

Nigerian breweries marketing analysis



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EXECUTIVE SUMMARY

This report is set to discuss about the marketing report of Nigerian Breweries Plc. It covers their history, the PEST analysis, their strategies and tactics. A good marketing report is needed in an organisation to know the status of the organisation and to know where they are failing and succeeding so that they can correct or maintain the situation. This paper would fully explain the marketing report of Nigerian Breweries with a little recommendation.

INTRODUCTION

Kotler (2002) defined Marketing as the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

Marketing is essentially about marshalling the resources of an organization so that they met the changing needs of the customer on whom the organization depends. (Palmer, 2003)

Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that customer and organizational objectives. (Drucker, 2005) The concept of marketing as a business philosophy defines marketing as a process that is intended to find, satisfy and retain customers while business makes a profit. But central to all these definitions is the role of the customer and his relationship to the product.

A market research is imperative for a company to know what type of products or services would be profitable to introduce in the market. Also with respect to its existing products in the market, good market research enables

a company to know if it has been able to satisfy customer needs and whether any changes need to be made in the packaging, delivery or the product itself. (Anonymous, 2009)

HISTORICAL BACKGROUND

Nigerian Breweries Plc (NBPLC) is the country's pioneer brewery.

Incorporated in 1946, it commenced production in 1949. It started as a joint venture between the United African Company (WAC) International, UK and Heineken of Holland. Thus, at inception, it was 100 per cent foreign owned.

By the early 1950s, when it began operating fully, some indigenous traders already involved with its products were invited to become shareholders.

Under the indigenization policy of the early 1970s the foreign shareholders were forced to sell a significant proportion of their holdings. Today, the company is 60 per cent Nigerian owned and 40 per cent foreign owned. The 60 per cent Nigerian stake is held by company employees and members of the public, while the 40 per cent foreign ownership is split almost equally between CWA Holdings Limited (for Unilever) and Heineken Brouwerijen BV.

Its first bottle of beer, STAR Lager, rolled off the bottling lines of its Lagos Brewery in June 1949. Other breweries were subsequently commissioned by the company, including Aba Brewery in 1957, Kaduna Brewery in 1963, and Ibadan Brewery in 1982. In September 1993, the company acquired its fifth brewery in Enugu state, and in October 2003, its sixth brewery, sited at Ama in Enugu. Ama Brewery is the largest brewery in Nigeria and one of the most modern worldwide. Operations at Enugu brewery were discontinued in 2004, leaving the company with five operational breweries.

The company has a portfolio of high-quality brands, including Star Lager Beer (launched in 1949); Gulder Lager Beer (1970); Maltina (1976), which now has three varieties, namely Maltina Classic, Maltina Strawberry, and Maltina with Pineapple; Maltina Sip-it (2005), which was packaged in Tetrapaks; Legend Extra Stout (1992); and Amstel Malta (1994). The company also re-launched Heineken Lager into the Nigerian market in June 1998.

Nigerian Breweries is the most capitalized quoted company on the Nigerian Stock Exchange (NSE), it is also the first company in any sector to declare N12 billion in PBT and the first company in Nigerian history to declare dividend of N8 billion (Vanguard, 2003).

Nigerian Breweries operates many related companies, including beverage-related manufacturing companies making corks, labels, bottles, packing crates; and a logistics network, including transport companies, warehousing companies and retail sales management

THE MARKET ENVIRONMENT

Market Environment is the various external forces that can directly or indirectly affect the many activities of an organization. This is an integral part of environmental scanning. These activities include acquisition of human resources, raw materials, financial resources, and development of goods and services. The marketing environment includes forces such as: political, legal, regulatory, economic, social, technological, and competitive.

Nigerian Breweries Plc functions in two different market environment namely the Macro and Micro which affects it externally and internally. (Kotler, 2004),

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the PEST analyses and the Porters Five Forces model of Nigerian Breweries would be discussed in this report.

PEST analysis stands for “ Political, Economic, Social, and Technological analysis” and describes a framework of macro-environmental factors used.

(P)OLITICAL ANALYSIS

Political analysis involves elections, employment law, consumer protection, environmental regulations, industry-specific regulations, competitive regulations, inter-country relationships/attitudes, war, terrorism, political trends in the country where the company is based.

The political situation in Nigeria has experienced a stable balance since the commencement of the democratic governance and this has impacted on Nigerian breweries plc in different ways.

Politically, Nigerian breweries was affected positively when the ban on importation of barley was lifted as well as placing a 20% tariff on both products by the federal government on January 6 1998, this increased its options of raw materials for production as the company had been forced to make use of local corn and sorghum for brewing in the past.

