

# Main similarities and differences between both markets of italy and canada



## **Executive summary**

This report aimed to provide in depth view of a country and market comparison which focuses on the beer industry in both Italy and Canada. It provides the answer to the main question which market we are going to invest in and why we should invest in that country.

This report also focuses on the main similarities and differences between both markets of Italy and Canada. By comparing those differences and similarities we will finally get to the conclusion that which country we are going to invest in and explain the reason why we want to invest in that country. There are several factors which we are going to use to compare these two countries they are as follows:

- The cultural differences by Hofstede's cultural dimensions.
- Beer industry conditions in both countries.
- Macro-economy situations in both countries.
- Alcohol Taxes and Duties Legislative Framework.
- Market size of legal drinking and purchasing population.
- Major players in beer industry of both countries.

## **Introduction**

Beer is one of the most used beverages in the world next to coffee and tea. The beer industry therefore as we can imagine is one of the biggest industries in the world with many competitors inside of the industry. It is not surprising that many different kinds of beer and a variety of brands can be found in both Italy and Canada and both of the countries has a long history of development of brewery industry as well.

In this article we are going to compare both of the countries' markets industry condition cultural differences political background and so forth all those information will be taken into consideration and be processed to make the final decision on which country environment is more suitable and beneficial for us to invest into.

Some theories are going to be applied to analyse the cultural dimensions of both countries such as Hofstede's cultural dimensions and SWOT analysis Porter's Five Forces Model.

### **Methodology**

In this paper, i will use the following methodology to analysis my paper, they are Hofstede's cultural dimensions and SWOT analysis. I will use hoststede's cultural dimensions in the cultural part, and SWOT in the final section of the paper.

### **Hofstede's Cultural Dimensions**

In the Hofstede's cultural dimension, the dimensions measure the cultural dimensions differences in both Canada and Italy. There are five dimensions in this framework namely the Power Distance Index (PDI) the Individualism-Collectivism Masculinity-Femininity and Uncertainty Avoidance. Because Hofstede measures cultural dimensions therefore i will use the Hofstede's cultural dimensions in the cultural system page of the paper when the cultural aspects are discussed.

### **SWOT Analysis**

The SWOT Analysis is the analysis of Strengths Weaknesses Opportunities and Threats for both countries.

The SWOT analysis is a quick and brief way to make an overview of the strength and weakness, and on the other hand opportunities and threats for both countries, in my case, the beer industry in two different countries will be analyzed. The SWOT analysis will look into internal factors within the industry of the country (Strengths and Weaknesses) and external factors outside the industry or the country (Opportunities and Threats). This framework will help us to analyze the main positive and negative sides of both countries when comparing the SWOT. And eventually this should help us decide on which country would be most suitable to invest in the beer industry. And this framework will be used at the end of the paper which will give us a conclusive result of which country we are going to invest in.

### **The beer industry of Italy and Canada**

In this section relevant market conditions that apply to the Italian and Canadian beer sector will be explained. The market can be separated according to different factors like size and attractiveness as well. If we divide the market according to the different market shares which individual brewery holds we can see that there are several main players in the beer industry in both of the countries.

#### **Italy**

Italy is famous for its wines however it is not well-known for its own beer. Generally speaking Italy doesn't consume nearly as much beer as its European Union neighbour however there is a growing trend of consumption for beer in Italy the beer in Italy is not as widespread as in its European Union neighbours mainly because there is a historical preference for wine in the country.

Italian breweries have undergone a “ Renaissance” in recent years. In the past few years, in fact Italy has started having beer drinking and tasting competitions and many related festivals. Normally this sort of activity is reserved for wine however nowadays beer is earning more and more respect from wine-preferred Italians and even many young Italians prefer to support their country’s beer industry rather than the wine industry now still the Italian beer industry has much space to grow and be developed.

