

# Beer as a social drink and its subsequent acceptance across the globe.

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## **Introduction**

The study will start with looking at the evolution of beer as a social drink and its subsequent acceptance across the globe. The study will also investigate how different brands came in to channelize communication of beer and incorporated community activities like football, rugby and food as moments for beer consumption to increase product acceptance.

We will also look at various international festivals like the Oktoberfest and the Great British Beer festival in UK which have developed as a part of beer culture and helped in the spread of the product through replicated festivals in various parts of the world. Primary research will be done through online surveys and interviews with respondents across Europe, North and South America, and Asia to understand consumer attitudes towards beer in these regions and a comparative analysis will be done on their responses.

Based on the insights, the study will investigate whether a similar model can be replicated in India for the nascent beer industry under the following heads:

- Which of the marketing and communication strategies used in other countries would / wouldn't work in India, and why?
- Opportunities for replication of festival models from other countries.
- Implications for the Indian beer manufacturers and marketers, based on a comparative analysis of beer positioning and communication in different cultures.

## **Literature Review**

A preliminary study of literature on beer industry globally and consumer behaviour revealed the following salient points:

\* Research shows that beer is a non-food specific drink compared to wine. It is more of a masculine and non-formal occasion drink and associated with fun and social events.

When it comes to different brands of beer, it is important for them to focus on positioning and consumer engagement. Beer has slowly become more fashionable to drink with its association with activities like football, rugby and rock music.

\* Peer pressure plays a huge role on the consumption of alcohol. Alcohol is associated with a list of values which are belonging, excitement, warm relationships, self-fulfilment, well-respected, fun and enjoyment, security, self-respect, and sense of accomplishment. These are important cues for any company while designing their marketing and communication strategy for their brand.

\* In America, beer joints stress on forming communities through engaging events and activities. The ambience of the place is also very critical since beer consumption is all about having a good time.

\* Forming a connect with the brand is also an important parameter when it comes to selling beer. As quoted by Mike Bristol, owner-founder of Bristol Brewing Co. in Colorado Springs a lot more people want to spend on a company that they have some common association with. They're local,

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they're in the community, and they're visible. Import beers don't seem to be doing well in their market or nationally, and he think that's a shift. Beer is also seen as a product, consumption of which does not go down even in economic crisis times.

\* As per Culinary Currents, Beer, Wine and Spirits. (2008, September 15).

*Nation's Restaurant News* , some myths about beer are:

- Dark beer is heavy
  - Ale is stronger than lager
  - Stout is a “ meal in a glass”
  - Imported beer is better than domestic beer
  - Wine is more complex than beer
  - Fruit beers are “ girly beers”
  - All beer is best served ice-cold
  - Beer and fine dining don't mix
- Some craft beer makers have also tried to mix beer with specially crafted menu like cheese and seasonal food. The restaurants have even started experimenting with beer to create cocktails to increase penetration and frequency of beer consumption. This, though, could dilute the product personality of beer which does not reflect classy, fine dining experience but

a more rugged and aggressive environment. This food and beer mix is primarily targeted towards non-regular beer drinkers and first timers.

· Some stats from the US market for March-April 2008 reveal interesting facts (Category Insight, Beverage: Beer Demographics. (2008, April). *RETAIL MERCHANDISER*, 10.)

- Beer was the fourth largest in terms of US dollar sales in edible grocery supermarket category.

- 37% of US adults are regular beer consumers

- 52% of total beer drinkers are age 28 to 49, but versus their size in the beer-consuming population, 41% of beer volume is consumed by 21 to 27 year olds

- 32% of beer drinkers shop for beer one to three times each week

- 47% of beer shoppers buy wine in addition to beer; 41% add spirits

- 70% are male

- 84% are White, 10% Latino, 6% African American

- 59% have an income above \$59, 000

- Grocery is the most common beer channel choice at 46%

- When available, shoppers overwhelmingly prefer to buy cold beer

\* A brand study in one of the highest beer consuming nations of the world, Czech Republic and Britain suggests that branding played an important role in the development of the organised beer market in these countries at a national level. The entire system was well structured with organisational hierarchies in place as well as streamlined distribution channels. The regional brands on the other hand, do not follow a very structured nation-wide campaign. Although the brand development in case of national brands in both these countries are at similar levels, as we go down the bracket, the branding of regional markets in Czech becomes lesser developed compared to Britain. For the Czech consumers unlike British, brands were not a consideration in making the choice for public houses as much as the taste and freshness of the beer was. To sustain these smaller breweries, a rule was enacted in which the local public houses were obliged to sell the product from the local breweries restricting the entry of national brands into these places. This rule though, is not present in Czech Republic making branding more important for them. To keep the beer industry safe in Czech, the breweries have kept the price of their beer lower than the other West European countries.

