Coors case analysis essay sample

Business, Marketing

I. Evaluations of Coors's competency in different stages of development

Super Regional Brewer to National Brewer:

* Bounded conservative family company with all board members plus 5 directors insiders. Later followed by more open minded management such as issuing stocks for outside financing, changing policy towards minority, * Traditional strengths in production; 70 days aging of its beers compared to other brewers. Also enjoyed good profit margins during the time of non competitiveness. * Controlled production costs by brewing a single kind of beer. This later changed to segmentation by new products launches such as silver bullet; light beer consisting of exactly the same ingredients only with lower amounts which in fact was a more profitable. * Intensified marketing of Coors. The advertisement cost per barrel was higher than any other. The marketing style changed focusing to product quality and differentiation as trying to be a national brewer in following years. * In producing inputs Coors had stressed quality and self-reliance. Held the rights to acquire water in territory. Made its own malt under long term contracts with 2000 farmers. * Built its own malting equipment, 90% of brewing equipment, 75% of packaging equipment and tried to be self-sufficient in energy by developing its own coalfield. * Super regional manufacturer localized in a area of short fall in supplying the demand. Later this has turned into search for new plant need after penetration of other brands into the territory of their control. * Capacity utilization rate slightly higher than other brewers with multi plants. * Coors being the only brewer which was not unionized.

* Coors’s technology such as producing first cans

* Domination over resale channels, force them to carry its brands exclusively, prohibit to cut down prices, ensure them keep products in certain conditions and destroy any products after 60 days on the retailers own expenses. Later this had to be changed as they entered new markets which already was under control of competitors.

II. Should Coors built a brewery in Virginia?

Coors had only one single plant in Golden until 1987. It benefited as being a big regional brewer it benefited its close position capacity to shortfall markets. But as the national brands penetrated to this shortfall markets Coors had to make a decision. As the market grew larger and the transport costs arose tremendously for Coors to reach longer distances, plus rejecting the pasteurizing process demanded specialization. To reduce its costs in order to be a national brand, Coors needs to build additional capacity supporting national distribution In particular, Coors needs building additional capacity in Virginia to support east coast distribution of their product. By having a plant in Virginia Coors may create possibility of becoming a national brewer, similar to Anheuser-Busch and Miller.

III. Might Coors have done differently?

By continually expanding economies of scale (through technological innovation) and efficiencies in advertising, AB and Miller were decreasing the average cost of producing and marketing a barrel of beer. If Coors did not find some way of competing with this increasingly important threat, Coors might find itself squeezed out the market. So I think this could be the best strategy to implement. Otherwise Coors would have to choose the other option as squeezing from grand regional brewer to small sized regional brewer and would likely face the threat of vanishing over time.

IV. Overall evaluation – your interpretation of the case

Coors was too blind and arrogant in its brand and its quality based production which caused them to be unaware from new market developments and the competition that arose. When they did discover that there is no way out but to enlarge or shrink and disappear, a crucial mistake Coors management made was to allow Miller and AB to fill the capacity gap in its heart-land thereby losing market share It seems like Coors' management was focused on its nation-wide roll and lost sight of defending its local market share. Here to protect and attack should have been their policy. To retrieve market share, diversify risks and keep their profit levels they should have transformed into a nationwide brewer when still had their advantaged position. However they used their core competences such as innovation, technology and differentiation they managed to retrieve growth and success.

V. Comments on Turkish beer industry (optional)

There are 2 major beer brands in Turkey. The industry enjoyed growth about 20% due to international brands they brought and them gaining popularity. The industry also went into product segmentation such as dark, light beers and various popular brands. Between these 2 brands majority of market share belongs to Efes Beverage group with approximately 80%. Efes has multi plants and distribution centers in Turkey while the production plant of Tuborg is only one located in İzmir. Efes benefits being a subsidiary of Anadolu group which also has the bargaining power of purchasing, distribution of Anadolu group, more specifically Coca Cola (CCI) which is in similar business as drinks and the leading one amongst other subsidiaries. On the other hand Tuborg is proud of its processes like 100% malt beer production. This remind a bit of Coors which in the past had only one production plant and differentiated product by means of process.