There are some brands of beer in Italy one of them is the oldest and most recognized brand of breweries which is Birra Peroni which was established in 1846 and the headquarter of Peroni is in Rome. Peroni’s most famous product is a pilsner style beer. Nastro Azzuro which is also one of the few Italian beers that marketed all over the world Nastro Azzuro which is a rather light style beer compared to the previous one many breweries are crafting darker heavier beers is generally gaining interests from those more old and experienced beer drinkers and people alike. In addition to those giant breweries there are many microbreweries in Italy and they play a important role and have a great portion of the market as well. A microbrewery which particularly gains attention from young Italians is called “ Birrificio Baladin” the brewery attracted those young generation through sponsoring international music festivals and passionate advertisements.

## **Canada**

Traditionally Canadian biggest brewing companies were Labatt’s and Molson. In 1995 Labatt’s was purchased by an Belgian company which is <https://assignbuster.com/main-similarities-and-differences-between-both-markets-of-italy-and-canada/>

called Interbrew and it is now a part of Brazilian-Belgian. An European Unioner-Busch InBev¼the world's biggest brewing company and Molson¼the other biggest brewing company in Canada¼which was merged with US company Coors in 2005 and created a new company called Molson Coors¼which is the world's fifth biggest brewing company now.

In 2006¼with the purchase of Sleeman Breweries¼the biggest remaining Canadian brewery was purchased by the Japanese company which owned Sapporo Brewery¼The Canadian beer production market is mainly under control of many foreign multinationals. Approximately 90 percent of beer sales under the licence was produced in Canada, however from a non-domestic brewing corporations by the end of 2006. U. S beers companies under the licence dominated much of the Canadian market. For instance¼in Canada by Labatt's and Coors LightMolson, Budweiser is brewed under licence.

In Canada, the domestic beer market is almost dominated by many foreign companies as we mentioned before, these companies are Labatt¼Molson and Sleeman¼they are all foreign owned companies. The biggest Canadian owned brewer¼Moosehead breweries¼only controls about 5. 5 percent of the Canadian market.

## **Country comparison**

### **Macro-economic indicators**

#### **Economy**

Canada population 33, 487, 208 (July 2009 est.).

Italy population 58, 126, 212 (July 2009 est.).

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Economic freedom Canada world rank 6.

Economic freedom Italy world rank 87.

### **Finance**

Financial freedom for Canada: 80. 0.

Financial freedom in Italy 60. 0

Canada investment freedom 75. 0.

Italy investment freedom 75. 0.

### **Canada**

Economy

-GDP (Purchasing Power Parity)

\$ 1. 335 trillion (2010 est.). Country comparison to the world: 15.

\$1. 297 trillion (2009 est.)

\$1. 33 trillion (2008 est.)

-GDP Per capita (PPP)

\$39, 600 (2010 est.)

country comparison to the world: 22

\$38, 700 (2009 est.)

\$40, 000 (2008 est.)

-Inflation rate (consumer prices)

1. 6 percent (2010 est.)

country comparison to the world: 41

0. 3 percent (2009 est.)

## **Italy**

Economy

-GDP (PPP)

\$1. 782 trillion (2010 est.)

country comparison to the world: 11

\$1. 763 trillion (2009 est.)

\$1. 857 trillion (2008 est.)

-GDP per capita (PPP)

\$30, 700 (2010 est.)

country comparison to the world: 43

\$30, 300 (2009 est.)

\$31, 900 (2008 est.)

-Inflation rate (consumer prices)

1. 4 percent (2010 est.)

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country comparison to the world: 32

0. 8 percent (2009 est.)

## **Historical developments**

### **Italy**

Beer is known and drunk in Italy very long time ago¼Italians brewed and consumed the blond drink. It said that Roman Emperor Agricola was a fan of beer when he was the governor of Britannia¼and in 83 AD Roman Emperor Agricola raised to the imperial throne and came back to Italy¼he took three master brewers with him from Glevum of which the ancient name Gloucester and opened the first real “ pub” in Italy.

Nowadays beer is especially loved by young people in Italy¼which has been seen as an informal drink¼compared to the wine which is always used in much more formal places. Aperitif and wine tasting have now gained back to wine many casual drinkers¼however¼until a few years ago¼young Italians actually drank more beer than wine.

