

Diageo began as a world leader business essay



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Diageo is currently the world's leading premium drinks company with an extensive collection of beverage alcohol brands across spirits, beer and wine. 'These brands include Johnnie Walker, Crown Royal, J&B, Windsor, Buchanan's and Bushmills whiskies, Smirnoff, Ciroc and Ketel One vodkas, Baileys, Captain Morgan, Jose Cuervo, Tanqueray and Guinness.' (Diageo plc, 2008).

Diageo's current Strategies

Diageo is the world's leading premium drinks business and operates on an international scale and it is one of a small number of premium drinks companies that operate across beer, wine and spirits. Diageo is the leading premium spirits business in the world by volume, by net sales and by operating profit and manages nine of the world's top 20 spirits brands.

Diageo's beer brands include the only global stout brand, Guinness, and together these beer brands account for approximately 20% of net sales while Diageo's wine brands represent approximately 5% of Diageo's net sales. This means that Diageo's size provides for scale efficiencies in production, selling and marketing. This enables cost efficiencies and the dissemination of best practices in business operations across markets and brands allowing Diageo to serve its customers and consumers better.

Diageo since 2005 to end of the just concluded financial year 30 June 2011 manages its operations by four regions: Europe, North America, International and Asia Pacific. This strategy brought about great results but due to the level of innovation and continued change, it has changed its operating model across all its businesses and this is expected to be fully implemented by 30 June 2013. This restructuring shall see Diageo improve its effectiveness and

productivity of the Company's operations and to position resources nearer to the market and to the geographical regions where there is a great potential for growth.

Competitive Strategies

(Johnson, Whittington, & Scholes, 2011, p. 199) Define competitive strategy where it "is concerned with how a strategic business unit achieves competitive advantage in its domain of activity." Therefore a Strategic Business Unit (SBU) creates competitive advantage when it creates value for its users where the cost of supplying them is superior to that of rival SBUs. (Johnson, Whittington, & Scholes, 2011) Further add that Porter defines three generic strategies which create competitive advantage for a company are; differentiation, cost leadership and focus strategies.

This report has seen that Diageo uses both Focused and Differentiation strategies when pushing its products to its target market. This is because Diageo focuses on premium liquor that is targeted to a particular market. Diageo's strategy is to initiate "top line growth and margin improvement in a sustainable and responsible way, to deliver consistent value creation for shareholders over the long term" (Diageo, 2012, p. 25). It will achieve this by making use of its geographic reach, using the expertise of its people and its wide variety of brands across beverage alcohol categories. (Diageo, 2012).

Differentiation strategy

Products

For a company to use this strategy it should prove unique products that their customers will be prepared to pay a premium price for it. This is seen in <https://assignbuster.com/diageo-began-as-a-world-leader-business-essay/>

Diageo's recent launches which focused on the consumers' wish for luxury, the tastes and increasing affluence of the emerging middle class consumer which ultimately increased the accessibility of spirits through flavor extensions and packaging and drink formats (Diageo, 2012).

Customer care and Retention

When it comes to customer care and sale of its products, Diageo collaborates with its customers to achieve profitable category growth, by creating lasting relationships with the retailers and customers who are on the premises. The company uses a common way of selling called The 'Diageo Way of Selling' program which creates a lasting strategic value for all the parties, by equipping Diageo and its customers with the riggings to be the best sales people in the market. Diageo perfects its customer relation tools by working with The European Customer Collaboration Centre which provides a state of the art facility which facilitates planning with customers by bringing together customer, shopper, retailer and distributor insights together. Diageo uses these tools to realize its ambition to become an indispensable business partner to its customers (Diageo, 2012). This means that when the customers go to buy their products it's a fulfilling experience and they get all their questions or suggestions met and this works well with Diageo as they use this as feedback.

Environmental and socially responsible

Diageo being the socially and environmental responsible company, has managed to be a sustainable and responsible company from as far back as Arthur Guinness who created philanthropic programs where its predecessor
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organizations used to market in a responsible manner. Diageo has managed to protect its operation license by clearly understanding and stating the economic, social and environmental impact its activities have; therefore it has embraced a structured method to manage these impacts, by building lasting relationships across all stakeholders and to generate value especially in emergent markets (Diageo, 2012).

Balance of alcohol in the community

(Diageo, 2012) states that the company is not all about profits and losses, it ensures the employees of Diageo are proud of the role that the company plays to do with safe alcohol consumption in the communities and that millions of customers to lead a balanced.

Production and supply

The supply organization at Diageo is responsible for producing, distilling, brewing, bottling, packaging and distributing its brands. Diageo developed a competitive advantage by reducing its costs and maintaining first class customer service thus it has remained efficient and has sustainable production. Due to the fickle nature of natural resources, Diageo has maintained a 'green' business by investing in sustainable packaging, reduction in pollution and reduction in carbon emissions, (Diageo, 2012).

