

THREE-YEAR BUSINESS PLAN FOR CARLSBERG

**A PRESENTATION
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LET'S GET FAMILIAR WITH THE FIRM



- Today, Carlsberg possesses a strong position in the industry
 - Carlsberg is the third largest international brewer.
 - Number one or number two positions in 25 markets across Europe and Asia.
 - It operates with two different types of brands: International brands and local power brands.
 - It has more than 500 different ongoing digital projects.
- However, the competitive environment might force the company some struggles
 - Expansion of the on-trade channel to secure revenue growth in Europe.
 - In the mature European markets the consumption of beer had been falling as a result of growing health consciousness.
 - Increased competition from other brewing companies, small specialty and craft breweries, wine and spirits industries and RTD products (Ready to Drink).
- The key questions to be given a thought are
 - How can Carlsberg differentiate and disrupt the on-trade scene or find other high-value channels to secure a 5% revenue growth in Europe by 2022?
 - How can they convince our consumers to buy our products with global health and wellness trend on the rise?
 - How are their products and services different from our competitors?
- But every problem is a gift and without them we wouldn't grow
 - Discovering digital ways to reach their customers for a great experience, strengthening the local beer portfolio, and focusing more on profitable brands will certainly increase revenue.
 - Alcohol-free brewers (AFB) can be a great option. Carlsberg is already producing AFB and is experiencing increased demand in this segment.
 - Free samples, discounts and coupons can be used to attract more customers. Increasing customization and focusing on a good value proposition is the key to standing out in the market.

PORTER'S FIVE FORCES

Threat of new entrants (weak force)

- Though volume of off trade is more as compared to on-trade, majority of market value is dominated by on-trade market.
- Within the beer industry prices don't differ much. The consumers purchase whichever beer they favour. They are very brand loyal.
- Low switching costs (Weak force)
- Highly variable capital cost (Moderate force)
- High cost of brand development (Moderate force)

Threat of substitute products (strong force)

- Witnessing an increasing number of small breweries across Europe, catering to demand for unique, local beer.
- People are becoming more health conscious and thus are switching to low carb drinks.
- Also among beverages, people prefer hard alcohol or wine. There is trend towards cocktail too.
- High substitute availability (Strong force)
- Low switching costs (Strong force)
- High performance-to-cost ratio of substitutes (Strong force)

Bargaining power of Buyers (strong force)

- Reasonably high at this stage as there is strong ride-hailing competition and also presence of substitutes available in the market. With more choices they get to exercise more power.
- Low switching cost (Strong force)
- Large number of providers (Strong force)
- High availability of substitutes (Strong force)

Bargaining power of suppliers (weak force)

- Where suppliers are powerful, they may make a larger profit margin than the company that integrates the inputs of several supplier to sell to the end customer.
- Larger number of suppliers (Weak force)
- Low forward vertical integration of suppliers (Weak force)
- High overall supply (Strong force)

Competitive rivalry (strong force)

- The most important competitors are the largest and second-largest brewing companies, AB-Inbev and Heineken.
- These two companies along with Carlsberg control about 48% of the market.
- This component shows that Carlsberg faces strong force of competition.
- The competitive pressure in beer industry may manifest itself through a number of different tactics.
- We can choose to treat competition as a positive factor and use it to build a better and stronger business.

STRENGTHS

- Carlsberg owns well-known brands like Tuborg, Baltika, Grimbergen, etc. They have more than 500 local beers.
- Beer is something people rarely change. It has carved a market for themselves with they being around.
- They have high profit and revenue thus putting them in a very good position.

WEAKNESS

- They are dependant mainly on two international beers, Tuborg and Carlsberg. They need to make to make their own products.
- They still need to increase their market share and revenue from emerging markets.
- Decrease in revenue and profit has been observed in spite of strong finances.