\* In 2007, 7 million litres of beer was consumed at the Oktoberfest in Munich in Germany. The biggest cultural context of this festival is the symbolism of equality that is shown as people from all classes and categories sit on the same table to enjoy their beer. The fair is the world's largest fair which attracts visitors in excess of 7 million from all over the world. Such is the pull of this festival, that similar concepts have been replicated in other countries like Canada, Brazil, USA, and India.

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- \* The “ whassup” campaign by Anheuser-Busch for Bud Light revolutionised beer advertising as it targeted the core group of 21-27 year old males who loved to hang out with friends over sporting events.
- \* The Indian consumer mindset can be divided into the following sub heads:
  - Mind over Matter
  - The Functional over the Ornamental
  - Fear of Tomorrow
  - Enjoying the Ordinary
  - The Desire to Fit In
- \* In UK, beer advertising has been moving towards more engaging media like the internet from televisions to deepen their customer’s experience. Companies like Stella Artois have invested in multi-layer brand experience which tries to connect more with the customers and at a personal level.
- \* Taking the case of Heineken, a lot of its global success can be attributed to its consistency in quality and uniformity in brand message everywhere. The marketing of Heineken is a combination of global feeling and local execution.
- \* In its 2004 report, *Global Status on Alcohol* , the World Health Organisation (WHO) estimated there were 2 billion drinkers of alcohol on the planet. Trends suggest that for brands to become bigger, globalisation is the way forward. This becomes slightly easier as the consumers in most developed

countries and emerging economies are now well informed and despite the cultural differences, are more open to international brands.

\* The study of global drinking trends suggests emerging markets have much better growth rates than developed markets where the growth is static. Urbanisation, affluence and influence of mass media is playing a major role in this growth. The availability of alcohol in supermarkets is also driving consumption. Beer stands fourth after carbonated drinks, tea and water in terms of share of throat in the world. The off-premise locations are drivers of volume whereas value drivers are the on-premise outlets. In mature markets, growth will be driven by experiential marketing. Barman and barista in urban areas are acquiring celebrity chef status.

\* In traditional drinking alcohol essentially signified a male's entry into adulthood and was associated with food. In the modern day, drinks have become more of an individual's style statement and identity. It is important now to be seen with the right drink for the right occasion. Communities and association with them has become more important than before. Another newly developing phenomenon is that of post modern drinking where connoisseurship, novelty and exclusivity are taking predominance. Themed drinking associated with specific cultures is also seeing a good interest amongst the travelling class who get exposed to different cultures frequently. Some of the names like Guinness and Scotch whiskey have become iconic as they are seeped deep in the local culture.

\* According to the Euromonitor report of 2005, the following are the key drivers in the beverage industries in the major countries

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- Australia - convenience and health, mature market needing to add value.

Alcohol part of the culture

- Brazil - status, sociability and convenience, developing market with opportunities for growth and adding value. Market vulnerable to economic volatility, beer and football key to national culture

- China - affordability, convenience and status in cities, developing market with huge urban potential, rural areas remain largely unchanged

- France - convenience, sociability and status, traditional drinking culture being eroded by changing demands and globalisation

- Germany - price, convenience and health, mature market - opportunities to add value. Interest in discounters - among affluent and poor

- Italy - sociability, status and health, mature market - adapting to changes but traditional infrastructure

- Japan - convenience, status and health, mature market, highly fragmented and source of innovation

- Russia - affordability, convenience, status, high consumption of locally produced spirits as well as increasing presence of global brands in the cities, high beer and vodka consumption. Alcohol dependence an issue among rural male Russians

- Spain - status, sociability and health, directional market in terms of youth drinking trends - older drinkers stick to traditional drinking, young driving the post-modern

- UK - convenience, sociability and health, mature market - adding value through novelty concentrated retail infrastructure

- US - convenience, sociability and health, mature market - adding value through segmentation and premiumisation

\* A few of the future trends which can be seen in the global drinks industry are health awareness, fusion drinking, artisan brands and connoisseurship experiential marketing and sociability.

\* Specific to Germany which has the 3rd highest beer per capita consumption in the world, the consumption of beer has been slowly going down. This is attributed to rising prices and the health consciousness of the drinking population. In turn, flavoured beer, non-alcoholic beer and malt-based Ready to Drinks are showing growth in consumption.

\* A major development in recent years has been the role and involvement of women in purchasing the drinks. Some of the international brands have started targeting women by creating flavoured beers for them. The communication strategy still targets the male predominantly though.

\* Econometrics study in the US by Franke and Wilcox suggests that there is no significant correlation between the beer advertising and alcohol consumption. All advertising does is make people aware of the brands

available but does not really affect the amount of beer consumed overall. A study by Waterson in UK, shows that although advertising spends increased 80% between 1978 to 1987, the actual sale of beer in this period fell by 14%. The study also included Sweden which has banned alcohol advertising since 1979 with similar results.