Sales in Nigerian Breweries have been on the rise as opposed to the style in European and other developing markets partly because despite the individual state governments efforts by creating laws to regulate the sales and distribution of alcoholic products it has not put in-place proper control mechanism to checkmate and control the phenomenon of alcoholic consumption, this is due to the laxity in enforcement of laws in Nigeria and the high level of corruption in government (Daily Trust, 11 September 2008).

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(E)CONOMICAL ANALYSIS

Economical Analysis involves the exchange rates and stability of the host country, skill level of work force, labour cost, and Economic level of growth, unemployment rate, inflation rate and interest rate.

Nigeria is a growing economy therefore it is less affected by the recent global economic financial crisis and this has a positive impact on the sales of Nigerian breweries products as people have disposable income and can spend more on drinking of beer products, this therefore is a positive development for the company (Malandrakis, 2009).

Also, the unemployment rate in Nigeria is really high and it makes a lot of people idle and they spend most of their time at bars which helps increase the sales of beers.

The Exchange rate in Nigeria is low comparing to the US dollar and it can affect the business when the raw materials are being imported as it cost a lot of money.

Another economical issue which is affecting Nigerian Breweries negatively is based under the labour cost which is the lack of constant electricity supply in Nigeria; this has forced the company to make use of alternative means of power supply such as generators were the company spends a huge budget on diesel which has a constant increasing price.

(S)OCIAL ANALYSIS

Social Analysis involves the Demographics, Class Structure, Gender, and Age, Attitude (health and environmental consciousness)

The production of recreational centres in major cities which have all been changed to drinking joints locally known as “ Joints” (Daily Trust, 11 September 2008) has changed drinking of beer into a social activity. It has observed that people prefer drinking out with friends as drinking of beer has become similar with celebrations such as weddings, parties, clubs and other social gatherings, among youths drinking is done in order to belong. This social drinking habit is clearly evident as it supports on trade sales which dominates the Nigerian market with a market share of 80% sales (Malandrakis, 2009).

In northern Nigeria, states like Zamfara, Kano, Kaduna and Sokoto ban beer drinking because of their Sharia Law. A law is passed around that people who drink any form of alcohol or commit adultery, theft would be severely punished (The Guardian, 2002) and this affects the sales of beer in that region.

Nigerian breweries is also involved in social responsibility by sponsoring events such as star quest which is aimed at discovering new musical acts (Nigerian Tribune, 8th June 2009) amongst other social events and creative writing workshop, a program created to groom the young writer (Vanguard, 15 July 2009).

(T)ECHNOLOGICAL ANALYSIS

This involves inventions, new discoveries, research, energy uses/sources/fuels, communications, and rates of obsolescence, health manufacturing advances, information technology, internet, and transportation.

Technology has not been a major aspect in Nigerian Breweries Plc but they have invested in the equipments used for beer production to make it have its original taste. They also invest in generators for electricity because of the electricity issues in Nigeria.

The Social factors have the strongest effect on the market power of Nigerian Breweries Plc as drinking is a lifestyle which has evolved over the years.

The Porters five forces apply new entrants, Buyer power, Supplier power, Substitute and Rivalry for analysis.

POTENTIAL ENTRANTS

Potential Entrants are other organisations interested in entering the industry.

Potential entrants trying to come into the brewery industry in Nigeria find it very difficult because of a lot of mostly the Government policies, the cost of exit and entrance and this puts Nigerian breweries at a comfortable position as market leaders and leaves the company with nothing to worry about as regards new companies that may spring up. Other reasons why new companies find it difficult to come into the industry is because the switching cost is really high so any new company cannot just switch or leave the industry, brand loyalty is really high because the public is used to the products of Nigeria Breweries.

SUBSTITUTES

From Porter's Model, substitute products refer to products in other industries. To the economist, a threat of substitutes occurs when a product's demand is affected by the price change of a substitute product.

Finding a substitute for beer in Nigeria is practically impossible because drinking beer in Nigeria has become part of social activity and also with the affordable price for the average and low earners (a bottle of star larger beer costs N140 which is less than a pound and is cheaper compared to wines, brandy's and other bottled alcoholic drink) it has the price has a competitive advantage over the type drink like wine and brandy. The only major competitor within the industry that Nigerian breweries has in beer products is Guinness Nigeria Plc and both companies have between them 77% market share (WW8) therefore it would only take a special brand to substitute either of these brands.