SWOT Analysis

OPPORTUNITIES

- To enter and become big, they can merge or acquire the local brands and launch their own brands on top of them. This will create revenue and increase market share.
- People are becoming health conscious. Low carb beer can be an alternative to regular beers.

THREATS

- On a global level the most important competitors are the largest and second-largest brewing companies, Belgian AB-Inbev and Dutch Heineken.
- They would be affected by the strict laws the government may pass against alcohol drinkers.

Consumer Trends

TREND SEEKERS

- These consumers are all about creating memorable events around social occasions.
- Food/beer pairings are a popular way for this group to connect.

ASPIRES

- Ethnic groups are more dominant in this segment.
- They tend to drink imported beers.

EXPERIMENTERS

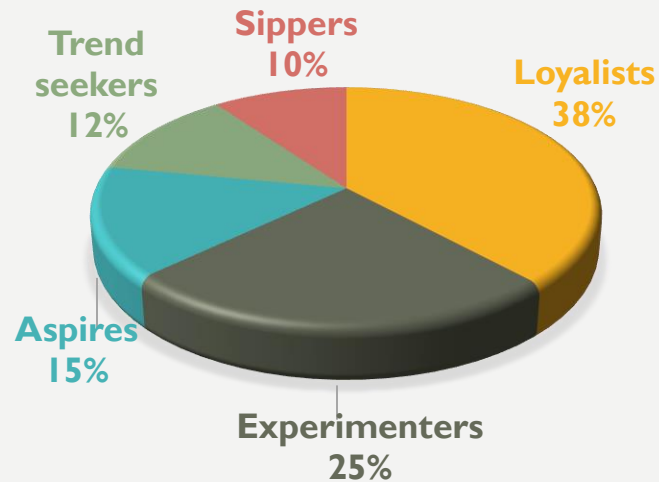
- These are people who are fond of beer and are less price-sensitive.
- They seek unique taste profiles and variety and gravitate toward craft brews.

LOYALISTS

- These are the core beer drinkers.
- They tend to socialize around beer and sports.

SIPPERS

- These are people whose first beverage of choice is usually not beer.
- They prefer other drinks like fruit beers and alcohol-free brews.



Consumer Trend Analysis

- Corporate and working class, aged 18 to 49, appreciate good quality beer and tend to drink the most.
- Men tend to drink more alcohol than women.
- Consumers are becoming more health conscious and turning their backs on alcoholic drinks.

Impact

- The company should focus on more profitable profiles.
- It should also focus on the corporate and working class.
- Men tend to drink more alcohol than women. This should also be taken into consideration.
- Customers prefer healthy beverages. This presents an opportunity that we can exploit the health aspect of our beverages. Alcohol-free brewers (AFB) can be a great option.
- The company should ensure that the products' prices take into consideration potential customers' budgets and that these people appreciate the product and know that it exists, including where to find it.

WHY SHOULD COSTUMERS CHOOSE CARLSBERG

- ❑ **Rebrewing the first quality beer** using Carlsberg's original purified yeast.
- ❑ The scientists have miraculously been able to extract living yeast's cells from the 133 year old bottle.
- ❑ The launch of Carlsberg 1883 marks one of the major break throughs in beer history.
- They have created a designed cap that removes oxygen from the bottle. This is the **ZerO2 cap**.
- This can make that the customer's beer tastes fresher for a longer time.
- These perform up to 15% better than the regular ones.
- ❖ Most consumers prefer **draught beer** to bottled beer as it's still the freshest way to enjoy beer.
- ❖ A revolutionary way to deliver draught beer that keeps it pure and fresh longer.
- ❖ It has a lasting quality; 7 days in steel kegs after opening and 31 days in sealed kegs.

PRICING THE PRODUCTS PLAYS AN IMPORTANT ROLE

- Pricing policy of Carlsberg is open and very reasonable.
- They provide premium and qualitative products but still the prices are reasonably low.
- Although prices seem high from the buyers side but free samples, discounts and coupons are some tactics to keep the prices down compared to the competitors.
- Penetration pricing: Free samples are distributed to enter the new markets.
- Everyday low pricing: Involves charging a continuous everyday low price with few or no temporary price discounts.
- The price should be same or slightly different from other competitors. This would prevent price war between Carlsberg and other competitors in the market.

