

# Brasseries kronenbourg case

Business



? Brasseries Kronenbourg Case Study The ‘ Brasseries Kronenbourg’ case study<sup>1</sup> describes the strategy of the main company within the beer division of the Danone Group. In this case study analysis I will consider the resources, core competencies and sources of competitive advantage that have shaped Brasseries Kronenbourg’s international strategy. Resources The resources of Brasseries Kronenbourg are fundamental in shaping the company’s strategy. Their resources can be best outlined through a resource audit under the following categories:

Physical – domestically (France) the company has access to large breweries capable of producing upwards of 10 million hectolitres<sup>2</sup> and in 1994 invested an additional FF292 million in industrial plant and equipment. Also has access to some international breweries through acquisitions including in Spain and Greece. On the distribution side domestically the company had acquired 60 warehouses.

Human – following a shift in focus to automation in the 1980s, the company entered a phase of restructuring. Levels of hierarchy were removed and 570 jobs were phased out.

However, the company has sought to encourage professional development and to develop staff skills through personal training and apprenticeship schemes. Financial – Brasseries Kronenbourg has a strong balance sheet<sup>3</sup> showing significant profits year on year. The company is also has the benefit of being backed by its parent group Danone which is described as the third leading food marketer in Europe. Intangible – the company has a product

range of 28 brands, which includes a diverse portfolio of mass-market, high-end, specialty and niche (low alcohol/non-alcoholic).

These are the resources available to Brasseries Kronenbourg, but it is the way in which they are utilised that identifies the core competencies of the company. Core Competencies The case study concentrates on the international strategy of the Brasseries Kronenbourg company and it is clear to see why the company chose the strategy it did when its core competencies are considered. I would suggest that the company's core competencies are based around two main areas; the expertise involved in the manufacture and distribution of beer and the brand management of their product.

Expertise – the company clearly has an established expertise within its domestic market in producing and distributing its product. Research and development, staff restructuring, training programmes and the development of distribution channels have all led to a more efficient process. The company knows how to do what it does well and any international strategy would seek to take advantage of this fact and attempt to transpose this knowledge into a new market.

Brand Management – the company had a number of highly successful domestic brands that had even acquired a reputation internationally as premium brands.

The company had also innovated with a diverse portfolio of brands which include upmarket beers (1664, Gold), non-alcoholic (Tourtel), and low alcohol (Kronenbourg Light). Presentation has been honed through the <https://assignbuster.com/brasseries-kronenbourg-case/>

merchandising system 'Pluton', which tailors the presentation of beers dependant on retail chain, region and seasons. Brasseries Kronenbourg's strategy would clearly have to take into consideration it's well developed brand management when looking at international expansion. The initial international strategy was to simply export the company's premium products, which had a high enough margin to cover the high costs of distribution.

However, the Danone Group has its stated goal as being the number 1 or 2 in each division it operates in, firstly in Europe and then the World.

In order to achieve this aim it was clear that exports alone would not generate enough volume to take a significant market share in each country. As Brasseries Kronenbourg had the majority of its physical assets in France it would be extremely costly and time consuming to try and enter numerous foreign markets through establishing its own manufacturing, distribution channels and marketing.

Instead the company was able to use the substantial financial backing of its parent company in order to enter into beneficial partnerships with or acquire local breweries in each of the markets it wanted to target. This strategy of partnering with local breweries seems to have been based on an understanding of the company's core competencies outlined above. In relation to the company's existing expertise and knowledge, the beer division of the Danone Group sought to analyse the potential productivity gains of integrating any potential acquisition into their network.

When a company was brought into the group the company it would look to transfer skills and possibly restructure in order that it could benefit from the expertise that they had from their domestic operations. Brasseries Kronenbourg also ensured that it maintained marketing rights for its own brands which allowed it to build on its other main core competence. Brand management appears to have been a major asset to the company as it sought to expand internationally. Brasseries Kronenbourg could offer their products as a premium beer to complement the local breweries' own strong local brands, rather than attempting to target the same market share.

The company chose to use its most established domestic brands for each new market and this allowed the company to rapidly develop a local presence without too high marketing costs.

With such a wide range of products they would also be able to take into account external influences, such as tastes and fashions, in each market and provide different brands in different countries accordingly. Competitive Advantage In forming their strategy Brasseries Kronenbourg will have also considered the sources of competitive advantage that they can exploit. The bases of ompetitive advantage are best surmised as follows: Economies of Scale – domestically the company clearly has acquired economies of scale as their market leader position has allowed them to invest heavily in large manufacturing and distribution networks and in increasingly efficient methods of production. However, this advantage is somewhat diminished when it is considered against moving into international markets. Brasseries Kronenbourg has several well established European competitors

including Heineken and Carlsberg, which will also have comparable economies of scale.

Expanding internationally, the company has clearly decided economies of scale are not a major competitive advantage, as can be seen from their strategy of forming commercial partnerships with established breweries. Economies of Scope – the Brasseries Kronenbourg company could exploit some competitive advantage from its relationship with its parent company Danone. The Danone group has divisions which specialise in packaging and labelling. The company has demonstrated the benefits of quick developments in labelling and packaging to stave off competition and distinguish the product.

Experience Curve – as the company is moving into relatively uncharted territories with its international expansion, it is unlikely to gain any competitive advantage over its main competitors through experience gained in production. Value Added – this ties in closely with idea of brand management outlined above.

The company has a strong and diverse range of brands which it can make available to potential international partners. The most relevant brands can be chosen for a particular country and marketing costs are kept to a minimum because the brand may already be well-known as a luxury imported beer.

The company is then able to benefit from a higher retail price but reduced overheads that come from manufacturing locally. Building on this image the company has been careful to develop a strong public image. Environmental  
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concerns are covered through the use of mainly recycled materials for bottles and where legislation allows, sponsorship with sporting activities have been arranged.

The Pluton system has also allowed the company a high degree of control over the marketing of products for retail. This level of brand management is in my opinion this is where Brasseries Kronenbourg will be able to gain its largest competitive advantage.

The strategy which Brasseries Kronenbourg has undertaken for its foray into international expansion has clearly being guided by its core competencies and competitive advantages. It has specifically targeted geographical locations that are open to the introduction of a new competitor (Britain, Spain, Greece, Italy) and avoided those where complexities prohibit new entrants (Germany). By forming partnerships with local breweries it has allowed itself to focus on what it does best, namely developing the brands and introducing efficient and effective methods of production.

At the same time it has managed to avoid the possible pitfalls of entering new territories where it had no local knowledge, distribution contacts or manufacturing base.

The Danone group is clearly a fundamental part of Brasseries Kronenbourg's international expansion. As they provided the financial backing, acquisitions went through the group, with decisions based on the Danone group's stated ambition of being 1st or 2nd in the market of each of their divisions.

However, it does appear that the group have managed to successfully identify and utilise Brasseries Kronenbourg's main strengths.

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