BUYER POWER

Buyer power can be explained as the impact that customers have on a producing industry. This occurs when there are many suppliers and one buyer. In Nigeria Breweries, the buyer power is very little as they are the major supplier in the industry and the customers have little option but to get products from Nigeria Breweries. Buyer power can also explained by switching cost which is expensive due to the high prices of substitutes like wines and brandy. Also, Nigerian Breweries have grown so well that consumers have very strong brand loyalty on their products such as Gulder, Star.

SUPPLIER POWER

This can simply be explained as when there are many buyers and just one or little supplier.

Nigerian breweries has a very high supplier power because the use of local corn and sorghum for manufacturing of beer has a high market value

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because of the limited availability of barley and other substitutes for brewing of beer, the farmers and suppliers of this raw materials have the power to raise their prices as they wish, leaving Nigerian Breweries at their mercy.

RIVALRY

The Nigerian beer industry has only 2 major companies in the industry which are Nigerian breweries and Guinness Nigeria Plc and this gives Nigerian Breweries less competition but high rivalry because there is low switching cost since the cost of a beer from Guinness Nigeria is almost the same price. Rivalry could also low because there are only two companies in the industry so it has enough market for both of them and it can gear its strategies against only one major competitor (Oyeyinka, 2002).

THE COMPETITION OF NIGERIAN BREWERIES

The major competitor for Nigeria Breweries is Guinness limited Nigeria, it manufactures beer in the brand name of “ Harp” in Nigeria. Harp Lager Brewery is located in Ikeja, Nigeria. This Nigerian brewery belonging to Tony Joyce started production in 1981. The annual production of beer is about 1, 500, 000 hl.

The other beer production units of Guinness Nigeria Limited are located in Agbara, Benin, Aba in Imo. The other little breweries include Benue breweries, Olympic breweries, Sona Breweries and Consolidated Breweries. In general, competition for Nigerian Breweries is minimal as its only major competitor is Guinness Nigeria limited.

Nigerian Breweries has the edge over these competitors majorly because of its brand loyalty and because of the fact that it has been producing beer for

over 60 years. It also has a lot of branches all over Nigeria so as to reach the customer's demands.

MARKETING STRATEGY

A marketing strategy is a process or model to allow a company or organisation to focus limited resources on the best opportunities to increase sales and thereby achieve a sustainable competitive advantage. (Ulrich et al, 2002)

Nigerian Breweries Plc uses Marketing strategy to maintain competitive advantage. It uses the market segmentation, targeting and positioning as a means of carving out its own share of the market and catering for their needs.

SEGMENTATION

Market Segmentation can be defined as dividing a market into distinct groups with distinct needs, characteristics, or behaviour that might require separate products or marketing mix. (Anonymous, 2002)

Segmentation refers to individuals and organisations with similar characteristics having significant implications for the determination of market strategy (Jobber, 2007),

Segmentation can be broken down into Geographical segmentation, Demographic segmentation, Psychographic segmentation, Lifestyle, social class, and personality-based segmentation Behavioural segmentation.

Nigerian breweries Plc segmentation is in relation to its consumers which serves all classes and ages of legal drinkers. In Nigeria, drinking beer is seen

as a social event of festivity and because of its affordable price, it can be seen amongst the high, middle and lower class earners. The advertisement way of life which the company has built up over the years to appeal to all age groups and societal status types has also helped boost their market sales. Nigerian Breweries have advertised their major beer product (Star) as a drink that delivers superior enjoyment and brightens all social occasions this is so because the drink is seen as a key to happiness and celebration by its consumers.

In general, Nigerian Breweries focuses on all the segment of market and has produced different types of products which covers all the segment of market in Nigeria

TARGETING

Market Targeting can be defined as the selection of a particular market segment toward which all marketing effort is directed. Market targeting enables the characteristics of the chosen segment to be taken into account when formulating a product or service and its advertising. (Keegan, 2001)

Nigerian breweries have targeted their beers towards different market segments using a differentiated targeting strategy and they have two major beer products that target different classes and age groups. The “ Star” beer product targets the youth, this is evident from most of its advertisements and sponsorship programs which is usually directed toward the younger generation while the “ Gulder” beer product targets the older and higher financial class of people, this is also evident in its own type of advertising methods and sponsorships.

POSITIONING

It could also be defined as the place the product occupies in consumer's minds relative to competing products. (Anonymous, 2002)

Market positioning depends much on how competitors position themselves, a producer can be said to be successful if he can achieve the mental position which he/she is trying to make in the mind of the consumer.