Distribution channel



On-trade channel

- The sale of beer for immediate consumption, such as in bars, hotels and restaurants where beverages are consumed on premise.
- One-third of beer volume in Western Europe are sold through on-trade channels. It represents two-thirds of revenues.

Off-trade channel

- It refers to beer sold through an intermediary, such as supermarkets, wholesalers and retail stores, but not consumed on premise.
- Two-thirds of beer volume in Western Europe are sold through off-trade channels. It represents one-third of revenues.

Strengths

- On-trade vendors are able to charge a premium for the service of serving the beer and for a prime location.
- Consumers prefer drinking beer in a good place for a luxurious experience compared to buying bottled or canned beer.
- Brewer's products are presented in their best possible form.
- It involves to-door delivery of the beer and picking up of empty kegs from the bars, hotels etc.

Challenges

- Consumers are switching from alcoholic to non-alcoholic drinks when going out.
- Within alcoholic drinks, customers prefer to drink wine and cocktails in addition to beer.
- Within the beer category, there is a trend away from typical mass-produced pale lagers and towards craft and specialty beers.

Solutions

- AFB can be a great option.
- Increase focus on crafts and specialty beers.
- Strengthen the local beer portfolio.

Challenges

- Consumers are very price sensitive when buying in supermarkets.
- A wave of consolidation within supermarket and hypermarket chains throughout Europe has pushed brewers for lower prices in order to stay on the shelves.

Solutions

- Increase focus on convenience over price.
- Consumers are willing to pay a premium if the product is available at more locations and at odd times.

Core Beers

- International Brands: such as Tuborg and Carlsberg.
- Local Power Brands: such as BeerLao in Laos and Karhu in Finland.
- Pale lager beer, such as pilsner, is seeing limited volume growth or volume decline in Western European markets due to changes in consumer behaviour. There was a weak volume growth of 1% in the Carlsberg brand in 2017.

Craft & Speciality Brands

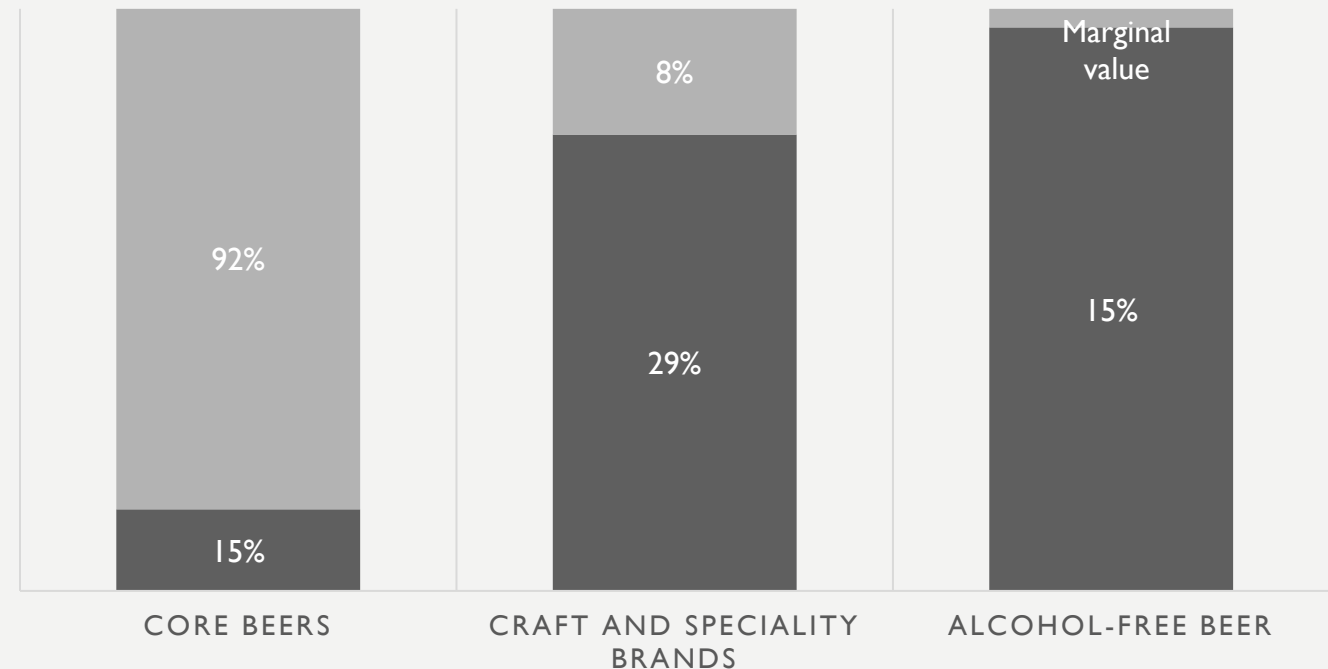
- It include ales, porter brews and pale ales etc.
- The category is comprised both of international speciality brands, such as Grimbergen and 1664 Blanc, and local craft beer brands.
- It is sold at a premium compared to mainstream brands.
- The Craft & Speciality segment is experiencing increased demand.