Eco-friendly technology

To maintain a successful streak of reducing Diageo's environmental footprint while delivering business efficiencies and securing supply into the future, the production team at Diageo have developed top of the range technologies to

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achieve these plans. Diageo integrates its supply chain with the local community where it operates by introducing community initiatives like ' Learning for Life' and ' Water for Life,' (Diageo, 2012).

Development of the workforce

Diageo is committed to top industry performance which will be achieved via a talented and diverse workforce with great leadership. The organization has active drivers that guarantee the advancement of its management and leaders. Inordinate leadership together with a culture of good authority and ethics safe guards Diageo's reputation and supports the sustainable efficient growth of the business (Diageo, 2012).

Focus Strategy

(Johnson, Whittington, & Scholes, 2011) state that focus strategy focuses on a particular segment of market and modifies its products and services to fulfill the needs of that exact segment while excluding others. In terms of relationships with distributors and suppliers Diageo has strong routes to market which leverage local expertise.

Diageo works with distributors who provide a substantial dedicated sales team of over 2, 900 people. Outside of the United States Diageo owns and controls the route to market in many markets, and where Diageo has not established its own subsidiary, the route to market is through joint ventures, associates and third party distributors (Diageo, 2012). This kind of command on distributorship and supply is why Diageo is known for its quality products and this ensures customers get what they pay for.

Diageo's Innovative/ Entrepreneurship strategies

Diageo is always innovative and this is in its strategies all through the company. All the stakeholders know what is expected of them and there is always something new that Diageo is coming up with. Below are some of the new ideas that have been rocking Diageo:

Innovation unlocks growth in developed markets. In Ireland, for example, we have introduced new dispense technology to bring perfect cocktails to bars which do not usually serve cocktails, (Diageo, 2012).

Diageo introduced into the Indian market the Indian made foreign liquor segment (IMFL) when it launched Rowson's Reserve, a first class IMFL whisky. It has a well-rounded and balance flavor profile, with a soft, lingering aftertaste. Its distinctly superior liquid and premium packaging allows it to stand out as a premium offering (Diageo, 2012).

Smirnoff, the world's number one vodka, introduced a variety of new flavors in the travel retail market. Some include the Smirnoff Gold Collection which is truly indulgent vodka (Diageo, 2012).

This March saw the launch of Orijin, the latest drinks innovation from Guinness Cameroon. Perfect for all social occasions, this authentic ready to drink alcoholic beverage, an alternative to beer, is made from a blend of traditional African herbs such as kola nuts, ginger and cloves, and sweet tropical fruits, giving it a refined, bitter-sweet and uplifting taste (Diageo, 2012).

We need to offer more choices to female consumers. In Kenya, we launched Snapp. Women there told us they didn't like drinking beer, particularly in the on trade because both the packaging and the liquid were viewed as too masculine. Snapp is a premium, crisp apple tasting drink that provides women with a more stylish and sophisticated alternative to beer (Diageo, 2012).

As a darker, spiced rum from Captain Morgan, Captain Morgan Black Spiced expands the brand's footprint into the bolder, more masculine whiskey occasion. The brand honors the legend of the real Captain Morgan, whose spirit is said to still roam the waters of the Caribbean today, (Diageo, 2012).

The new frozen Ready to Serve pouch format from Parrot Bay offers consumers an easy and affordable way to enjoy the drinks they love. Parrot Bay frozen tropical drinks are your favorite tropical drinks perfectly mixed every time, available in Piña Colada, Strawberry Daiquiri, and Mango Daiquiri. Just freeze, squeeze and enjoy (Diageo, 2012).

Offering a credible, exciting new alternative to beer for British males, Jeremiah Weed Brews is a range of two products Mash and Root Brew. The combination of an authentic American brand, independent positioning, simple design and a unique jam jar serve over ice has helped deliver the masculine credibility of beer with an enjoyable taste. Jeremiah Weed has now been rolled out to 7, 000 on trade outlets in Great Britain (Diageo, 2012).

Harp Lime is Nigeria's first flavoured beer. With a clean and crisp taste, and just a hint of lime, it is uniquely refreshing. Harp Lime has been well

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received, with distribution growing steadily, and the distinctive Harp Lime advertising impacting positively on the Harp Trademark equity. Harp Lime is available in both sleek 30cl bottles and cans (Diageo, 2012).

The Tusker brand has been enjoyed in Kenya since 1922, and now new Tusker Lite keeps the brand innovative and relevant by addressing today's consumers' balanced lifestyle choices with a refreshing low calorie beer. Tusker Lite is positioned within the same mainstream segment as the parent brand Tusker Lager (Diageo, 2012).

This year's Asian Festive season gifting design was inspired by the characteristic big, bold flavors of the Johnnie Walker brand. The packs were launched in stages, from India for Diwali and then across Asia Pacific for Chinese New Year. The eye-catching limited edition gift boxes boast a beautiful design that allows each variant to stand out on shelves, with impressive and refined packaging including an embossed box and gold foiling (Diageo, 2012).