

# Evolving logistics strategies for molson coors business essay



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The continuous wave of globalisation of businesses has consistently led to increasing attention on logistics. This volume of attention is attributable to the massive roles that logistics plays in differentiating businesses and creating competitive advantages in the present global marketplace, tasking formidable managers to evolve rugged strategies that would measure up to the rapid changes and challenges that characterize the current global business landscape.

Chow, Heaver and Henriksson (1994) offered a general definition of logistic as “ the planning, execution and control of the procurement, movement and stationing of personnel, material, and other resources to achieve the objectives of a campaign, plan, project, or strategy”. However for the purpose of this paper that intends to study and report logistics management strategies, a more focused definition that bothers on the management aspect of logistics will be appropriate. According to the Council of Logistic Management (2009), logistic is the process of planning, implementing, and controlling the efficient effective flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements.

In corporate organizations, logistics strategies are created to specifically define the very service levels where its logistics organization is at its most cost effective (Fawcett, 1991). Due to the rapid and constant changing of supply chains, companies may develop multiple logistic strategies for particular product lines, particular countries and/or particular customers. This underscores the importance of developing logistics strategies, as companies' ability to adapt to the flexibilities of supply change would enable

organizations to identify the impact of imminent changes and make functional adjustments to ensure that service levels are not reduced, as this provides differentiating advantages.

Globally, the brewing industry is prominent among the industries that employ the best of minds to manage its operational activities, as logistics, stands out as one of the main challenges of the industry. A brewing firm that intends to remain in business must have formidable logistics management strategies in place that would help ensure that the company continues to get its products to its teeming customers on time therefore, preempting and overcoming the hiccups that occasionally impede the service levels and creates gaps in customer service.

This paper shall research and analyze the logistic operations and position of one of the top brewing companies based in the United Kingdom; Molson Coors Brewing Company (UK) Limited. An evaluation of the key strategic approaches to logistics of the company will be done and management issues that arise with the implementation of new logistics strategy in respect of capital, technical and human resources will be examined. Lastly, an outline of the strategic significance of technological development and business trends on future logistics strategies for beer companies will be made. However, before we delve into the depth of the itemized navigations of this paper, let have a feel of the basics of the company.

## **The Company: Molson Coors Brewing Company (UK) Limited.**

The corporate journey of what is now known and referred to as Molson Coors Brewing Company (UK) Limited started as far back as 1744 with the brewing skill and vision of one man, William Worthington (<http://www.molsoncoors.co.uk/aboutus/companyhistory/index.html>.) who began the brewing business in Burton-on-Trent in UK (regarded as the spiritual home of brewing). The company went through quite a number of metamorphoses that bothers on ownership, markets and structure before finally recently changing its name from Coors Brewers Limited to the present name in the year 2009.

The company who shares its history and ownership with Molson Coors Brewing Company in the United States is presently one of the largest brewers in the world. The company remains a leading brewer in the U. K, U. S and Canada with a combined annual beer volume of over 48 million hectolitres which invariably translate into high net sales of more than US\$5.6 billion (<http://www.molsoncoors.co.uk/aboutus/structure.html>). The major brands of the company include Carling Mainstream British Lager, Carling C2 Mid-Strength British lager, Carling Premier, Coors Light US Premium, Grolsch Dutch Premium and so on. The Company have six strategic locations in the UK; Burton-on-Trends, Staffordshire, Alton, Hampshire, Tadcaster, Leeds, Cardiff and Livingston.

The strategic vision of the company is simply to be the number one brewer in the United Kingdom. In order for this vision to be accomplished, the company's business strategies are entrenched in its brands and human  
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resources. In terms of its brands, the company intends to build “ portfolios of tomorrow” while engaging “ right people, right way”. It holds its values in integrity, quality, excelling, passion and creativity.

As part of the mandate that informs this study, this report will seek to contribute to the realisation of the vision of the company from the logistics perspectives in the following sections.

## **Strategic Position of Molson Coors Brewing Company: Logistics Perspective**

The early part of this report stressed the need for businesses to deploy formidable strategies that would ensure the sustainability of appreciable service quality within the rapidly changing global business climate. This section will attempt to examine the logistics strategic position of Molson Coors using the SWOT analysis that would x-ray both the internal and external factors affecting the logistics management of the company within the view of the Strength, Weakness, Opportunities and Threats of the company in its logistics operations.