PRODUCT

Alcohol-Free Brews

- Most are similar in taste and feel to traditional pale lager brews, such as the KI 664 Blanc in France while others are less traditional with various flavours added, such as the Utenos Radler 0, a hugely popular grapefruit flavoured beverage in Lithuania.
- As a result of the global health and wellness trend, consumer demand for healthier choices. Therefore, this segment is experiencing increased demands.

■ Volume Growth ■ Total Consumption



Challenges	Solutions
Global health and wellness trend on the rise and consequently lower consumption of alcohol.	<ul style="list-style-type: none"> • AFB is experiencing increased demands and this would be customised according to customers need with a variety of packs ranging in all sizes. • Developing a response based on innovation and speed in launching and presenting products, crossing the traditional frontiers amongst the different types of alcoholic beverages, and building upon the natural ingredients that compose beer.
Western European prefer various hard liquors or wine over beer and Consumers are increasingly moving towards more premium brews, putting pressure on the well-known, mainstream brands.	<ul style="list-style-type: none"> • We have to focus more on brand awareness along with focusing on increasing demand. • We should explore newer products. • Manufacturers need to appeal to these consumers with both a smaller pack size and premium positioning.
Limited population increase and slow economic growth.	Along with existing customer category efforts should also be made to target newer customers.

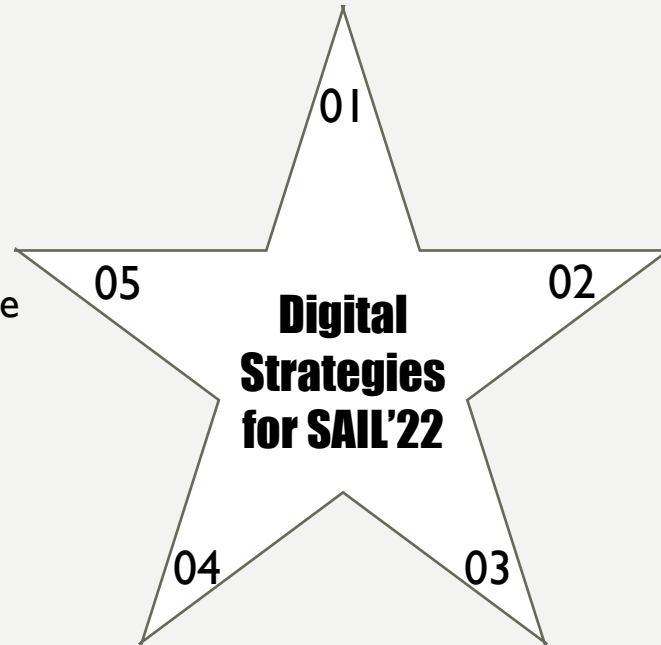
Challenges	Solutions
<p>Mainstream beer categories are seeing very low or flat volume growth rates in Western Europe and markets of Europe are expected to experience volume growth rates of less than one percent.</p>	<ul style="list-style-type: none"> • Digital transformation would be a solution for increasing business efficiency and revenue growth. • A strong brand portfolio focusing on our products and their specialities will be a good start towards gaining more customer support.
<p>Beer is bulky and expensive to transport, therefore local production and distribution is preferred</p>	<p>Starting a broad-based project to improve cooperation with retail customers. It should establish dedicated teams to manage each key retailer account relationship, and launch an extensive customer collaboration effort.</p>
<p>In recent years, the beer industry has consolidated significantly, through a wave of horizontal mergers and acquisitions.</p>	<p>Learning to operate with greater flexibility and an enhanced focus on minimizing costs.</p>