Pub-styled bars are still very popular in Italy and they have spread the love for the more exotic brands of beer: many of them serve Japanese¼German¼Australian and East European Unionropean beers along with the more known ones brewed in the UK and Belgium. At least one bottle of “ Birra cinese” (Chinese beer) is served on every table of every Chinese restaurant.

## Canada

In the seventeenth century European settlers first introduced beer to Canada as Canada has an optimal temperature for producing and storing beer before refrigeration was introduced. Jean Talon built the first commercial brewery in Quebec City.

In 1668, more than a century later when beer first came to Canada, a number of commercial brewers came out including some that later became the samples of the Canadian beer industry: John Molson founded a brewery in Montreal in 1786, Alexander Keith in Halifax in 1820, Thomas Carling in London in 1840, John Kinder Labatt in 1847, also in London, Susannah Oland in Halifax in 1867, and European Union Gene O'Keefe in Toronto in 1891.

Prohibition period in Canada was not lasting as long as the period in the U. S, and it was largely effective by the middle of 1920s (however in Prince Edward Island it ran from 1901 to 1948). Nonetheless it still had a same effect of keeping very few brewing company and brewers in Canada by the late twentieth century, it was only that there has been a revival and microbreweries have started. However in some provinces, brew pubs are still illegal.

## Cultural system

### Hofstede's Cultural Dimensions of Italy and Canada

Power Individualism Masculinity Uncertainty

Distance Avoidance

ce Avoidance

e

Italy	Higher	More collective	More masculine	Strong
Canada	Lower	More individualistic	More feminine	Weak

### **Power distance**

Canada is lower on the Hofstede's power distance index than Italy. Italy is in the middle on the index generally. Italian seems to expect differences in power between people. Canadian Power Distance (PDI) is relatively low compared to Italy. The index of PD is 39 for Canada. It is still lower compared to a world average.

### **Individualism**

The less collective nature of Canada compared to Italy can be seen in many ways. In Canada, it is common for grown teenagers to live with their parents for years in Italy and there are many family owned business in Italy, even some very famous brands. In Italy, business is preferably dealt with people which you are familiar with. Unfamiliar guests will not be invited into an Italian home. Canada has Individualism as the highest ranking which is 80. And this indicates that the Canadian society with a more individualistic attitude and relatively loose bonds with families and others.

### **Masculinity**

As we can see in the dimension index, Italy is a very masculine society and ranks slightly higher compared to Canada. It said that even nowadays there are still many Italian men treat women with machismo. Even though there are more and more women in the working population nowadays<sup>1</sup> however, their numbers are still small and few are in upper positions due to the glass ceiling. The traditional Italian household are women, in most Italian families, women play the role who cook, clean the house and take care of children.

Italians place a very important attention on material possessions. As we all know that looking good is very important for Italians, and like many feminine culture<sup>1</sup> Italians know how to enjoy their life. Italians is the kind of people who work in order to live rather than some countries people living to work, ambition and hard working are not prevalent phenomena in Italian culture. Therefore I assume that beer as a informal beverage<sup>1</sup> it is more popular under this kind of cultural background rather than more formal cultural background countries.

### **Uncertainty Avoidance**

Italy avoids uncertainty more strongly than Canada. Generally speaking Italians prefer to do business with people they are familiar with. In addition<sup>1</sup> Italians prefer to have some personal communication with the people who they are going to do business with before they approach to the serious business talking.

### **Political/Government System**

Beer or we can say "malt liquor" in legal term<sup>1</sup> is defined as "all fermented liquor brewed in whole or in part from malt for the purposes of the <https://assignbuster.com/main-similarities-and-differences-between-both-markets-of-italy-and-canada/>

Excise Act<sup>1</sup>/<sub>4</sub>“grain or any saccharine matter without any process of distillation”<sup>1</sup>/<sub>4</sub>“however this definition does not include wine.

