

CORPORATE STRATEGY :



Anheuser-Busch and Harbin Case Study

Part. 1 : Industry Analysis

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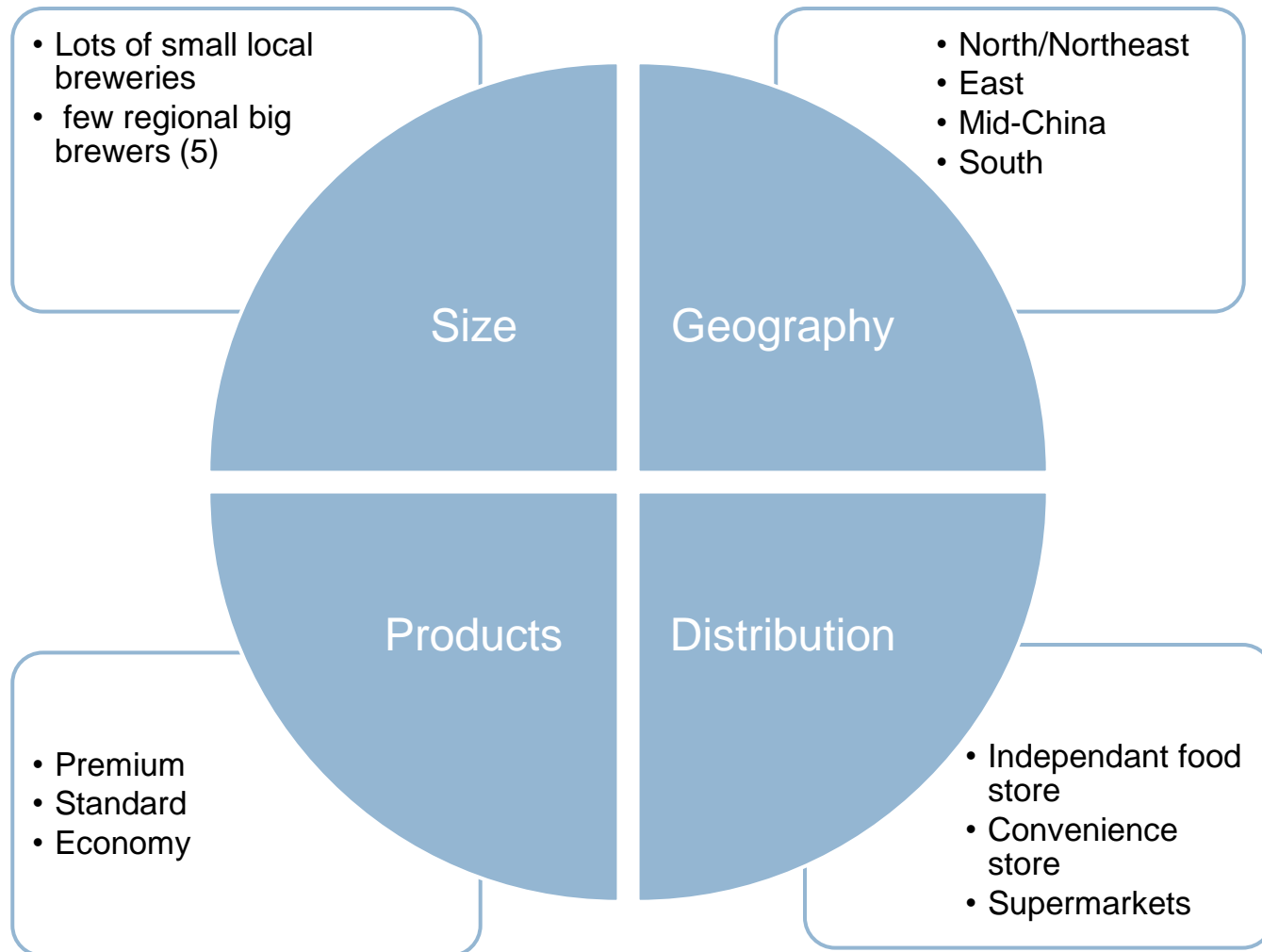
1. Chinese beer industry overview

- ✓ An increasing market with a huge potential
- ✓ 1st rank for volume per year but 11th rank for liters per person
- ✓ Low average price
- ✓ Huge foreign interest on this market but foreign investment usually failed

