light (lbs World, 2009).

Rajendhra, (2006), mentions that there is a link between the price and the quality of the product. He also mentions that the pricing of a product should be done along simultaneously by improving the quality of product. So, fosters has introduced Carlton Light in to the markets, which is rich in quality and which has low carbs. Fosters research and development takes care in assuring the quality of its products (Fosters, 2009).

#### **7. 4 Promotion Strategies:**

The role of promotions in the marketing mix is to bring about mutually satisfying exchange with the target markets by informing, educating and persuading them of benefits of the product (Charles, et al, 2008). Here the benefits of Carlton light are the low calories beer which helps the customers in washing their worries on becoming fat or affecting their diet. This beer can be enjoyed by everyone because it has low alcohol; it's just a higher end substitute of the soft drinks and other non alcoholic drinks in the market.

Continuation, Apart from the regular promotions fosters uses in promoting its products; it has to educate people about the benefits of the beer. This can be done by:

Implementing responsible drinking programs: which explains on how much consumption should be made and how it benefits

Introducing health conscious kiosks at shopping malls

Sponsoring “ The biggest loser” program that is featured in Australian Television channel.

Apart from these promotions, it follows its basic approaches like:

Advertising through television, magazines and news papers

Sponsoring different sporting activities

Worldwide sponsorship and association with formula one racing which it already does with foster brands

Sponsoring AFL, rugby league etc which it already does with foster brands

## **7. 5 Distribution Strategy:**

Place or distribution strategy are mainly concerned in making the product available to its customers when and where they wanted (Charles, et al, 2008). Since alcohol is a drink that has some regulations from the government, it should follow specific steps in selling them to its customers. Beer is not available everywhere, it has its own places such as Bottle shops, liquor stores, super markets, pubs, restaurants, hotels etc.

Similarly, though Carlton light is a low alcohol beer, it has to be sold along with other liquor products. Foster group has a wide distribution of its

products across Australia and it makes sure that Carlton light also gets equal importance along with its other beers.

## **8. Recommendations:**

Spending more in research and development in improving the fineness of beer.

Introducing new products as substitutes to the existing products

Entering in to broader market by using international strategy for market development

Concentrating more on responsible drinking programs

Increasing the promotion standards e. g. sponsoring student activity programs in universities

Improving the quality of the acquired products by implementing the processes foster follow in its own organisation.

Acquiring more number of local and international breweries

## **9. Implementation Plan:**

Carefully thinking about the suggested recommendations and the market analysis done by this report on fosters group, this report will suggest an implementation plan for these things. Considering the marketing objectives of Fosters group we can draw that, through acquisition on other breweries, fosters has gained a competitive advantage in the market.

According to Ansoff's, product/market matrix, fosters should use the international strategy in order to develop its market. Here in market development, it states that by introducing an existing product in to the new market, fosters group can gain the first mover advantage and also can expose its brands to new audience globally (Kotler P, et al, 2009). This will be done by acquisition of local breweries in the new market or introducing the new product with a premium price. This will also expands fosters product range.

When it enters in to new markets, it has to do a lot of research in developing fine quality of beer so that everyone likes it at the first shot. By targeting only the health conscious audience, it has to introduce ultra light beer, with low carbs, less alcohol content than Carlton Light. Similar strategies should be followed in implementing this new product.

Along with constantly monitoring and controlling this marketing plan, areas like sales and market and profitability by product and territory should also be monitored. It also should conduct regular updates on further improving its each product like wines, spirits, ciders because those particular products will become a massive hit in particular areas.

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Appendix 1: (Source: [http://www.hoovers.com/company/Fosters\\_Group\\_Limited/ctrci-1-1n5ea5.html](http://www.hoovers.com/company/Fosters_Group_Limited/ctrci-1-1n5ea5.html)).

Foster’s Group Limited Income Statement

All amounts in millions of US Dollars except per share amounts.

**Jun 09**

**Jun 08**

**Jun 07**

Revenue

3, 778. 5

4, 411. 7

4, 185. 1

Cost of Goods Sold

—

—

—

Gross Profit

3, 778. 5

4, 411. 7

4, 185. 1

Gross Profit Margin

—

—

—

SG&A Expense

—

—

—

Depreciation & Amortization

—

—

—

Operating Income

919. 6

1, 095. 8

994. 6

Operating Margin

24. 3%

24. 8%

23. 8%

Nonoperating Income

—

—

—

Nonoperating Expenses

—

—

—

Income Before Taxes

801. 7

956. 9

812. 6

Income Taxes

214. 5

268. 3

221. 4

Net Income After Taxes

587. 2

688. 6

591. 2

Continuing Operations

356. 2

106. 6

823. 1

Discontinued Operations

0. 0

6. 2

0. 0

Total Operations

356. 2

112. 9

823. 1

Total Net Income

356. 2

112. 9

823. 1

Net Profit Margin

9. 4%

2. 6%

19. 7%

Diluted EPS from Total Net Income

0.18

0.06

0.41

Dividends per Share

0.21

0.24

0.19

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## **Data Definitions**

Foster's Group Limited Balance Sheet

All amounts in millions of US Dollars except per share amounts.

