



## Practice Case 8 (Beer Brew)

### Question

A major US beer company, Beer Brew, recently entered the UK market. Two years after entry, the company is still losing money. Despite a high per capita consumption of beer in the UK market, sales have been very disappointing. What explains this phenomenon?

### Recommended Solution

#### High Level Plan of Attack

- Evaluate the product mix of the company and compare it to what is selling well in the UK.
- Analyze what type of marketing Beer Brew is using.
- Understand the consumer behavior and tastes, and determine the effect on sales.

#### Lay Out Your Thoughts

- Use the profitability framework. Understand which factor under revenue or costs is driving the decline in profitability.

#### Dig Deeper: Gather Facts/Make Calculations

- Let's begin with the product mix. What kind of beer has Beer Brew been trying to sell? *Currently, Beer Brew is selling two kinds of beer, a strong tasting and a light beer.*
- How have the sales of both been doing? *The strong tasting beer is selling slightly below average and the light beer is not selling at all.*
- What about marketing? *The company has spent more on marketing than the industry average for that region.*
- Is it a highly competitive industry? *It's about average. The industry is fairly fragmented. There are no dominant players.*
- Any problems with distribution channels? *No.*
- What about pricing and placement of the product? *To be competitive, Beer Brew undercut its price significantly to try to capture customers. Their beer is sold just about everywhere other brands are sold.*
- What are the current best sellers of beers in the UK? *Guinness, Toby, and a few others.*
- What kind common characteristics do they have? *They are all moderate in alcohol level, dark, and strong tasting.*



- How does that compare to Beer Brew's products? *Beer Brew's strong tasting brand is higher in alcohol, and market tests show that it tastes better. The light beer is low in alcohol and calories, and again tastes great.*
- Are there any light beers on the market? *Very few. Mostly locally produced. Beer Brew saw this as an opportunity to cash in on the light beer industry that has taken the US market by storm.*
- What about color? Are Beer Brew's two products dark beer? *No, they are fairly light in color.*
- Since most of the beer consumed in the UK is dark, and dark signifies strong beer, does the light color of the beer signal to the consumer that somehow the beer is weak? *Perhaps, but the company figured that once the consumer tried it, the color wouldn't make any difference.*

### Key Findings

- It seems that the consumer in the UK has unique drinking habits. After further inquiry, we find that the average British drinker values dark beer over any other factor. It seems that the dark color has a psychological impact on the consumer, relating it to strength, masculinity, getting their money's worth, etc.
- The light beer industry is undeveloped in the UK because the health movement in the US has not mobilized in Europe yet.
- Also, because the price of Beer Brew's products is much cheaper than other brands on the market, it is portrayed as a low quality "American beer." There has been a dilution of the brand equity.

### Recommendations

- Change the color of the stronger tasting beer. Make it darker and advertise it as the better tasting darker beer, with more alcohol.
- Match the price to other premium beers that focus on the same market segment.
- Drop the light beer product line. The UK is not ready for it yet.