2 .Environmental Analysis: PESTEL

<p>POLITICAL</p> <ul style="list-style-type: none">✓ Decentralized power structure✓ Unstated hierarchy of power✓ Big power of the local and provincial authorities	<p>ECONOMICAL</p> <ul style="list-style-type: none">✓ Important growth of China economy✓ Huge and fragmented market✓ Increase of urbanization rate
<p>SOCIAL</p> <ul style="list-style-type: none">✓ Low income and standard of living	<p>TECHNOLOGICAL</p> <ul style="list-style-type: none">✓ Poor infrastructures
<p>ENVIRONMENTAL</p> <ul style="list-style-type: none">✓ Development of urban aeras✓ Reduce emissions of carbon dioxide	<p>LEGAL</p> <ul style="list-style-type: none">✓ Obligation to share technology and knowledge for foreign firms✓ High tax for on trasportation

3 .Segmentation of the industry



4 .Porter's Five Forces of competition

Threat of substitutes	Threat of new entry
<ul style="list-style-type: none">✓ The Alcohol market is a large market✓ Substitutes depends on the 4 different regional location of Chinese customers	<ul style="list-style-type: none">✓ A very large growth potential✓ Average sale price is low✓ There is a growth in the target population for beer and the rise in average income

Porter's Five Forces of competition (cont'd)

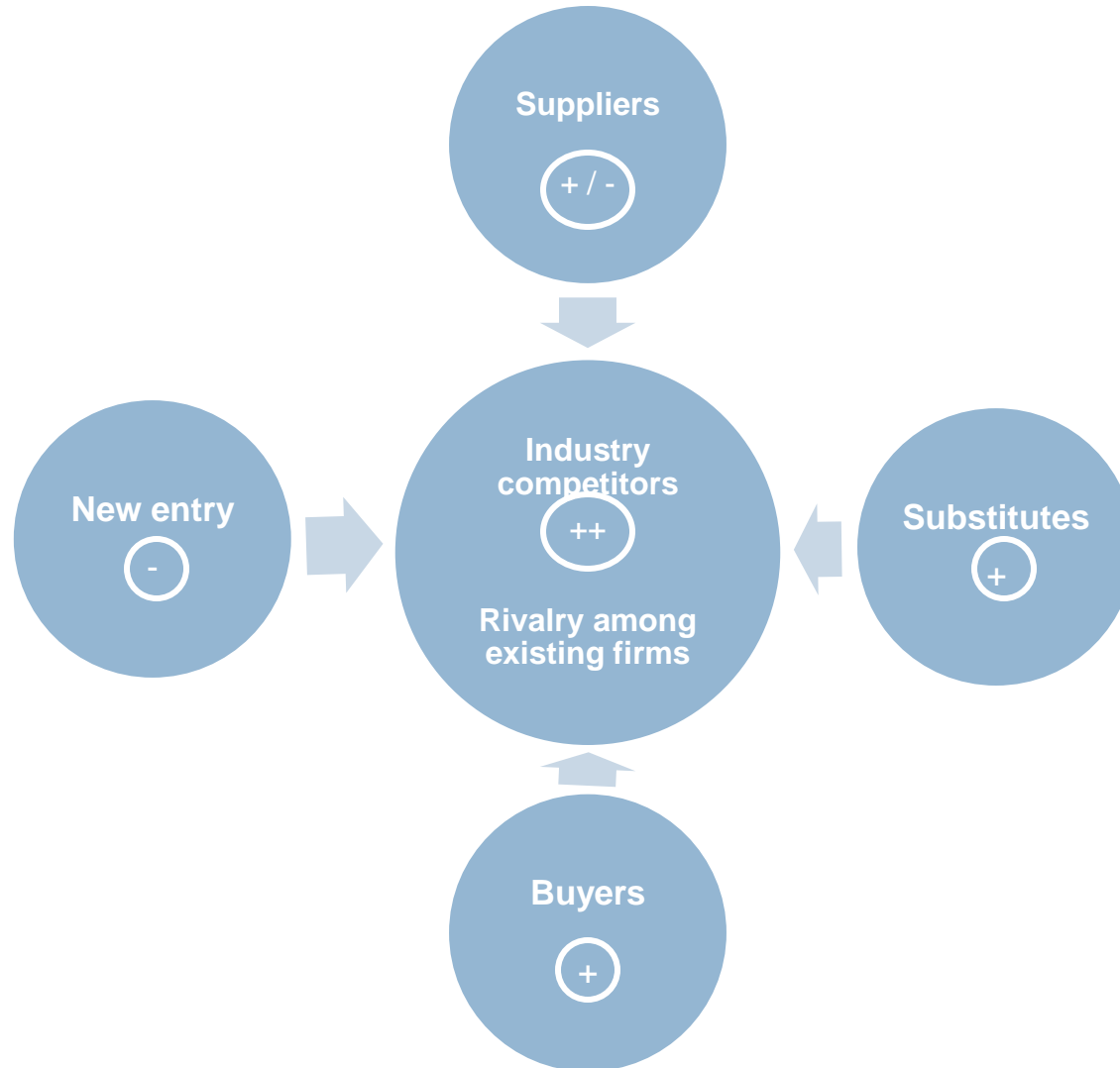
Bargaining Power of Buyers	Bargaining Power of Suppliers
<ul style="list-style-type: none">✓ Average Chinese Beer customers are poor, live in agricultural heartland and are extremely price conscious✓ No loyalty to any particular brand✓ Twice as much of beers is consumed at home as is consumed in bar & restaurant	<ul style="list-style-type: none">✓ Suppliers are quite fragmented✓ Between 500 and 1 000 firms manufactured beer in China✓ Foreign brewers are willing to pay high prices for even minority positions in local breweries

