Global branding and communication case: the global branding of stella artois essa...

Business, Branding

Introduction

Interbrew traces its roots to Brewery called Den Hoorn which was located in a small town outside Brussels since 1336. It was purchased by Sebastiaan Artois in 1717 and brewery changed its name to Artois. After its merger with another Belgian brewery called Piedboeuf in 1987, the company was named Interbrew. It entered the rapid growth stage after 1990 by acquiring or merging with different breweries all around the world and now established it as one of the largest beer companies in the world.

Beer Market

World beer market was growing at an annual rate of one or two percent with total consumption reaching around 1. 3 billion hls. The market was divided in two growth and mature markets. Mature market like North America and Western Europe was virtually stagnant and some market like New Zealand started to decline in 1990s. Whereas in Eastern Europe, Asia, Central and South America average consumption was around 30 lpc and was increasing at a good rate which provided opportunities to expand their horizons.

The world beer industry was relatively fragmented by four major players accounting for 22% of world market. It gave the opportunity for consolidation and everyone knew to get good margin you have to be in commanding position many people also thought process will accelerate in future. The main mantra of the industry became to achieve economies of scale in production, advertising and distribution. But there were few factors which hindered the consolidation first being the ration of Fixed versus variable cost was relatively high in the industry. To overcome it companies has to rationalize operation by shifting production to modern facilities which required large investments. Second factor was local taste differed from place to place as some of the brewery had hundreds of years of heritage behind them. Another factor was the threat from substitute drinks such as wines in different markets.

Interbrew’s positioning and corporate strategy

After acquisitions made by Interbrew in 1990s the total volumes had increased more than fourfold from 14. 7 million hls in 1992 to 57. 5 million hls in 1998. Company started consolidate and developing itself in number of developed (stars) and growth markets (cash cows) and reduced its dependence on Belgian market. Interbrew sales increased by 29% whereas none of the competitor achieved more than 16% and most of the increased sale relates to china, Montenegro and Korea some of the growth markets.

The corporate strategy is based on increasing shareholder value by using the three facets i. e. brands, market and operations were considered the “ sides of the Interbrew triangle”

The operational facet had to put emphasis on two things Capacity Utilization and strategic sourcing i. e. working closely with smaller number of supplier.

Marketing strategy included depending less on two traditional markets and it was believed that brand strength was directly related to a competitive and dedicated market platform to support the brand. Management allowed decentralized approach in many of countries.

There was three main facets for branding first being to acquire the number one or two brand and improve its quality in any market it enters, second was identify the specialty product and identify them on regional basis across the market and third being the most important was to identify a Key Corporate brand and develop it as a global product. It was important because all the main competitor of Interbrew had a global brand (e. g. Heineken, corona, Fosters, Budweiser). Market segment for global brand was small but had potential to grow because

Many consumers became increasingly attracted to the sophistication of premium and supper premium beers. Market trends supported the strategy of introducing a Global Brand as many consumers were seeking more variety and others were seeking lower prices. Second trend was the internationalization of the beer business as consumers travel around the world consuming global media. Global Brand will create synergies in advertising and sponsoring and reduce cost.

Stella Artois as Global brand for Interbrew

The company had two choices Labatt Blue and Stella Artois, company choose Stella Artois to represent it globally was a good decision taken by the company. The decision made sense as Stella was the oldest and most broadly available brand in the company’s portfolio. It achieved great success in UK, different parts of Europe, Australia and New Zealand where it was priced at a premium. Its sales increased from 3. 4 million hls in 1992 to 6. 7 million hls in 1999. In 1999 total Stella Artois volume accounted for 10% of sales for Interbrew portfolio which included large number of local brand, especially those in Mexico with very high volume. Over 32000 outlets used to sell Stella Artois on draught. It also had the experience of other brewer who established global brands; it also had opportunity to learn from their success and failures.

Stella Artois positioned itself as the premium European Larger which helped them to enter most of the mature market as market had a trend of premium and specialty bear. Growth Market was entered when the premium was not also developed; it gave Interbrew a competitive edge over its competitors to take away a good price. ‘ Belgium Beer Cafï¿½’ became one of the major marketing tools for Stella Artois in most of the matured markets. The US market was believed to be the key market for the brand since it was the most developed specialty market in the world. Thus, Stella was launched in New York and Boston and they got overwhelming demand from 200 pubs in Manhattan and around 80 pubs in Boston.

Market segmentation

Stella Artois had a good progress since its launch as global brand. In this era nothing comes for free so Interbrew had some problems with management as they wanted the organization to be more centralized structured for this brand. And in the environment where funding was bit difficult company changed its approach to long term which put more emphasis on balanced brand development program. Interbrew developed four screens a new market has to meet:

* A large and/or growing market with a premium lager segment of at least 5% and the possibility for STELLA ARTOIS to penetrate within the top 3.

* Attractive margins after at least 3 years.

* Local partners who assure the right quality and co-invest in the brand.

* Cross-border effects of success in from one market to another.

The Global Plan for Stella Artois was developed keeping all the four screens in mind, and the branding plan took a different shape, by not focusing on nation as a whole but it put emphasis on the about 20 cities. Interbrew was already present in some of the cities. This plan helped them to put more emphasis on the cities which it haven't touched and present cities will get focus when there is any issue which has to be solved. It helped them to solidify the base for sustained long term growth. This plan had some more advantages as the cities chosen had right concentration of affluent customers this provided scale for marketing and sales as well as getting attention from wholesaler and retailers. These places will become a highly visible success stories which will enhance the brand image of the product. This approach demanded that marketing efforts and funding to support had to be centrally stewarded and local tailored to reflect unique local environment.

Conclusion

Interbrew made the right decision in launching a global brand. With its unrivalled strong portfolio of premium brands they already had a quite strong position in the growing premium beer segment. The company noticed that internationalization and global media offered the chance to position a brand global and receive higher margins even in the declining Mature Markets.

The approach of a differentiated marketing strategy has to be seen more critical. The focused target group can be easily identified but the marketing efforts include financial risk. Marketing expenditures were doubled with that campaign. In the beginning it certainly interests the costumers but there is also the risk of over-whelming them and loose them in the end. In a situation of an economical crisis fewer costumers will favor high priced products and prefer a more bottom-grounded product or even choose the total opposite, an economy-priced beer.