Strengths: Of high importance in the strengths of Molson Coors is the highly integrated divisional structure that exists between its finance, human capital, procurement and technology departments. These core activities form the backbone of its operations and support all the facets of the company’s business. In the technology aspect, the company is deploying SAP while the procurement is making use of the VIPER program. This program is designed to consolidate vendors, and this will enable the company to control more leverage and reduce cost. Also, the company has competitive strengths in

primary supply, production activities particularly inbound logistics and operations. The company's strength in inbound logistics includes long-term supplier relationships, supplier training, strategic sourcing and the VIPER program. In respect of its operations, Molson Coors has great capacity in waste minimization, cold filtering process and quality controls, joint venture relationships and close logistics to packaging facilities and high economies of scale.

**Weaknesses:** One of the key weaknesses of Molson Coors is its recent attempt to extend its SAP system to its supply chain. This extension was not well executed and it had a high negative impact on the company's financials. Meanwhile, the company has not been performing well financially as it attribute this poor financial condition to the harsh market condition in the United Kingdom. It recorded a decline of 46% in the second quarter of its financial year. Also, the management style of the company which is structure in the top-down format is another major weakness of the company as this impedes the power to innovate and move forward since the company is largely controlled by the Coors family that holds the voting stock in the company.

**Opportunities:** The harsh economic conditions in the United Kingdom has simmered down towards the last two quarters of the year 2009, this leaves the year 2010 to be very promising for market consolidation. In order to take advantage of this opportunity, the company plans to boost its marketing spending in 2010 by GBP8. 1M (Just-Drink. Com, 2010). Research has also shown that the proliferations of microbrewers are driving consumers with the urge to try different types of beers than the staunch brand following that <https://assignbuster.com/evolving-logistics-strategies-for-molson-coors-business-essay/>

used to subsist (Market and Research, 2009). This gives room for market expansion that Molson Coors can take advantage of.

In respect of the available opportunities that Molson Coors can seize to develop its existing logistics; there are opportunities to drive off inefficiencies in the face of modern technologies that would also ensure the reduction of production wastes and other forms of wastes as constituted in the seven waste (Harrison and Hoek, 2008). Also, its SAP application will help to provide more efficient customer service, effective data management that would engender planning and a productive information system. In addition, the limited influences that suppliers have over this industry holds lots of opportunities for Molson Coors.

Threats: Same way as great opportunities existed for Molson Coors in terms of market expansion in the face of consumers trying different brands, so do their competitors also have some advantage to wrestles consumers from Molson Coors. The brewing industry is an industry with a very high rivalry, therefore, Molson Coors has a constant market threat in its business operation. Due to the high level of competition in the industry and the great varieties of beer that exist, coupled with the availability of substitutes, buyers maintain large power in the market while the brewers' power to influence pricing is minimal.

## **Key Strategic Approaches to Logistics Management of Molson Coors**

The importance of theories in management and other fields of study cannot be overemphasized, as they help to guide our actions by providing

assumptions which we consider before making our decisions. There are four theories of strategy whose approaches may be used by the logistics management of Molson Coors Brewing Company though at varying degrees, and depending on the situation on ground. The reason for the adoption of the four theories lies in the fact that no single theory is adequate to provide a “one medicine fits all” approach to both management and all fields of study. A consideration of varying theories eclectically most times provides better ways of understanding situations. Equally, company adopts multiple logistics strategies in order to withstand constant changes in supply chain, therefore this portends the use of different approaches as well.

Classical approach to strategy: Molson Coors may be able to use this approach that holds that good planning is key to good anticipation and adaptability to market change. The theory proclaims that profitability is the ultimate goal in business and rational planning remains the effective means of reaching the goals (Whittington, 2001). From the organizational structure of Molson Coors, it appears that the management of the company gives credence to this approach as it employed the services of a strategic director, a supply chain director and two sales directors who are members of the top management team. Just as the Classical strategic thinking emphasised the importance of good managers as tools of profit maximising strategies through rational long-term planning, Molson Coors likewise has great confidence in the ability of its management staff to make the company achieve its set objectives as entrenched in the company's vision (see <http://www.molsoncoors.co.uk/aboutus/ourmission.html>).