Porter's Five Forces of competition (cont'd)

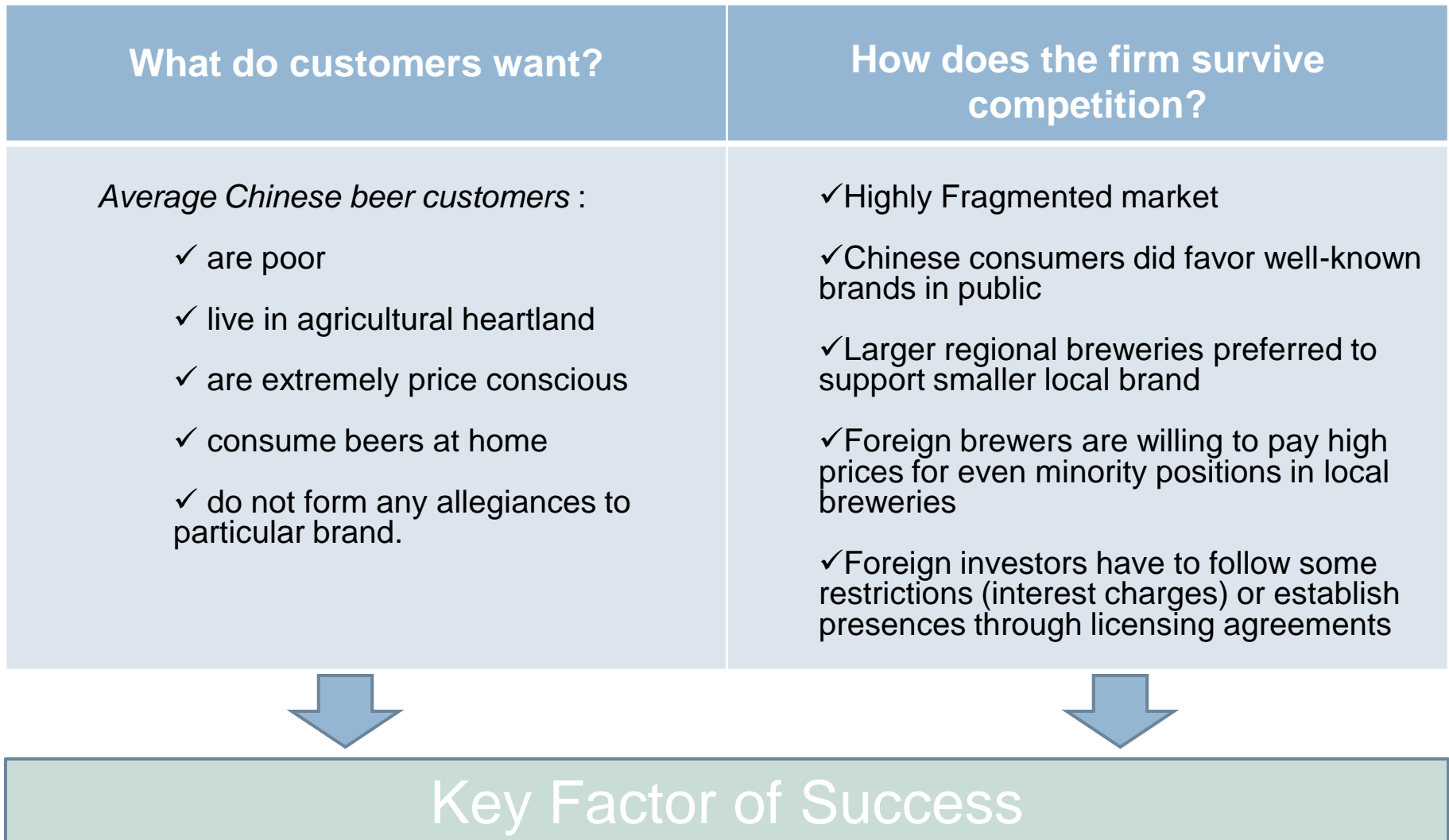
Rivalry between established competitors

- ✓ There are no dominant national or international brewers
- ✓ There are only powerful regional brewers
- ✓ The top 5 firms in the industry generate 38% of the result of the market

