

Sabmiller pestle and swot analysis



INTRODUCTION:

SABMiller is an international brewing company which not only relates with brewing business but also deal with hotels and gaming world. SABMiller Company comes from the organization SAB (The South African Breweries Limited) which was founded in 1895 and the position of SABMiller in today's market is they are having 98% share of the beer market. The main objective of an organization is to achieve commercial success in beer and other beverages by gaining customer satisfaction over quality and services as well as by fulfilling stakeholder's expectation. For achieving this objective organization fulfill their goals of business growth and maximized long term shareholder value. SABMiller plays an important role in the South African soft drink market by holding 74% interest in Amalgamated Beverage Industry Ltd, the world's largest bottling company of Coco-Cola products with an ownership of Appletiser South Africa Private Ltd. At the end of 31 March 2009, SABMiller is listed on the London and Johannesburg stock exchanges, the group reported US\$3, 405 million in adjusted as pretax profit and group revenue of US\$25, 302 million. <http://www.sabmiller.com/index.asp?pageid=180> (Accessed: 17/12/2009)

HISTORICAL DEVELOPMENT:**BECOMING A GLOBAL BREWER****HISTORY OF SAB:**

The South African Breweries Limited (SAB) was founded in 1895 and today SABMiller holds 98 percent share of the beer market. Jones, Adam (2003). In 1895 The South African Breweries Limited (SAB) is incorporated in London. SAB gain an ownership of Castle Brewery in Johannesburg, South Africa. In the same year company got a listing on London stock exchange, a brand <https://assignbuster.com/sabmiller-pestle-and-swot-analysis/>

new product Castle Lager got launched from a new commissioned lager brewery having capacity of 50, 000 barrels per annum.

In 1897 SAB got a position in Johannesburg Stock Exchange, SAB was the first industrial company which got listed on the Johannesburg Stock Exchange and got first industrial share.

In 1898 SAB started producing Castle lager, which becomes a phenomenal success.

In 1911 SAB started importing seeds free of charges and reduced to buy crop at market prices which results in stimulation in local market.

In 1925 by buying a stake in the Schweppes Company, SAB diversifies into soft drinks.

In 1950 SAB moved head office from London to Johannesburg.

In 1956 SAB purchased Ohlsson's Cape Breweries and Chandlers Union Breweries take, resulting union of three largest South African brewing companies and SAB gained 90 percent of the domestic market..

In 1994 by gaining joint venture with China Resources Enterprise Limited, SAB accessed in the Chinese beer market.

In 1999 SAB reestablished headquarters in London. SAB's divestment program reduces interests in beer, soft drinks, wines and spirits, and hotel and gaming.

In 2000 SAB gain an accessed in Indian market by acquiring Narang Breweries and purchased its first brewery plant.

<http://www.sabmiller.com/index.asp?pageid=27> (Accessed: 17/12/2009)

ESTABLISHMENT OF SABMILLER:

In 2002 Company changes its name to SABMiller as SAB acquired number two U. S beer maker Miller Brewing Company for \$3. 48 billion in stock.

In 2003 Company purchased 60% stocks of Birra Peroni, Italy's number two brewer. This was the first major investment SABMiller did in Western Europe.

In 2005 Company merge with a Grupo Empresarial Bavaria, South America's second largest brewer

In 2008 SABMiller got control over Grolsch by acquisition and announced the construction of a new beverage plant in Juba, Southern Sudan. <http://www.sabmiller.com/index.asp?pageid=27> (Accessed: 18/12/2009)

STRATEGIC POSITION OF SAB IN 2007:

According to many authors, Strategy plays an important role in organization for achieving objective and getting exposure in the corporate market, for example according to Andrews (1980) strategy can define various factors of an organization such as company policies, its range of business, its human and economic organization and its contribution to stakeholder. Johnson and Scholes (1999) cited strategy as a scope and direction of an organization over the long term period. To meet the proper need of markets and to fulfill stakeholder expectations, organization must utilize proper configuration of resources within a flexible environment to gain advantage. According to

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Grant (1995) corporate strategy deals with the ways in which a corporation manages a set of business together.

By understanding the concepts of these authors and to identify the Strategic position of SAB it is must to analyze factors like business environment, core competencies, capabilities and stakeholder expectation, and these factors will be analyze by using PESTEL analysis and SWOT analysis.

SABMiller is a operating throughout the world and its networking is globalized if we compare its position in year 2007. It is having a good developed and mature market in many countries throughout the world, such as South Africa (Local market), Rest of Africa, Asia and Eastern Europe, USA and Western Europe, Latin America. Let us discuss different markets of SABMiller throughout the world.

SABMiller is having a well known and traditional market in South Africa. SABMiller monopolized different industries. Sales show that the growth potential is very low but profit factor is still there as customers are trading up to the segments. AIDS is a huge threat for the company in terms of availability of work force and this will play a negative impact on the disposable income of the population which will affect SABMiller. The market in South Africa is under threat.

The market in Rest of Africa is highly potential having volatile political landscape. Business in Rest of Africa is explore and presence in Tanzania, Zambia, Mozambique, Angola and many on and still continue to grow, which is helped by clear segmentation strategy and by border distribution. These markets trade in soft currencies which is a very risky factor as seen in

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Botswana. By analyzing these markets in SABMiller portfolio the risk factor might lose confidence from stakeholders, as many core competences of SABMiller were developed in these markets.

Markets in Asia and Eastern Europe show different characteristics like highly fragments, increasing disposable income and Due to these characteristics SABMiller gain an easy access to enter into these markets. While penetrating in Indian and Chinese market, SABMiller faced different problems like regulations and high competition but they are still exploring and expanding themselves in the markets like Vietnam.

