

Creating Value

Case study

Brewing Industry in Europe: Changes in the Business and Competitive Environments





In this exercise:

- Development of Brewing Industry
 - PESTEL
 - Porter's Five Forces
- BrewDog
 - Business Model Canvas
 - Marketing
 - Generic Strategies

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Business Environment

- The demand for beer declined in Europe the beginning of 21st century
- At the same time the demand for beer in developing countries was increasing
 - Demand in China increased 7 % annually
 - Demand in Brazil exceeded Germany's demand in 2005



Trends

- **Public campaigns to reduce ‘binge drinking’ in restaurants and bars**
 - Consumptions decreased in restaurants and bars
 - Consumption increased in retail stores
- **Increasing consumption of wine**
 - Wine acts as a substitute for beer



Trends

- Even though **the volume sold decreased**, the overall **value of sales increased**
 - Consumers purchased more expensive and exotic beers
- Large breweries reacted by importing exotic beers and expanding overseas
 - Foreign beer brands were seen as exotic



Consequences

- **Brewing companies fused and purchased shares from other companies**
 - Larger corporations were able to market their brands more precisely
 - More efficient supply chain management
 - Reduced unit costs with larger production volumes (economies of scale)



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PESTEL

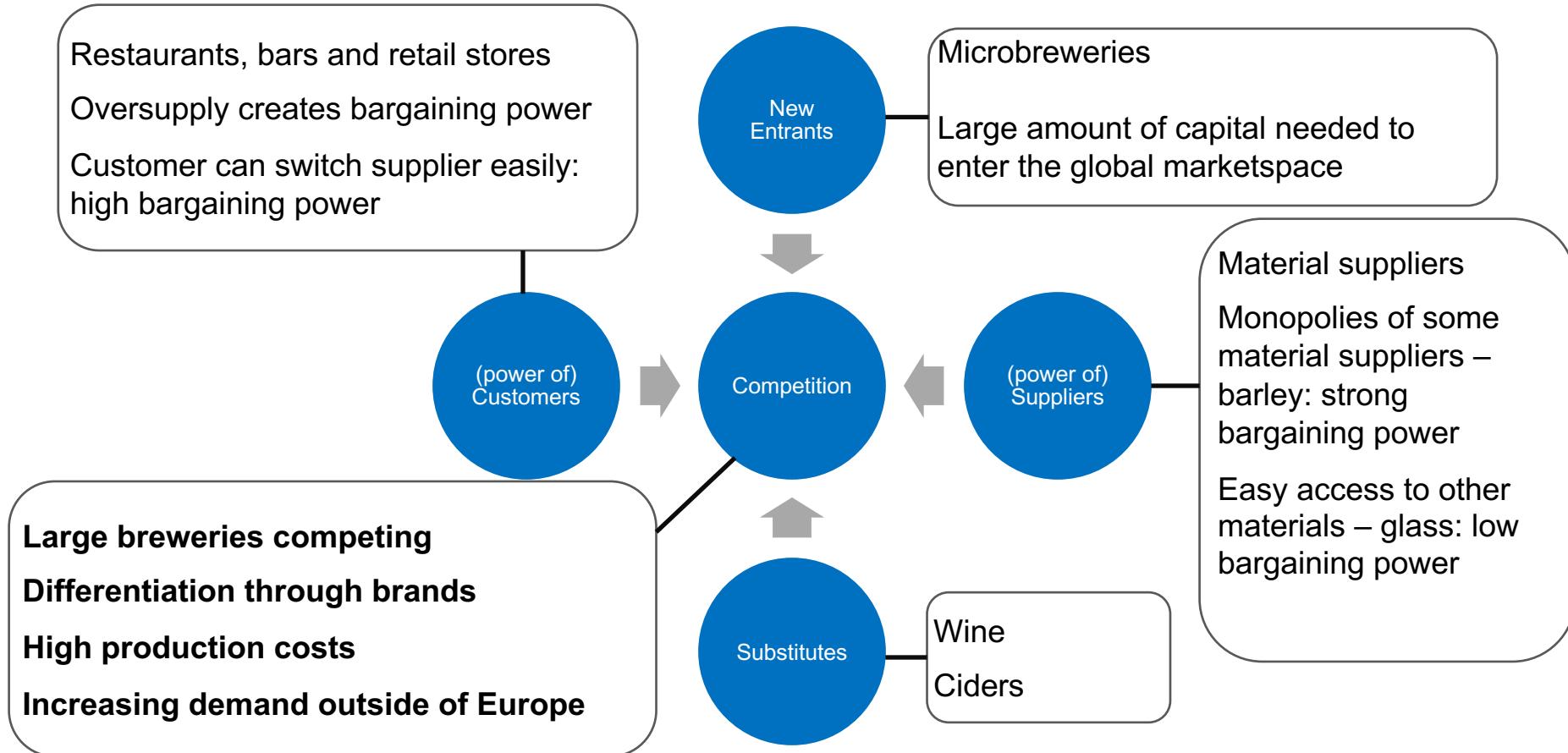
Political	Economic	Social	Technological	Environmental	Legal
Public campaigns	Increased purchasing power in developing countries	Attitudes towards beer consumption	E-commerce	Environmental benefits of organic materials	Restrictions of fusions and purchasing shares
Alcohol taxation	Increased material costs	Awareness of health risks	Technological solutions for managing global supply chains	Environmental impact of global supply chains	
Embargos	Importing	Quality preferred over quantity	Organic materials		