<p>Increasing number of small breweries across Europe are meeting the demand for unique, local beer experiences.</p>	<ul style="list-style-type: none"> • Product innovation has to be increased rapidly to cater demands of people. • Majority of market value is based on hotels, bars and restaurants. So we need to search for newer markets and newer outlets.

Sustainability



Initiatives taken	<ul style="list-style-type: none">• In June 2017, Carlsberg launched its Together Towards ZERO Programme to raise the sustainability standards in the industry.• Four key areas: Zero carbon footprint, zero irresponsible drinking, zero water waste, and zero accidents culture.• Carlsberg Group Snap Pack innovation replaced plastic wrapping for six packs with glue. The initiative is estimated to save 1200 tons of plastic every year.• It also targets to remove beer in hand emissions as carbon emissions are emitted through the entire Carlsberg supply-chain.• The company invested money into developing a new green -silver ink that is “Cradle -to -cradle” certified, which is much better for recycling as compared to the normal green ink.
Progress	<ul style="list-style-type: none">• 20% reduction in carbon emissions since 2015• 9 breweries in china stopped using coal• 46% renewable electricity
Few steps that can be taken	<ul style="list-style-type: none">• According to a survey 59% of respondents said they would pay more for beer that invests in sustainable practices.• Monitoring the usage of environmental resources in each step of production to find an alternative and to reduce wastage.• Recycling bottles and cans.• The solar panels would allow the company to displace thousands of pounds of CO2 that would have been produced through traditional energy generation.• Another solution could be on-site water treatment plant, which pre-treats organic matter, thus improving the quality of the water it sends to the municipal treatment plant.

- Make the website more interactive and user friendly.
- Content marketing includes not only in-depth blog posts but also videos, infographics, GIFs, images, etc.
- You need to create content for topics that have search demand.



- They should focus more on the search engine optimization.
- They should try that appears their name on top when least letters are typed by the user on their search engines.

- Buy a Carlsberg beer from any restaurant, night club or bar of net worth a decent amount.
- These customers may get a chance to win an online coupons that can be redeemed to buy any Carlsberg product from any restaurant or club.
- The coupon will be valid for one to two months.

- Customers must login into the website if they want home deliveries.
- This will allow us to take regular feedbacks from them and send them new-update e-mails through auto mail sender.
- Keeping in touch with our costumers will help us gain their trust.