### **Italian Alcohol Taxes and Duties**

Alcohol	Duty
Beer (5 percent ABV or 12° Plato)	0.12£ per pint
Wine (bottle 11.5 percent ABV)	0.00£ per 75 cl

As we can see in the table of different rates of duty applies to beer in Italy<sup>1</sup>/<sub>4</sub>“which contains following level of duty. Italy is a member of the European Union<sup>1</sup>/<sub>4</sub>“therefore it shares the Common External Tariff regime of European Union. European Union duties are charged by the Italian Customs Agency on the CIF (cost<sup>1</sup>/<sub>4</sub>“insurance and freight) value of the product which imported into Italy.

The Alcohol Act (2001) banned TV and radio programmes advertising of alcoholic products between 4 o'clock pm and 9 o'clock pm and prohibited alcohol advertisements from showing on the TV within 15 minutes after or before any children's programmes. This Act also requires a self-regulatory code to be provided jointly by advertising agencies, advertisers and media companies to administer alcohol advertising.

For the legal drinking age<sup>1</sup>/<sub>4</sub>“there is no minimum age of legal drinking. And the legal purchasing age of alcohol is 16 and 18. However, South Tyrol  
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prohibits both serving and purchase for people under the age of 18 and to everybody in a state of inebriation. Milan has enforced a ban on those under 16 purchasing alcohol. Heavy fines are given to proprietors and parents if a transaction is completed.

### **Canadian Alcohol Taxes and Duties Legislative Framework**

Beer	Duty
Up to 1.2 percent alcohol	\$2. 991/hectolitre
1.2 percent to 2.5 percent alcohol	\$13. 990/hectolitre
Over 2.5 percent alcohol	\$27. 985/hectolitre

As we can see in the table of different rates of duty applies to beer<sup>1/4</sup> which contains following level of duty:

- (1) over than 2.5 percent absolute ethyl alcohol as the percentage of the total weight;
- (2) over than 1.2 percent however under 2.5 percent absolute ethyl alcohol as the percentage of the total weight; and
- (3) less than 1.2 percent absolute ethyl alcohol as the percentage of the total weight<sup>1/4</sup> and for all beer containing more than 2.5 percent absolute ethyl alcohol as the percentage of the total weight<sup>1/4</sup> the rate of excise duty is currently 27.985 dollar per hectolitre.

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The excise duties are not imposed on beer which is provided by a person for personal or family use or to be given away without charge and is not for sale commercially.

Canadian government showed how highly they value beer production and its breweries by lowering the taxes exercised on beer production. This is a benefit to the industry. As one of the leaders of the whole economy of Canada the beer sector is likely to maintain these tax benefits and other benefits might be offered as well to the beer sector to develop the Canadian beer industry.

The legal drinking and purchasing age in Canada are both 19. However in some areas such as Ontario, Saskatchewan, British Columbia, Newfoundland and Labrador, Nova Scotia, Northwest Territories, Yukon and Nunavut under age drinking which is supervised by parents is permitted however with some restrictions on one's own property in the provinces of New Brunswick and Ontario and at home in the provinces of Prince Edward Island, British Columbia and Saskatchewan. In British Columbia only those children under the parental supervision not any other minors such like guests are allowed under age drinking. Consumption of alcohol in another individual's home is subject to other laws.

### **Major players**

The brewing industry had become extremely concentrated in Canada it had been dominated by only three major companies at the end 1970s these companies are Molson, Labatt and Carling-O'Keefe.

Canadian biggest brewing companies were Labatt's and Molson as we mentioned in the previous overview of industry condition of both countries. In 1995 ¼ Labatt's was purchased by an Belgian company which is called Interbrew which is now part of Brazilian-Belgian " Anheuser-Busch InBev" ¼ the world's biggest brewing company and " Molson" ¼ the other biggest beer company ¼ which was merged with US company Coors in 2005 and created a new company called Molson Coors ¼ and it is the world's fifth biggest brewing company now. In 2006 ¼ the biggest remaining Canadian brewery was purchased by a Japanese owned company called " Sapporo Brewery" ¼ until then, Canadian beer production has been almost controlled by the foreign multinationals.