Porter's Five Forces of competition (cont'd)



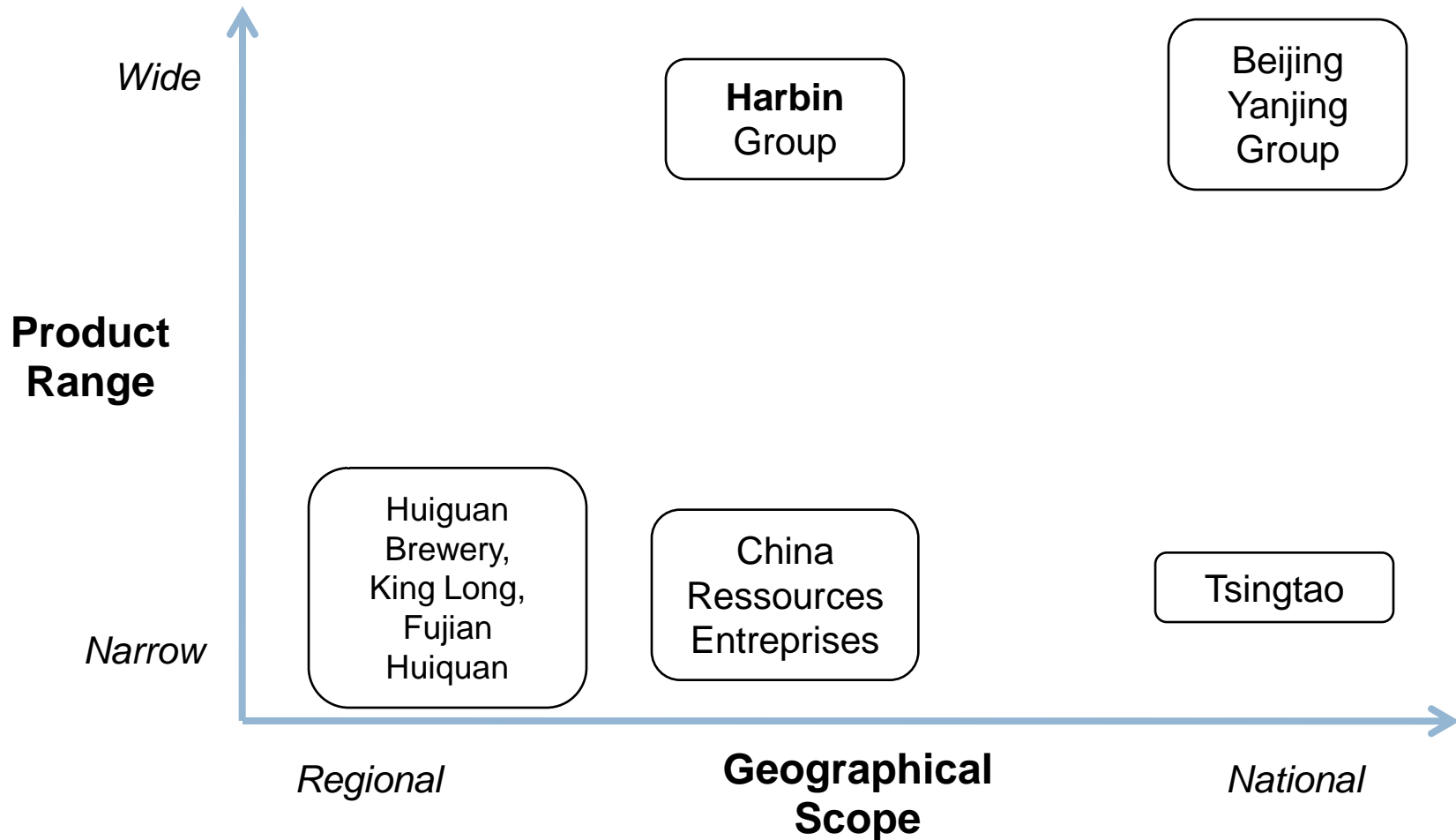
5 .Key Success Factors



Key Success Factors (cont'd)

- ✓ The market is the largest in the world
- ✓ It's still possessed the largest growth potential
- ✓ In China, the population and the natural resources presented opportunities
- ✓ Pub culture is emerging in the cities
- ✓ The population is increasing in the cities
- ✓ No dominant national or international brewers
- ✓ Politics make the rules on the market and help some brewers (privatization plans...)