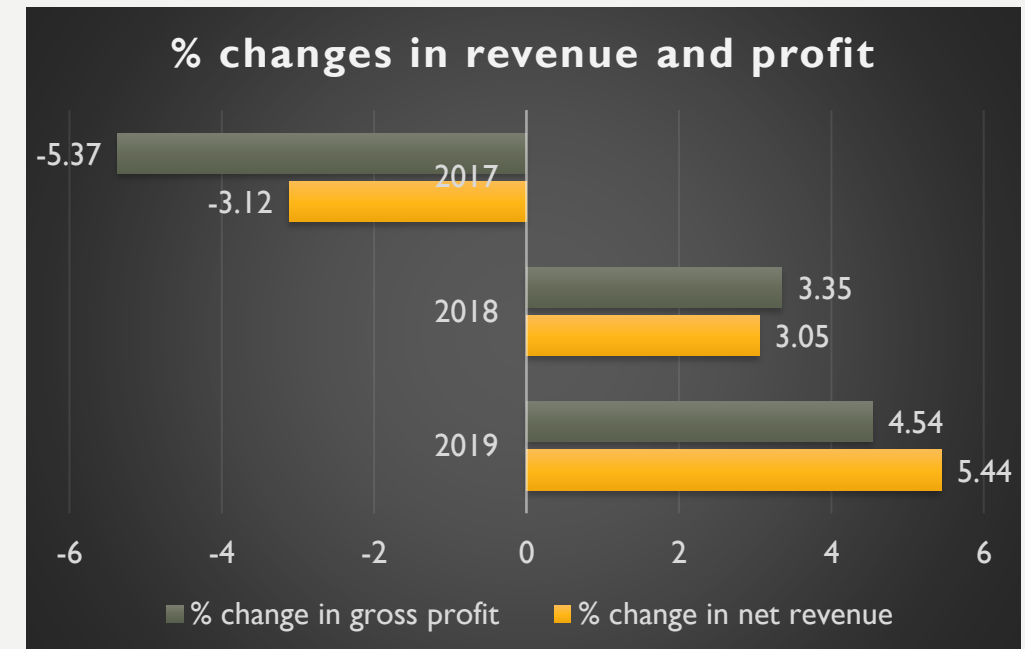
- The Carlsberg customers may upload their pictures with the Carlsberg glass and use company's name as hashtags or tag them in their posts on social media.
- Advertisements on social media platforms like Instagram, Facebook, Twitter, etc can be great source to increase our reach.

SOME ASSUMPTIONS ABOUT THE FINANCIAL FUTURE OF CARLSBERG



	2019	2018	2017	2016
Net revenue (in DKK million)	65,902	62,503	60,655	62,614
Gross profit (in DKK million)	32,638	31,220	30,208	31,925

- It has been observed that the their has been decline in the revenue as well as the profit since 2014 until some programmes for sustainability and like more initiated.
- After these steps were taken, the company saw a growth in their revenue and profit.
- Now it's time for them to upgrade themselves in this digitalized world around them.
- If the company implements some of the solutions and strategies given by us, the company can expect an increase in the revenue generation keeping in mind the expenses will increase.
- Also, EPS(earnings pre share) has considerably increased over the past 4 years. Higher EPS has more value as the investors would invest in companies that has more profitability.



CONCLUSION

- Efforts should be to strengthen its position against competitors and to attract customers to the products to ensure further revenue growth. This can be done through:
 - i. Discovering digital ways to reach your customers, strengthening the local beer portfolio, and focusing more on profitable brands will certainly increase business efficiency and revenue growth.
 - ii. Along with existing customer category efforts should also be made to target newer customers.
 - iii. Customers prefer healthy beverages. Increasing focus on Alcohol-free brewers (AFB) can be a great option.
 - iv. Free samples, discounts and coupons can be used to attract more customers. Increasing customization and focusing on a good value proposition is the key to standing out in the market.
 - v. The pricing strategy should be well laid out, keeping in the target consumers and their preferences.
 - vi. Sales and Marketing strategy should be good enough to generate maximum revenue for the company.
- The company should also monitor the usage of environmental resources in each step of production to find an alternative and to reduce wastage.
- Revenue growth can be expected in the next three years after seeing the trend of last 4 years.
- These strategies will provide an exponential growth trajectory for the company in Europe.

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