Evolutionary approach to strategy: As for the evolutionary approaches, markets are too tough, complicated and unpredictable to require heavy investment in strategic plans. The approach is less confident in the ability of managers to act and plan rationally. Rather the approach holds that market forces shall secure profits maximization and downplays the influence of the managers as it believes that whatever the strategy adopted by managers, only the best performers shall excel in the market (De Wit and Meyer, 2004). They would rather advise that strategists should keep their costs low and their options open. Though this may not entirely fit into the arrangements at Molson Coors, however, the derivations from approach may also be considered by the company as the brewing industry is indeed an unpredictable one and Molson Coors have been expending quite a large sum on strategic activities that may not positively impact on the profitability of the company. This is evident from the financials of the company in which the company's assets cannot take care of the company's liability. With the mean resources available at the disposal of the company, a good consideration of the evolutionary approach to strategy may be inevitable.

Processual approaches to strategy: This approach also contests the detached approach of the Classical strategy, aligning rather on the assumption that effective strategies emerge directly from close participation in the daily operations and basic strengths of the company (Whittington, 2001). This approach is generally related to the beliefs of the evolutionary approach on rational strategy making but do not exhibit such confidence in the markets ensuring profit maximization. The approach holds that the combination of the organization and markets are often confusing concepts, which then lead to

unclear strategies evolving. They then postulated that managers own their strategies and competitive advantages to the imperfections that exist between the organizations and the markets processes. In clear terms, the processual approach advises that organizations should abstain from striving after unattainable ideal of rational fluid action but should rather go with the global flow. Molson Coors, may also be able to consider this approach because of its emphasis on the market trends being the main determinants of business processes. However, this approach does not presently appear in the management planning of Molson Coors as they remain more devoted to the classical approach with some considerations from the evolutionary approach.

Systemic perspectives on strategy: The main argument of the system approach on strategy is that strategies should evolve around sociology and must be appropriate to particular social context. The systemic approach asserts that there is no single best way to strategy, however, it holds that organization should just play by the rules. Unlike the evolutionary and processual approaches, the systemic approach has some faith in the capacity of the organization to plan and effectively act within its business environment, however, they separate from the Classical approach by not agreeing with the forms and ends of rationality as proposed by the Classists. Rather, the systemic argue that the rationale that underlines strategy should be embedded in the peculiar sociological context. This approach holds a lot of realities on ground for Molson Coors as the company need to examine the market realities and peculiarities of the environment that it operates in before making some strategic decisions. Since the company operates in

three main countries; the US, Canada and UK, adopting a single strategy may mar the logistics growth of the organization. In particular, the tough business climate in the UK which adversely affected the brewing industry is a case in point.

Having considered the suitability of the four basic approaches of strategy to the logistics management of Molson Coors, this paper submit that elements of the four strategic approaches should be considered to plan strategic approaches that would evolve around the peculiarities of the human resources, business environment and market forces that subsists within the brewing industry of the United Kingdom.

### **Implementing logistics strategy at Molson Coors: Management issues arising**

Implementing change in organizations have never being an easy exercise in any part of the world right from the conception stage where decisions are made to effect change to the execution of such changes, resistances usually abound. Therefore, there would be some issues relating to the implementation of the new logistics strategy at Molson Coors or other organization for that matter. The way and manner that such issues are handled separates different organization and speak volumes on the capacity of organizations on change management as well as determine the success or positive impact of such implementation. Let's look in-depth into the management issues that arose at Molson Coors upon the implementation of new logistics strategy.

Capital: The implementation of new logistics strategy will always impact on the available capital of organizations. Most times, decisions on the implementation of new strategy are usually taken with high consideration of the available capital of the organization. As highlighted in the evaluation of the current strategic position of Molson Coors, one of the weaknesses of the company is its inability to properly consider its available capital before planning and implementing new logistics strategy. For example its recent attempt to extend its SAP applications to its supply chain without adequate consideration of its available capital leading to a massive financial loss to the company and plunging the company into deep financial crisis. Also the company is on the verge of implementing a new logistics support service with its plan to expend £8.5 million on marketing in the year 2010. This will no doubt impact on the company's financials if adequate planning is not done. Another major logistics strategy issue that impacts on the available capital of Molson Coors is the implementation of the outsourcing of its supply chain which includes the warehousing, inventory and transportation of its products. This has assisted the financials of the company as it is able to save good value of capital (both human and financial resources) by the implementation of its outsourcing logistics strategy. This underscores the need for companies to always consider the available capital before implementing new logistics strategy.