6 .Strategic Groups (cont'd)



Strategic Groups (cont'd)

- ✓ Many of the foreign brewers had started to target the economy segment, indeed the Chinese beer consumer is price conscious. Competition is intense.
- ✓ North China: saturated market
- ✓ East China: greatest promise for growth in Per capita beer consumption
- ✓ Mid China: Low capita income and the slowest growth market.
- ✓ South China: the next hot beer market

Strategic Groups (cont'd)

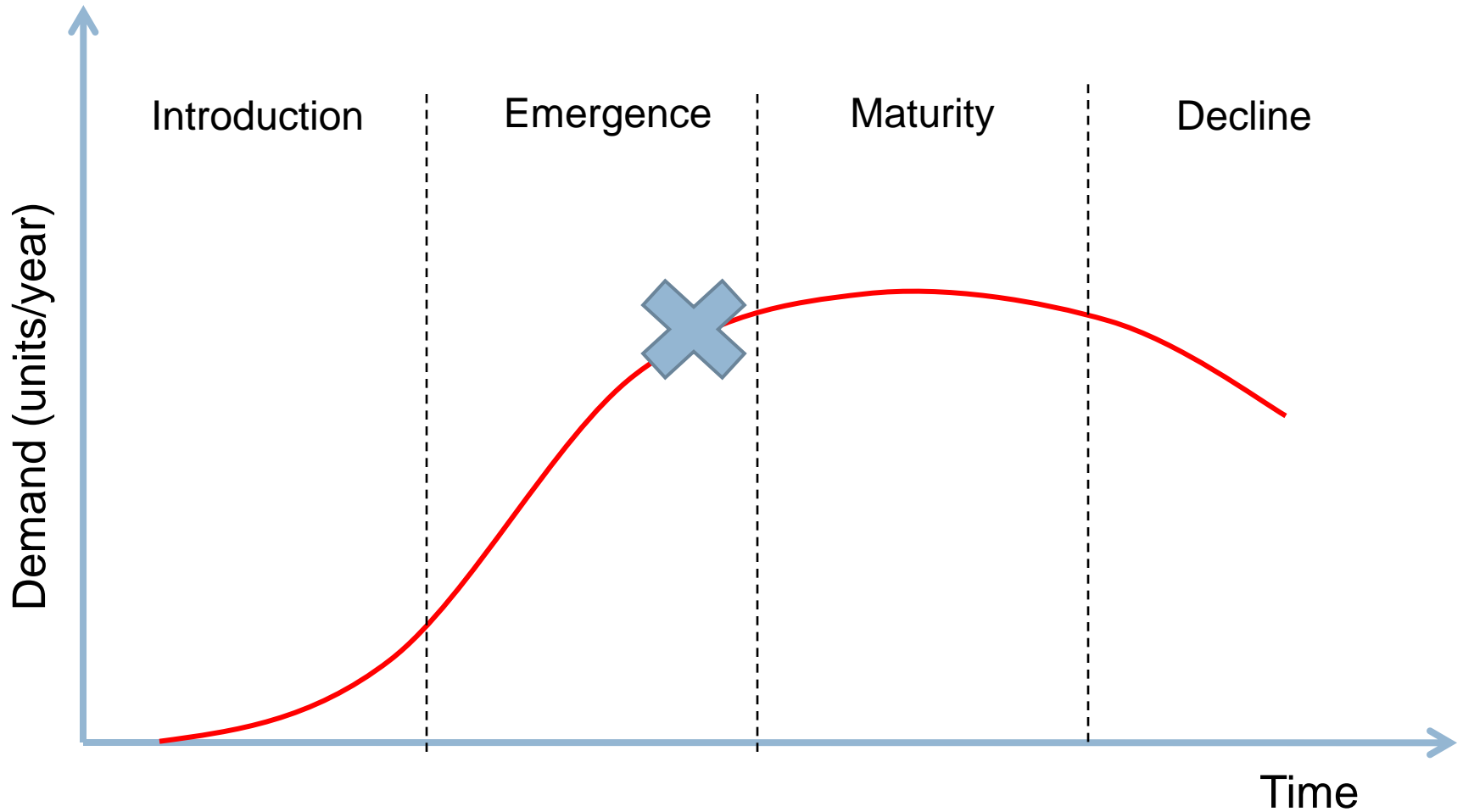
- ✓ Premium beer witnessed a higher rate of growth
- ✓ Improving standard of living in the bigger cities
- ✓ National Strategy: Expand its presence in east and south of China by increasing its market share in these two regions. Higher investment in premium segment.