\* The April 2009 Euromonitor report on beer shows a global demand of 184.6 billion litres. In the mature markets volumes are declining but in terms of value consumption is increasing. Laws on drinking and driving are encouraging growth of low/non-alcoholic beer and currently it accounts for 2% of global beer market but is showing high growth rate especially in Muslim countries. In Spain, this category already accounts for 20% of beer volumes. There is also a trend of moving away from the conventional beer type to niche segments like wheat beer and craft beer. Dark beer is also seeing a healthy revival in growth.

\* Specific to India, beer consumption has registered an increase of 700% between the period of 1995-2007. The per capita expenditures on alcohol have grown at twice the rate of the average growth in the rate of expenditure in this period. The average of 24 in the country with affluence, access to mass media and information, lowering of entry barriers and high awareness levels means a goldmine of an opportunity for alcohol companies. Retailing for wine and beer is now allowed in supermarkets on a lot of states thereby reaching out to more potential consumers, especially the women. This has also resulted in more and more urban households stocking alcohol at their homes unlike earlier times.

Finally, the major beer manufacturers will have to compete for an expanding but challenging global market, which will ask hard questions of the positions that global players occupy by category, price point and geography. India will form a major part of this strategy shift and it is already visible with the number of beer brands that have entered the Indian market in the past 2 years. All the research done above talks about beer as a part of the popular culture in developed markets. The challenge is to try and suggest a workable strategy for India based on consumer insight to tap the enormous potential that it offers. India today stands at the forefront of this opportunity and hence it is important for these international players to understand the cultural nuances of the Indian consumer before formulating their strategies for the market.

### **Conceptual Framework/Problem Definition**

India has one of the lowest annual per capita consumption levels of beer in the world, at 1 litre. The biggest international names like InBev/Anheuser-Busch, Heineken and Carlsberg have already started making investments in the market. Carlsberg has already invested close to \$ 200 million in production facilities in the country. The other companies are also entering the market through tie-ups with local players or setting up their own breweries. The growing affluence and increased disposable incomes along with the low average age of Indians presents a huge potential waiting to be tapped by these players. The increased global travel and exposure to western media has led to changing attitudes towards alcohol. This is expected to boost beer sales, while shifting government policy regarding alcohol and reductions in taxes and duties present interesting opportunities

for large domestic and multinational players alike. Some of the states have already allowed beer to be sold in supermarket formats thus increasing penetration of beer substantially.

For international players, the race is on to establish local manufacturing facilities and distribution networks, in order to gain first-mover advantage over other entrants. Currently the Indian market is dominated by local players but lack of other options has a major role to play in this. Curiosity and aspirational value attached to imported beer presents a unique market for these international players. Clear opportunities exist for those companies which are partnering with local companies or setting up their own breweries to get a head start in this dynamic market. At this juncture it is of paramount importance for these companies to get their marketing and communication strategy right. This is all the more important because the Indian market and consumer presents a challenge which is different from any other country in the world. Even within India, the cultural diversity is such that different strategies might be needed for different parts of the country.

The current literature reviewed primarily consists of work which has been done in the developed beer markets or talks about projected figures based on empirical data. The biggest gap in such projections is the lack of understanding of the Indian consumer. Launches of a number of successful international products in India backed by such research have failed because of this.

This research will try and understand the cultural differences between the Indian beer drinker and the western beer drinker and do a comparative

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analysis to gain insights which can be used to design the marketing and communications strategy for these international companies. Beer as a product has been successful in developed countries because of the community culture they have created amongst the consumers. The research will help determine key drivers and key characteristics of the Indian beer market.

### **Proposed Research Design**

The research will be carried out through administering questionnaires to the beer drinking community in urban India as well as respondents in USA, Canada, Germany, UK, Columbia, Brazil, China, France, Poland, Finland, Slovakia, Lithuania and Korea. Detailed interviews will be carried out with some respondents in all these locations through telephonic interview/online interaction to understand the culture of beer consumption there. An analysis will also be done to compare the communication of the top 3 brands of the world in all these countries to see the differences and similarities and how these consumers absorb it.

The Indian respondents will then be shown the communication used in all these countries and insights will be taken on their response to each communication. This will give us insights on the cultural differences and similarities between the Indian consumer and their international counterparts.

The sample size will consist of at least 10 detailed interviews of international respondents and 10 in depth interviews on Indian consumers. The questionnaires will be administered to 150 beer drinkers in India and 50

based abroad. The sample size of the questionnaire might increase based on the response of the target group.

### **Expected Contribution**

The study as earlier mentioned will give a deep insight into the mindset of the urban Indian consumer with respect to beer. It will also look at what are the associations that the Indian consumer has with the alcohol industry in terms of perceptions and specifically with beer. Their responses to international communication will be recorded and analysed to define the key drivers and the key characteristics of the Indian market. The final output as mentioned in the introduction would address at the following heads:

- Which of the marketing and communication strategies used in other countries would / wouldn't work in India, and why?
- Opportunities for replication of festival models and other community building activities from other countries.
- Implications for the Indian beer manufacturers and marketers, based on a comparative analysis of beer positioning and communication in different cultures.