Technical: The successful implementation of logistics strategy in any company has strong roots in the technical capacity of the company. This is because there are a lot of technologies involved in the new logistics operations of the brewing industry globally that require good management in

order to optimize the benefits of such logistics strategy deployment. At Molson Coors, emphasis is laid on training as a means of integrating the human technical resources with the technologies deployed. Also, the capital resources is harmonized with the technical resources for the establishment of operational and manufacturing equipments that conforms with the set strategy put in place by the management for its workability.

Human: Human resource issues in logistics strategy implementation remains the most daunting issue in the change management process as most times, executive staff and other employees are opposed to changes in organizational status quo. However, in order for human resource issue to be managed and with the huge believe of Molson Coors on its human resources as the vehicle that will bring about the actualisation of the company's vision, Molson Coors normally relocates and train staff to meet up with management decisions. However, it has a huge weakness in not involving the executive staff and other employees on decision-making process of logistics strategy issues. This portends great performance danger due to the top-down format of its organizational structure and the huge interfering influences of the family that holds the voting stock of the company's shares.

### **Significance of new technology developments and future logistics strategies at Molson Coors Brewing Company (UK) Limited.**

There is no unitary answer to the question of the significance that new technology developments would impact on the future logistics strategies of beer manufacturing companies as the peculiarities of the markets, company maturity and strategies would be factors that would shape the outlook.

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However, this section will highlight some of the significance of the emerging technology developments and business trends of future logistics strategies.

Inbound and outbound logistics: There are many importances of the new developments of technology in the future logistics of Molson Coors that starts from the inbound and outbound logistics activities like improvement in the transportation services, material handling, material storage and other forms of communications. The emerging automation of the activities and processes aforementioned will enable the company to leverage on time and resources by evolving effective and efficient planning through forecasting and other strategic planning of its activities in other to eliminate wastages. The developments of technologies in this sense will lead to higher customer service and better logistics operation.

Information system: One of the key areas where the developments in technology can significantly impact in the operations of Molson Coors in the information system of the operational activities of the company. In fact it is already a factor that has been shaping its logistics activities overtime.

Molson Coors having recognised the significance of improved technology on the future market trends attempted to extend its SAP applications to its supply chain, though unsuccessful, however, part of what the future logistics strategy holds for the company is a reapplication of the integration which will massively help the company have a more effective supply chain as part of the company's present strengths lies in its qualitative information system.

Operations technologies: The emerging technologies will also positively impact on the operations technologies of the brewing company. Activities

that involves the processing, material handling, machine tools, packaging within the production section of the company is expected to be enhanced by the developing technology.

Data Planning: The new technology is also expected to impact on the data planning aspect of the production of the company. Data is very important to the activities and processes of a brewing company hence the enhancement of the data planning by enabling technologies will positively influence at the tactical level to effectively plan production, forecast demand, develop products and process information. This will also add to the advantage of avoiding wastages and efficiently addressing customers' needs as well as evolving good value chain activities.

## **Conclusion and Recommendations**

Molson Coors, no doubt have a combination of product and business knowledge with appreciable logistics strategies for the company to be able to withstand the rapidly fluid beer industry and market. The company is blessed with good organizational structure that recognises the importance of strategic logistics in its business organization, though the decision making aspects on strategic changes are done without adequate consultation with the employees. This paper, having considered the results of the logistics strategies evaluation, concludes that the firm Molson Coors Brewing Company (UK) Limited are logistically endowed and positioned to survive in the UK business environment and proceed to the next level. However, the following recommendations that bother on the study conduct must be considered by the management.

Though the company failed in its bid to align its SAP applications to its supply chain, however, this paper recommends a retrial of the process with due consultations with technological experts and technical employees of the company.

The paper recommends a judicious consideration of the four basic approaches to strategy by the company in settling for its logistics strategy which will be evolving and market specific. Managers at the local level should be enabled and involved in the planning process and decision making on strategic issues.

As presently constituted, there is no director administering the information technology and support of the company. This implies that the department is not given top priority in the company hierarchy. This should be corrected by considering the elevation of the department of IT&S into one of the constituents of the company's directorship.

If these recommendations are considered by the management of Molson Coors in addition to visiting the SWOT analysis conducted with the aim of strengthening the weaknesses, taking advantages of the opportunities, raising defences against the threats and consolidating the strengths of the organization, it is the believe of this paper that Molson Coors Brewing Company (UK) Limited will come out at the end of year 2010 a more formidable force in the brewing industry and even beyond.