7. Drawing scenarios

- ✓ Focus on the industry life cycle
- ✓ Evolution of the life cycle over the life cycle
- ✓ Scenario 1
- ✓ Scenario 2
- ✓ Scenario 3



The industry life cycle

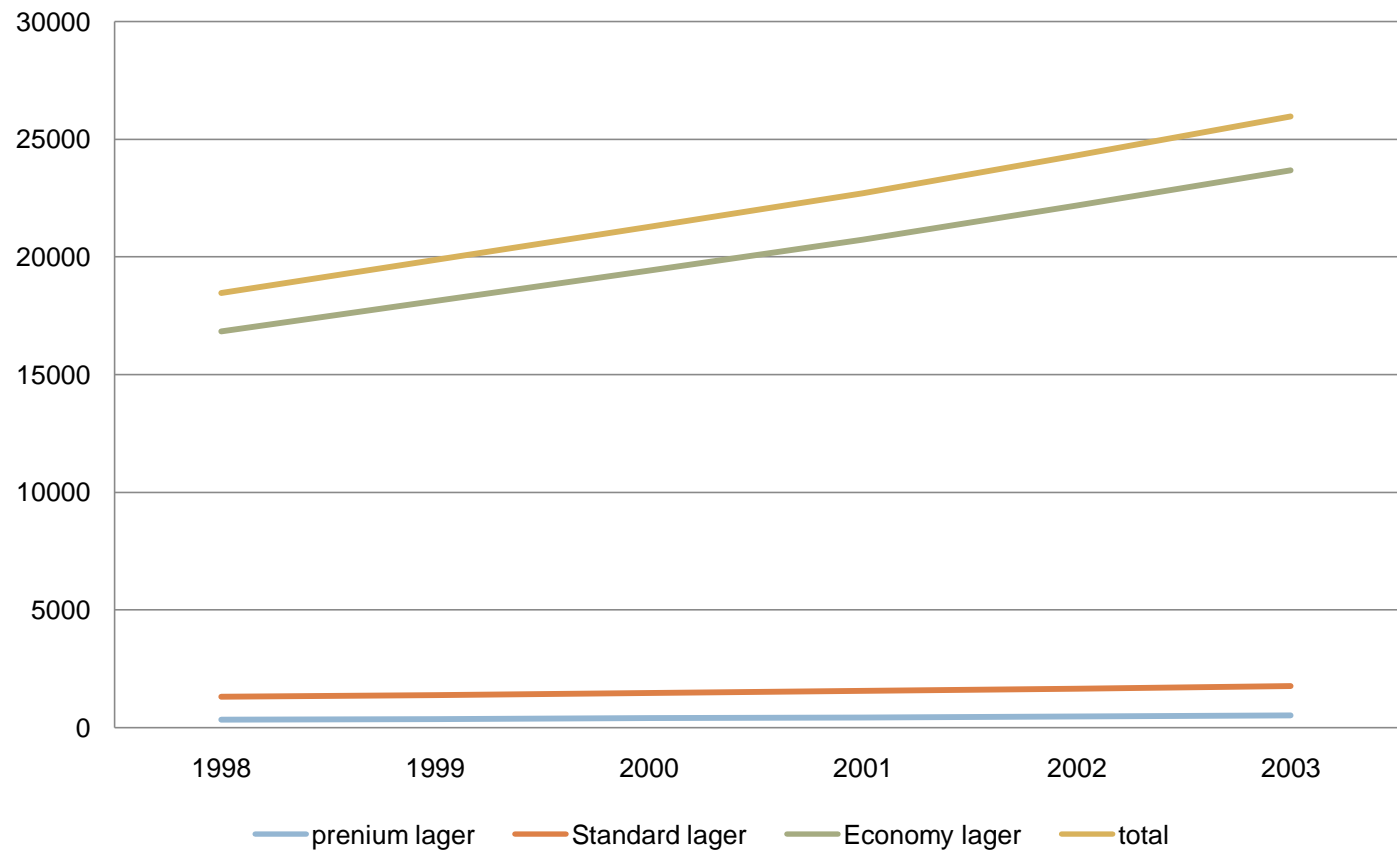


Evolution of the life cycle over the life cycle

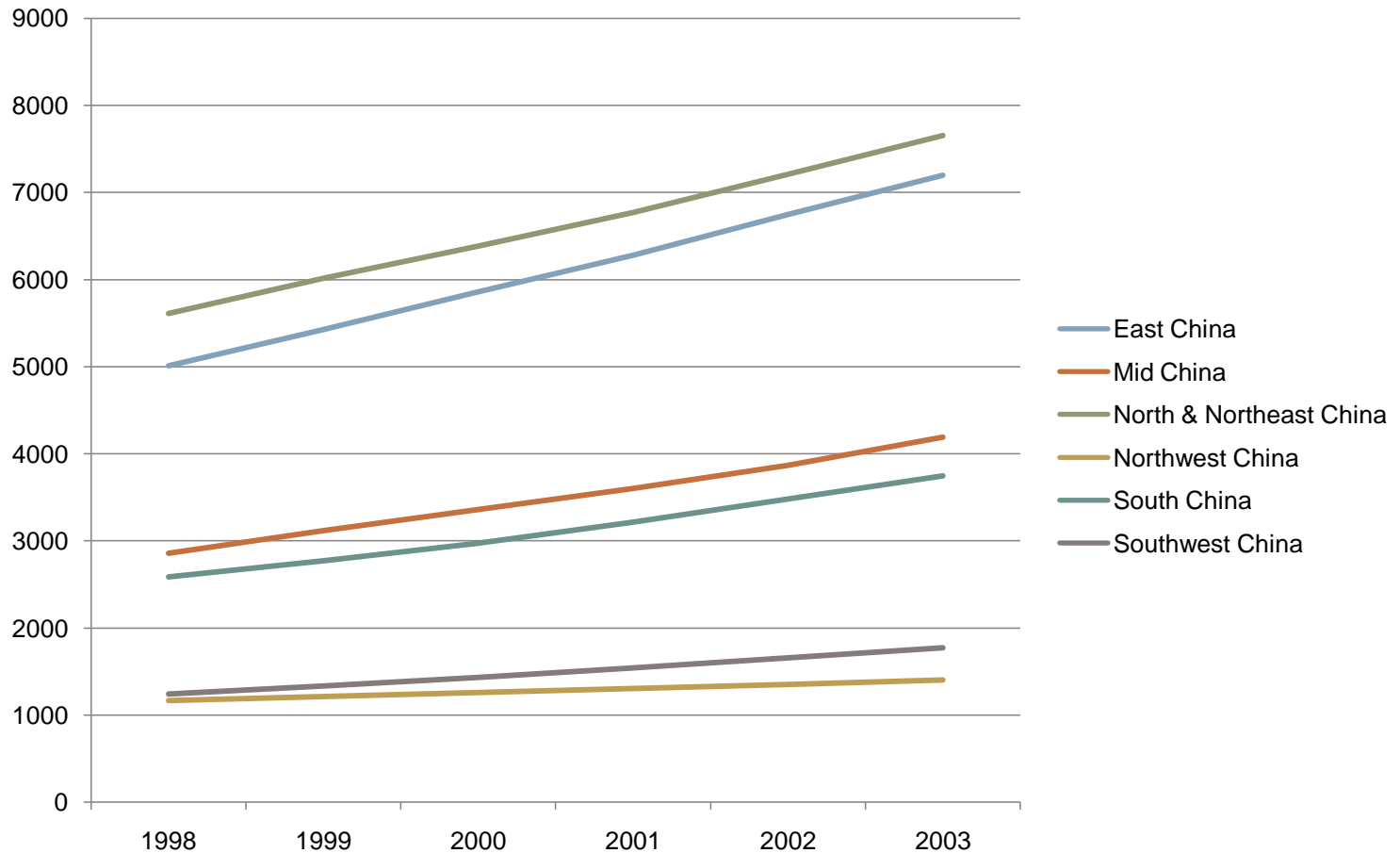
	End of Growth / Beginning of Maturity
Demand	<ul style="list-style-type: none">- Mass market- Increasing demand
Technology	<ul style="list-style-type: none">- Improvement of product composition
Products	<ul style="list-style-type: none">- Commoditization- New products
Manufacturing	<ul style="list-style-type: none">- Harbin achieved 90% capacity utilization- Consolidation
Trade	<ul style="list-style-type: none">- Increasing demand imported brewing barley
Competition	<ul style="list-style-type: none">- Bloody competition- Profits fall
Key Factors of Success	<ul style="list-style-type: none">- Brand local presence- Price & Cost Management- Foreign Direct Investment