Nigerian breweries Plc have two major beer brands, Star and Gulder which respectively for the younger celebrating generation and for the more sophisticated and older generation of drinkers., This brandings falls in line with the customers perceptions of the two products as more of the younger generation identify with the Star brand which is not as bitter in taste as the Gulder brand which is more expensive in price than the Star brand.

THE MARKETING MIX

The term marketing mix refers to the primary elements that must be attended to in order to properly market a product or service. Also known as the 4 Ps of marketing which are Price, Promotion, Product and Place.

PRICE

The price you set for your product or service plays a large role in its marketability. Pricing for products or services that are more commonly available in the market is more elastic, meaning that unit sales will go up or down more responsively in response to price changes. (Jones, 2007)

Price can be stated as the actual or rated value of a valuable product which is up for exchange; some define it as amount of money paid for product (Kotler et al, 2005)

The price of the products (Star beer) produced by Nigerian Breweries is affordable for all the consumers in the market because it is produced from local corn and sorghum which is cheap so they make their profit and satisfy the customers which are mostly the youth and since most of their sales are mostly made from youth, the price would always remain affordable so as not to lose customers and reduce sales.

PRODUCT

Kotler et al, 2005 defined Product as anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need

Nigerian Breweries has two main beer products and they can be described as the core products of the organisation i. e. they serve their actual purpose for which it is bought by the customer which is for the quenching of thirst.

However Gulder brand can be described as a luxury product meant for the sophisticated individual, these products are classified as consumer product because they are bought by the consumer to actually consume and not for other purposes. Nigerian Breweries has more than enough products for every type of consumers. They produce bottled water for thirst, Star beer for the youth, Maltina for the consumers that do not take alcohol.

PLACE

This term really refers to any way that the customer can obtain a product or receive a service. (Jones, 2007)

Nigerian Breweries Plc has a wide distribution channel and makes use of external companies for distribution of its products nationwide; Nigerian

Breweries use other transportation companies to assist distribute their goods nationwide. This system of distribution helps make the product more available to the consumers but this however limits the direct contact between producer and consumers which reduces feed-back time for the producers.

PROMOTION

Promotion is concerned with any vehicle you employ for getting people to know more about your product or service. Advertising, public relations, point-of-sale displays, and word-of-mouth promotion are all traditional ways for promoting a product. Promotion can be seen as a way of closing the information gap between would-be sellers and would-be buyers. (Jones, 2007)

Nigerian Breweries Plc carry out sales promotion in two ways namely Consumer sales promotion targeted at the ultimate consumer market and trade sales promotion targeted at the members of the marketing channel, such as wholesalers and retailers, benefits of sales promotions include increased profit making. Examples of Nigerian Breweries sales promotion are “ Star Xmas Carnival” which was targeted at the company’s retailers and consumers were prizes like bags of rice, DVD Players and other items were won by consumers each day for 21 days (Ekeh, 2009), Gulder ultimate search were the winner took home 3 million naira cash prize (Ajayi, 2004).

EVALUATION OF STRATEGY AND TACTICS

Nigerian Breweries has been one of the major companies in the brewery industry for more than 60 years so it is fair to say that their strategy and tactics over the years have been close to spot on.

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In response to competition, Nigerian Breweries has been involved in several re-branding, product development and diversification efforts in the last 5 years. In 2006, the company launched its Guilder Max brand which was a darker, richer version of the successful Guilder Lager. In an attempt to enter the soft drink market, NB launched the Farouz brand of soft drinks (pineapple and pear flavour). Recently, they repackaged the Maltina brand by introducing a larger sized bottle while maintaining the price of the former bottle. The Star brand which is the flagship product of the company was also rebranded and has achieved huge success since then.

RECOMMENDATION FOR FUTURE DEVELOPMENT

Nigerian Breweries is already a major force in Nigeria but it is still not internationally recognised like other International companies in the industry so the major recommendation for Nigerian Breweries would to expand their products internationally or at least expand it within Africa. They could also build new refineries in different places in Africa to help expand their organisation. Since the distribution of their goods is done by other companies, they could venture into that business so they could proper feedback from their customers and be able to satisfy them more effectively.

They could also venture into production of new brands of products so as to broaden their market. Investing in technology can also help with the growth of their organisation. Building vending machines can also help with the effective distribution of their product.

CONCLUSION

Nigerian Breweries is and would remain one of the major brewery companies in Nigeria and this marketing report that shows their strategies and tactics

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have tried to explain the reasons why they are such a major force in the brewery industry in Nigeria. It is obvious that there is room for improvement by them expanding their market and business into new countries but the important thing is that they are succeeding in their primary goal which is being able to satisfy their customers in their home land.

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