### **Assets**

**Jun 09**

**Jun 08**

**Jun 07**

Current Assets

Cash

107.0

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154. 5

244. 0

Net Receivables

757. 1

1, 019. 2

984. 9

Inventories

926. 1

970. 9

880. 8

Other Current Assets

114. 6

75. 3

129. 9

Total Current Assets

1, 904. 8

2, 219. 9



2, 239. 5

Net Fixed Assets

1, 559. 8

1, 959. 5

1, 919. 3

Other Noncurrent Assets

3, 272. 4

3, 747. 7

3, 956. 3

Total Assets

6, 737. 0

7, 927. 1

8, 115. 2

## **Liabilities and Shareholder's Equity**

**Jun 09**

**Jun 08**

**Jun 07**

Current Liabilities

Accounts Payable

—

—

—

Short-Term Debt

297.8

43.8

242.6

Other Current Liabilities

795.5

954.0

1,048.6

Total Current Liabilities

1,093.3

997.8

1,291.2

Long-Term Debt

—

—

—

Other Noncurrent Liabilities

2, 620. 8

3, 230. 7

2, 892. 2

Total Liabilities

3, 714. 1

4, 228. 5

4, 183. 4

**Shareholder's Equity**

Preferred Stock Equity

0. 0

0. 0

0. 0

Common Stock Equity

3, 009. 0

3, 670. 6

3, 908. 3

Total Equity

3, 009. 0

3, 670. 6

3, 908. 3

Shares Outstanding (thou.)

1, 927, 753. 0

1, 927, 753. 0

1, 927, 753. 0

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## **Data Definitions**

Foster's Group Limited Cash Flow Statement

All amounts in millions of US Dollars except per share amounts.

**Jun 09**

**Jun 08**

**Jun 07**

Net Operating Cash Flow

712

643

634

Net Investing Cash Flow

(169. 6)

(47. 4)

486. 6

Net Financing Cash Flow

(568. 3)

(705. 2)

(1, 247. 4)

Net Change in Cash

(26. 0)

(109. 1)

(126. 7)

Depreciation & Amortization

Capital Expenditures

(149. 9)

(135. 8)

(165. 6)

Cash Dividends Paid

(383. 1)

(578. 8)

(528. 9)

Appendix 2, (Source: <http://www.abs.gov.au/Ausstats/abs@.nsf/mf/3101.0>)

## **JUNE KEY FIGURES**

**Population at end Jun qtr 2009**

**Change over previous year**

**Change over previous year**

## **PRELIMINARY DATA**

' 000

' 000

%

New South Wales

7 099. 7

115. 5

1. 7

Victoria

5 427. 7

113. 9

2. 1

Queensland

4 406. 8

112. 9

2. 6

South Australia

1 622. 7

19. 4

1. 2

Western Australia

2 236. 9

65. 7

3. 0

Tasmania

502. 6

5. 1

1. 0

Northern Territory

224. 8

5. 0

2. 3

Australian Capital Territory

351. 2

5. 6

1. 6

Australia(a)



**21 874. 9**

**443. 1**

**2. 1**

(a) Includes Other Territories comprising Jervis Bay Territory, Christmas Island and the Cocos (Keeling) Islands.

## **Population growth**

Population Growth Rate, Year ended current quarter

## **JUNE KEY POINTS**

### **ESTIMATED RESIDENT POPULATION**

The preliminary estimated resident population (ERP) of Australia at 30 June 2009 was 21, 875, 000 persons. This was an increase of 443, 100 persons (2. 1%) since 30 June 2008 and 95, 800 persons since 31 March 2009.

Preliminary natural increase recorded for the year ended 30 June 2009 (157, 800) was 8. 4% (or 12, 200 persons) higher than the natural increase recorded for the year ended 30 June 2008 (145, 600).

Preliminary net overseas migration for the year ended 30 June 2009 was 285, 300 persons.

### **POPULATION GROWTH RATES**

Australia's population grew by 2. 1% during the 12 months ended 30 June 2009. Natural increase and net overseas migration contributed 36% and 64% respectively to this total population growth.

All states and territories experienced positive population growth over the 12 months ended 30 June 2009. Western Australia recorded the largest percentage gain (3.0%) and Tasmania the smallest (1.0%).