The Chinese beer market

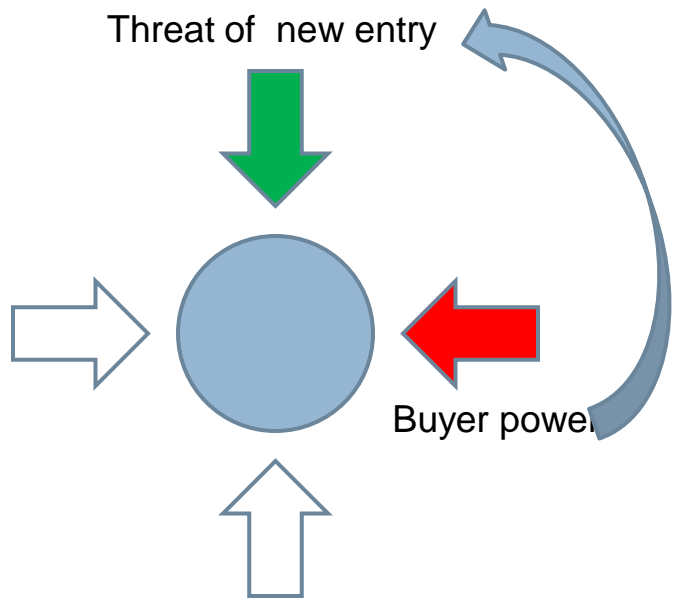
Market evolution per segment



A fragmented market



Drawing scenarios



Scenario 1

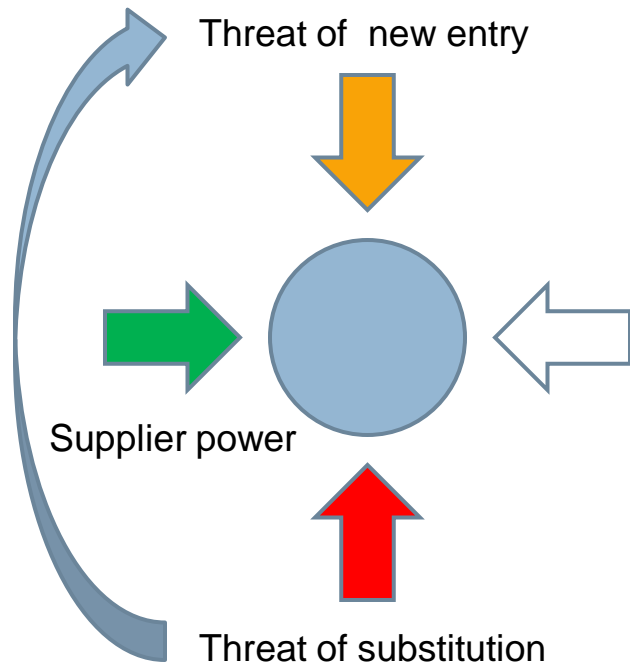
- ✓ Increasing gap between highest and weakest revenues
- ✓ East strategy VS West strategy
- ✓ Standard lager segment renunciation
- ✓ Focus on Premium and Economy segments



- ✓ Increased interest for standard lager segment
- ✓ Generating a new demand

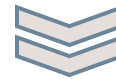
Looking for market leadership

Drawing scenarios (cont'd)



Scenario 2

- ✓ Increased interest for wine
- ✓ Decrease of standard lager sales
- ✓ Favorising the development of new products



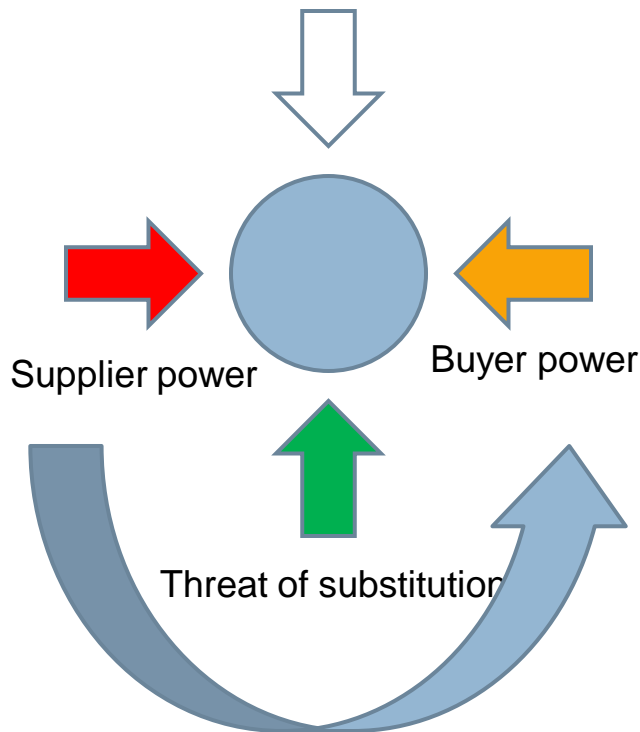
- ✓ Uniqueness of service



- ✓ Specialist knowledge

Become a leader in a niche market

Drawing scenarios (cont'd)



Scenario 3

- ✓ Suppliers are growing slower than the demand
- ✓ Shortage of Malt



- ✓ Competitors



- ✓ Sensitiveness to differences between competitor
- ✓ Cost of changing

Adaptation / Reconversion

Thank you for your attention

Any questions ?