Until the end of 2006 ¼ approximately 90 percent of beer sales was brewed domestically under licence from the non-domestic beer corporations.

American beers giants dominated much of the market, and for instance ¼ Budweiser is produced under the licence in Canada by companies Labatt's and Coors Light. The Canadian beer market is dominated by Labatt ¼ Molson and Sleeman these three companies ¼ they are all foreign owned companies. The biggest Canadian owned brewer ¼ Moosehead breweries ¼ only controls small percentage of the Canadian market.

Italy hosts a few breweries ¼ with the biggest owned by the best known Italian and foreign brands. Peroni's brewery produces the best known Italian beer: " la Peroni". Peroni also produces the premium beer Mastro Azzurro and the brands Wührer ¼ and lesser known Raffo. Heineken Italy brews it's famous Heineken ¼ but has also acquired the brands  
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Moretti's Elchnusa's Birra Messina and Dreher. Carlsberg owns a few brewerys in Northern and Central Italy. In Northern Italy's Forst brews its own branded beer as well as the famed Menabrea. In Friuli Venezia Giulia the latest brand of Italian beer Birra Castello's has been active since 1997. Along with these big players's there are lots of microbreweries - small scale breweries that produce small quantities of beer's they also have premium quality.

### **Major finding of comparison and recommendations**

Making a decision in which country to invest is not so easy's because of all those different variances in both of the counties's some of the variances are strength for Canada's however's some of them are favorable for Italy.

In the first place's the tax rates between Canada and Italy differ. In Canada the rates are relatively lower than in Italy due to the fact that the tax level is relatively high in the European Unionropean context. In addition to this's the Canadian government reduced taxes even more to benefit Canadian brewers.

Secondly's when a look is taken at macroeconomic indicators like GDP per capita we see that Canada is a bit more favorable. However's since this differences are so small's both of the countries that we have chosen are developed countries's and GDP per capita which above certain level has a relatively weak influence on the consumption of beer. Therefore's this factor is not likely to have a significant influences on the desicion of investment in the countries.

Thirdly, the population above legal drinking age in the markets has been calculated starting from the age at which alcohol consumption is allowed. This would mean that we start counting the population starting from 18 years old in Italy (some areas start from 16 years old) and 19 years old in Canada. We find that the relative amount of people able to purchase and consume alcohol in Italy is larger than in Canada because the whole population is larger in Italy than in Canada and the population of legal drinking age are also higher in Italy than in Canada; therefore, the potential market in Italy are larger than in Canada.

Lastly, when comparing markets according to its players and their market shares we find that Canada has a more concentrated market with high market share large players and many small players. Italy on the other hand has two old players with a high share and one smaller player while the rest of the market consists of really small players. It would therefore be an advantage to invest in the Italian market; trying to gain and increase a market share because of the fact that there are many foreign players already play very important roles in the Canadian market. Molson Coors Brewing company and Anheuser-Busch InBev have a market share of 42, 70 and 42, 20 percent respectively. Third place is held by Moosehead Brewing company with a share of 5, 90 percent. These three main players hold 90, 8 percent of the market in total by volume.

Taking all those facts into consideration, I would say that Italy would be the country that we are going to invest in. As we explained above, we analysed both countries SWOT, for Italy, the strength is market size, the weakness is relatively higher tax rate on alcohol, and the opportunities is <https://assignbuster.com/main-similarities-and-differences-between-both-markets-of-italy-and-canada/>

that there are only two big old players and some extreme small players¼Egaining or increasing a share is relatively easy¼Eand the market of Italy are more potential¼Ebecause Italy still on the growing phase of beer industry. Moreover¼Esince the age allowed to drink in Italy starting from the age of 18 and in some areas are even lower to 16¼Eand with more population in Italy¼Etherefore the market is bigger in Italy than in Canada. In addition¼Enowadays the Italian government highly values the Italian beer industry due to the impact on its economy and therefore taxes are getting lower and lower. And the threats of Italy is that new public policy may harm the beer industry, such as the advertising policy we mentioned before which bans the ads of alcohol in specific period of time on TV.