- **PESTEL analysis** is used in analyzing the macro-economic environment from six different aspects

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Porter's Five Forces





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Brew Dog



Brew Dog

- Brewing company that has experienced rapid growth
- Produces craft beers
- Founded in 2007 in Scotland



Mission and Vision

- **Mission:** “*To make other people as passionate about great craft beer as we are*”
- **Vision:** “*To make punk IPA the best-selling craft beer on the planet. To be the best company to work for. Ever*”



Business Model

- **20% of earnings to employees and charities**
- **“Equity for Punks”**
 - Consumers are allowed to purchase shares of the company
- **Procurement of drinks from microbreweries with short payment time**





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Brew Dog's Business Model Canvas

Key Partners <ul style="list-style-type: none"> - Microbreweries - Consumers as owners (Equity Punks) - Material suppliers - Logistics services 	Key Activities <ul style="list-style-type: none"> - Craft beer production - Development of new beer brands - Promotion of craft beer culture 	Value Propositions <ul style="list-style-type: none"> - Supplying quality craft beers - Bringing microbrewery culture to customers - Training offered to microbreweries - Craft beers purchased from other microbreweries - Shares of the company offered to consumers 	Customer Relationships <ul style="list-style-type: none"> - Promoting company brand - Promise of quality - Differentiated offering 	Customer Segments <ul style="list-style-type: none"> - Consumers of quality craft beers - Restaurants and bars - Potential shareowners
	Key Resources <ul style="list-style-type: none"> - Skilled staff - Strong brand - Crowdfunding through consumers 	Channels <ul style="list-style-type: none"> - Bars - Retail stores - Events - Social media 		
Cost Structure <ul style="list-style-type: none"> - Labor costs - Material costs - 20 % of profits to employees and charities 		Revenue Streams <ul style="list-style-type: none"> - Drink sales - Revenue from events - Sales of other products 		



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Brew Dog's Customer Segments

Consumer segments (B2C)

- Consumers that value quality over quantity
- Consumers that value microbrewing culture and craft beers
- Consumers that value brand

Business segments (B2B)

- Bars and restaurants that require a broad selection of craft beers
- Bars and restaurants that have demand for Brew Dog's products

Targeting Consumer Segments

- Potential consumer segments value brand and quality craft beer products
 - Consumers willing to pay extra for brand and quality
 - Strong brand helps to create long lasting customer relations
 - Growing segment of microbrewery fans



Targeting Business Segments

- Potential business segments purchase Brew Dog's products for their demand and broad product mix
 - Businesses willing to pay for unique craft beers
 - New beer brands
 - Growing segment of craft beer bars and restaurants



Positioning

- **Positioning through company brand**
 - Customers value quality and company brand communicated through Brew Dog's product
- **Brew Dog seeks differentiation through product attributes, instead of lower price**



