

# Foreign market entry and diversification essay

[Business](#), [Industries](#)



Identify and discuss the trends in the global beer markets. The global beer markets have four main trends; consolidation, international expansions, mergers and acquisitions. One of the earliest trends within the beer industry would be consolidation; smaller countries with several mid-sized breweries would be “bought” up underneath one umbrella depending on the taste of that particular area or region. Consolidation within the beer industry broadens the area of sales and exposes brewers to more opportunities for growth of its company. For example, “the Belgian company Interbrew acquired breweries in 20 countries and expanded its sales to 110 countries” (C-252).

) Expansion of any company can be a positive attribute to overall success; moreover, for the most obvious, revenue. The trend of breweries expansion might be credited to the extremely expensive initial startup cost of a brewery. In this area of the beer industry by having more than one area of cash flow assists with “maintenance and the fluctuating price of resources” (Thompson, Strickland, & Gamble, 2010, C-252). International expansion can be a major attribute to a company’s success through seeking proficient production efficiencies. Some beer companies will produce their beer within its country than export versus having operational facilities in other countries where his beer is sold.

International expansion, unjustifiably broadens, opportunity for beer distributors as well as top level executives with stimulation of a growth market. Mergers and acquisition is a very popular business venture within the beer industry because it is such a huge market because they can increase a company’s exposure in reference to quantity and brand exposure in which in turn opens a door to accumulate more earned market share of the industry

(Thompson, Strickland, & Gamble, 2010. ) Discuss how Modelo's international expansion was made possible through strategic partnerships with experienced distributors in local markets. Barton Beer LTD, " the largest beer importer in the western states and was experienced in the marketing and sales of imported, premium beers. Modelo partnered with Barton Beers LTD and this partnership assisted in the image of how the American audience would accept Corona as a premium beer.

The president of Heineken, Michael Foley, states, " Beer is all marketing. People don't drink beer, they drink marketing" (C-256. ) With Barton Beer LTD. assistance and their experience in marketing, the Corona brand was catapulted in the psyche of beer drinkers all over the United States. Its " fun in the sun" campaign attracted the female audience as well. This is something that has not been accomplished among distributors here in the United States.

According to Thompson, Strickland, & Gamble, " Modelo expanded internationally through smart strategic partnerships with experienced distributors that knew the local market, and wisely differentiated Corona from other imported beers through its marketing" (C-256) Through its expansion into the American market, and its indifferent but successful marketing strategy, the brand has been able to not only sell beer to the American market, but sell an experience of relaxation. This attribute again accounted for something that beer companies have not done before the Corona brand. Before then most companies focused on quality and taste of its beer on their advertising, and Corona does not (Thompson, Strickland, &

Gamble, 2010. ) Modelo also partnered with Grambrinus which was the distributor of the 25 eastern states of the United States. Each partnership is beneficial to the expansion of the Corona brand because each distributor had its own experience and was knowledgeable of the demographics within their 25 states.

Each partnership creates full leverage of information for market expansion for the Corona within the United States while creating a lane for opportunities in prospective markets through consumer research etcetera. Identify and discuss the next foreign market that Modelo should enter and with what strategy. In all actuality, I cannot think of a foreign market that Modelo should enter that the company has not already entered. The president Don Pablo Diez Fernandez from a young boy had a vision for his family business to cross borders and create a lucrative international business and his vision has come to pass. After doing further research, I have learned Modelo has entered the United States and Canada; also Modelo has been strategically placed in 25 popular areas of Latin America that include Argentina, Costa Rica and Puerto Rico. Modelo is in over 80 popular areas within the Europe, Africa, and the Middle East. Modelo has foreign market entry within 30 countries in Asia, as well as Australia and New Zealand.

It almost looks like Modelo brand has an footprint every region of the globe! “ Corona worldwide,” 2010. ) Discuss the challenges that Modelo faces from its competitor InBev, and how it might respond strategically to the industry giant. The challenges that Modelo faces from its competitor InBev are product differentiations and advertising, and as the beer industry grows; a

possible challenge would be the increase of domestic product competition and import product competition. I think the most threatening is the possibility of a merger and acquisition of InBev and Anheuser-Busch. Such an alliance would form a brewing colossus with more than one-fifth of the world beer market by volume and could transform the sector” (C- 257. ) A business venture as such could have a definite negative effect on the future of Modelo.

Anheuser Busch is the leader in the United States and owns a huge percentage of market shares. Industry-wide, Anheuser Bush is literally the “ King of Beers” (Thompson, Strickland, & Gamble, 2010. ) Discuss whether or not Modelo should diversity its business. If so, what business should it enter and why? I do not think that Modelo should diversify its business. However, I do think that Modela should diversify its product selection.

The company has international presence in over 150 countries. I think that company should do what Coca Cola has done with is beverage, which is diversifying its taste according to the region or that particular area. For example, Norwegian is known for pale ale lagers, and yes even though Corona is a pale ale lager itself, Modela can create pale ale specifically geared towards that regions taste of local breweries. It is a leap however, Coca Cola is the only company that I know in the beverage industry that has been successful at this type of product diversification, however, I think with the right research and marketing that it would work for Modelo (Stevens, 2008. ) The “ fun in the sun” image still exist in the mental thought process of most consumer of the beverage, combined with being the number

importer of beer in the United States and the world's fourth selling beer I think that the transition would be very exciting for the overall economies of scale for the organization.

If the acquisition and merger takes place with Anheuser Busch, Modelo will have to do something very innovative and creative to broaden the minds and taste buds of their current audience. Options are always better, and in this case Modela would be given the locals the option to taste the classic line of Modelo beverages or escape into a relaxation experience beverage geared to that particular area of the world; just Modelo version! ReferenceCorona worldwide. (2010). Retrieved from <http://www.corona.com/home/index.jsp?url=./worldwide/index.jsp&ms=regionOID%3D5%26tipoMedio%3D1>

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