The markets in Western Europe and USA are very different to the once that SABMiller used to operate, as these are highly saturated and concentrated. Due to the perception made by stakeholders they traded too much using soft currencies. Miller started losing market quickly and SAB took an advantage over it and bring its own performance rating System to monitor employee.

SABMiller perform very well in Latin American market. They were constantly doing their best in Latin American market. SABMiller put great efforts to take over Grupo Empresarial Bavaria and they have done it.

PESTEL ANALYSIS:

(P)OLITICAL:

- While dealing with government a great political sensitivity is needed.
- SABMiller faced problems in Regulation and Quality laws (e. g. Countries like India and China) for producing beer in large quantity and to gain economy of scale.

- Productivity got affected due to the political stability in certain countries like Botswana.

(E)CONOMIC:

- SABMiller got really hurt because of devaluation of soft currencies.
- Markets in India and China gave very low profit margin.
- A highly rising cost of energy and aluminum affects the profitability.
- Latin market of SABMiller increased from 25. 2 to 52. 1 % which make harder to get out money from the market.
- Development of Fragmented market facilitate easier takeover.

(S)OCIAL:

- SABMiller got adversely affected by new trends like wines and Spirits.
- Lifestyles in emerging markets have changed and beer consumption got increased due to the increase in the availability of disposable income.
- A devastating effect

(T)ECHNOLOGICAL:

- Due to modern machinery, new packing can be easily introduced as evidenced in Czech.
- Easier to manage the ever broadening distribution network.
- A variation of beer got introduced in to the market.

(E)NVIRONMENTAL:

- SABMiller's profitability adversely got affected due to weather condition in Latin American market in 2006.

(L)EGAL:

- Due to the local law, takeover attempts may generate problems.

SWOT ANALYSIS:

(S)TRENGTHS:

- Very strong in local market.
- Excellent portfolio and a large brand.
- High operational productivity.
- Different skills to succeed in developing markets.
- Economy scale is very high due to large market shares in some markets.
- Strong distribution channels and global networking.

(W)EAKNESSES:

- Tendency of acquisitions.
- Dependability over the Soft currency.
- Expertise limited to the brewing industry only.
- Government acts as a key player, as main market are in highly volatile areas like Africa and Asia.

(O)PPORTUNITY:

- Strongly growth of emerging markets.
- It is easy for SABMiller to buy in to a market with the help of highly fragmented developing mark

(T)HREATS:

- AIDS problem in South Africa.
- Constantly rising cost of energy and aluminium affects the SABMiller profitability.
- Strong competition in countries India and China.
- SABMiller got affected adversely due to the new trends like wines and spirits.

STRATEGIC IMPLIMENTATION IN FUTURE:

A current strategic position of SABMiller's has provided information about opportunities and challenges which it face in its business environment but it does not match with stake holder expectations, core competences and market reality because of which a dilemma got generated for SABMiller.

To get proper strategy implementation in future for SABMiller a tool Ansoff Matrix is used. There are different choices available to SABMiller.

CONSOLIDATION:

By holding firms in the developing market this strategy will focus on reducing market risk like Western Europe, USA and Africa. This does not give any importance to competences developed by the company by initiating risky moves. As the company is highly efficient it is easily feasible. But the main issue is acceptance of this strategy as stake holders would not be really happy with this choice.

PRODUCT DEVELOPMENT:

This is very flexible and aggressive strategy where by company can respond by developing new products to the market. Premium beer segment is rapidly growing, as company will get a good product opportunity. For most parts, this strategy will be a usual business strategy and will build on what company has been doing throughout the year. But the growth of future is balance without any guaranty as customers (Drinkers) can be fiercely loyal to their existing brand. Stake holders will surely accept this strategy as it is certainly feasible.

MARKET DEVELOPMENT:

A new market segment is called as market development. SABMiller is having an excellent reputation in the brewing industry and by using this strategy SABMiller can easily tap out its competitors. African market is having a high potential for expansion of SABMiller. But small factors like AIDS, political instability and soft currencies are worrying the stakeholders if SABMiller decided to expand in Africa. This strategy will give highly profitable in markets like Asia, Eastern Europe and Latin America, as Miller gain success in Russian market by using this strategy. The problem which may occur will be of stakeholder's expectation and which totally depends on market condition.

JOINT VENTURE:

This is the strategy which will be useful for the SABMiller in USA and Western European market. A joint venture with a major western brewer can bring to the table what SABMiller lacks (Penetration into competitive and saturated market). But the problem is of risk factor. As it is very risky business, opening up the developing markets to high profile competitor.

DIVERSIFICATION:

It is the least attractive strategy which SABMiller can use as an option. SABMiller is one of those companies which are having a true portfolio management. The implementation of synergy portfolio logic will be interested to see as it can work in favor of SABMiller by adding business to its portfolio which gives compliment and support to its core brewery business.

ANSOFF MATRIX ANALYSIS:**– MARKET PENETRATION:**

- Introduction of SABMiller's premium brands in the USA and Western European market.

– MARKET DEVELOPMENT:

- Global expansion, particularly in developed and saturated market.
- New breweries in countries like Indian, Chinese and Vietnam.
- Development in border distribution channels in Africa.

– PRODUCT DEVELOPMENT:

- Rapid growth of premium segment offers product development opportunity to SABMiller.

– DIVERSIFICATION:

- SABMiller is already having true portfolio of hotels, gambling centers and a match factory.

CONCLUSION:

From the past history SABMiller has shown a core competency in developing strategies and environmental scanning. The failure of penetrating in the saturated market and to defend its market from emerging competitors must be a challenging task for SABMiller. In future SABMiller have to face tough competition from its rivals. The key to SABMiller's success will be a proper implementation of strategy and its brand portfolio.

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