4P Marketing Mix

Product

- High quality product and package
- Differentiation through features

Placement

- Consumers go to products
- Products go to business customers

Price

- Long term stable pricing
- Prices based on customer value

Promotion

- Promoting “punk” attitude
- PR stunts



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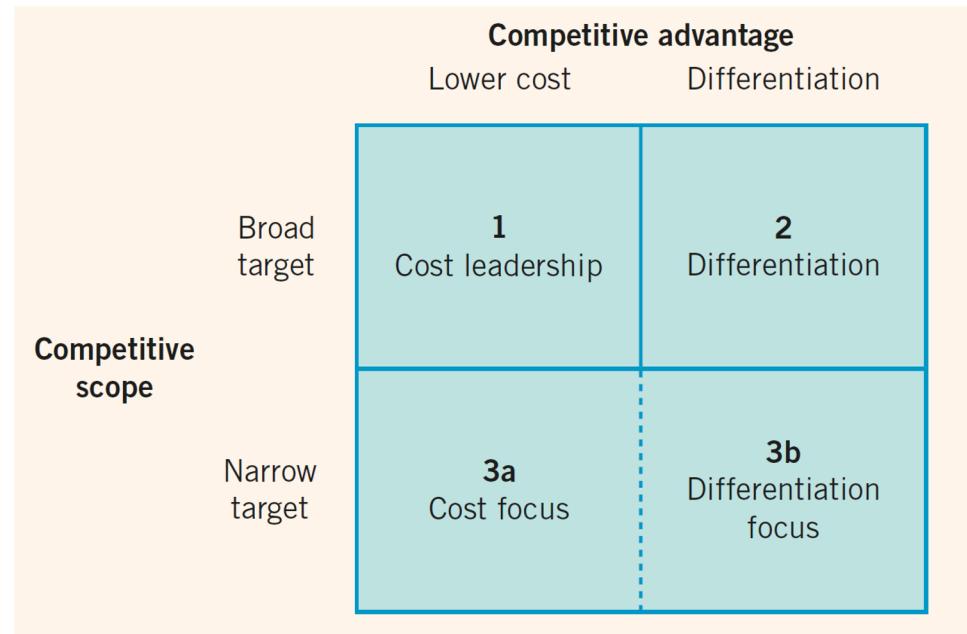
Porter's Generic Strategies

Competitive scope

- Narrow: specified customer segment
- Broad: company targets multiple customer segments

Competitive advantage

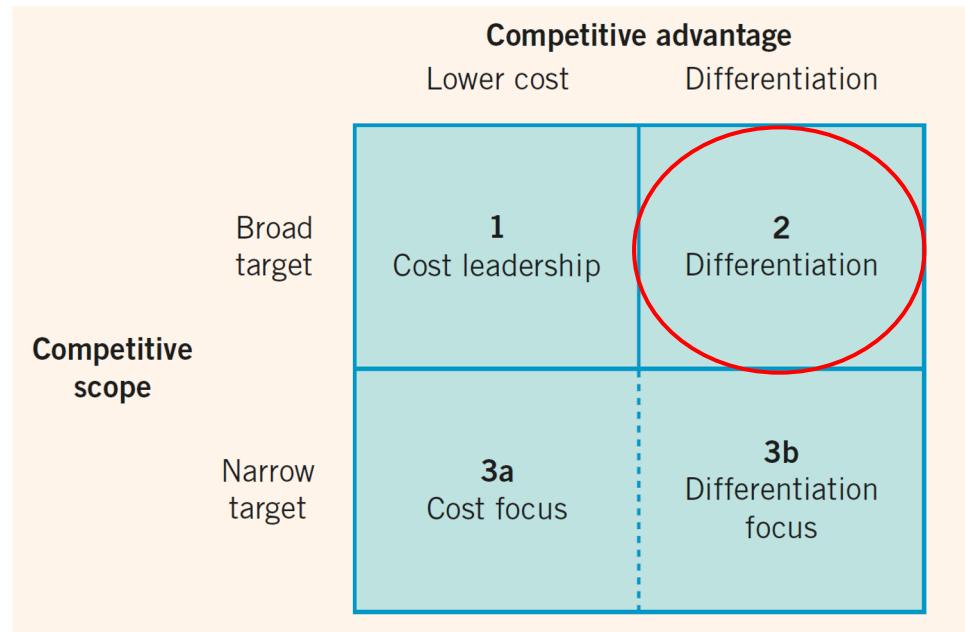
- Low price
- Differentiation



What strategy does BrewDog follow?

Porter's Generic Strategies

- **More expensive craft beers and the significance of brand in customer value**
 - Differentiation
- **Consumers, bars and restaurants as segments**
 - Broad target
- **Brew Dog is committing to differentiation strategy**



Assignment 1: Business Model

1. Constructing the Business Model (1 page of text)

- Name of the company, business idea, mission and vision
- Product offering, value proposition, channels, customer relations

2. Analysis of the Business Environment (1 page)

- Provide a short description of the current competitive situation
- Analyze the competitive situation with Porter's Five Forces framework

3. Marketing strategy and positioning (1-2 pages)

- Plan your marketing strategy with STP-analysis
 - *Define customer segments by their **attributes** (psychographic, geographic, demographic, behavioral). For example, just "students" does not qualify as a proper segment*
- How does your company's offering stand out in the market?
 - *Apply Porter's Generic Strategies framework: describe differentiation/low cost and competitive scope dimensions*

Assignment 1: Business Model

- **Submit your assignment to MyCourses as a PDF file**
- **Assignment must be submitted by Tuesday, 22 September at noon**
- **Next week's topic is production systems**

BONUS POINT

- **There is an option to give feedback on the assignments**
 - Each week's feedback gives 0.5 points
 - Feedback should be included at the end of the assignment
 - Feedback includes roughly 1 paragraph of text that reflects:
 1. How much time did the assignment take?
 2. What new things were learnt?
 3. What should be improved in the assignment?
 4. General comments on the course itself

**Good luck and remember that you can
ask question in Telegram any time!**