

CORPORATE STRATEGY



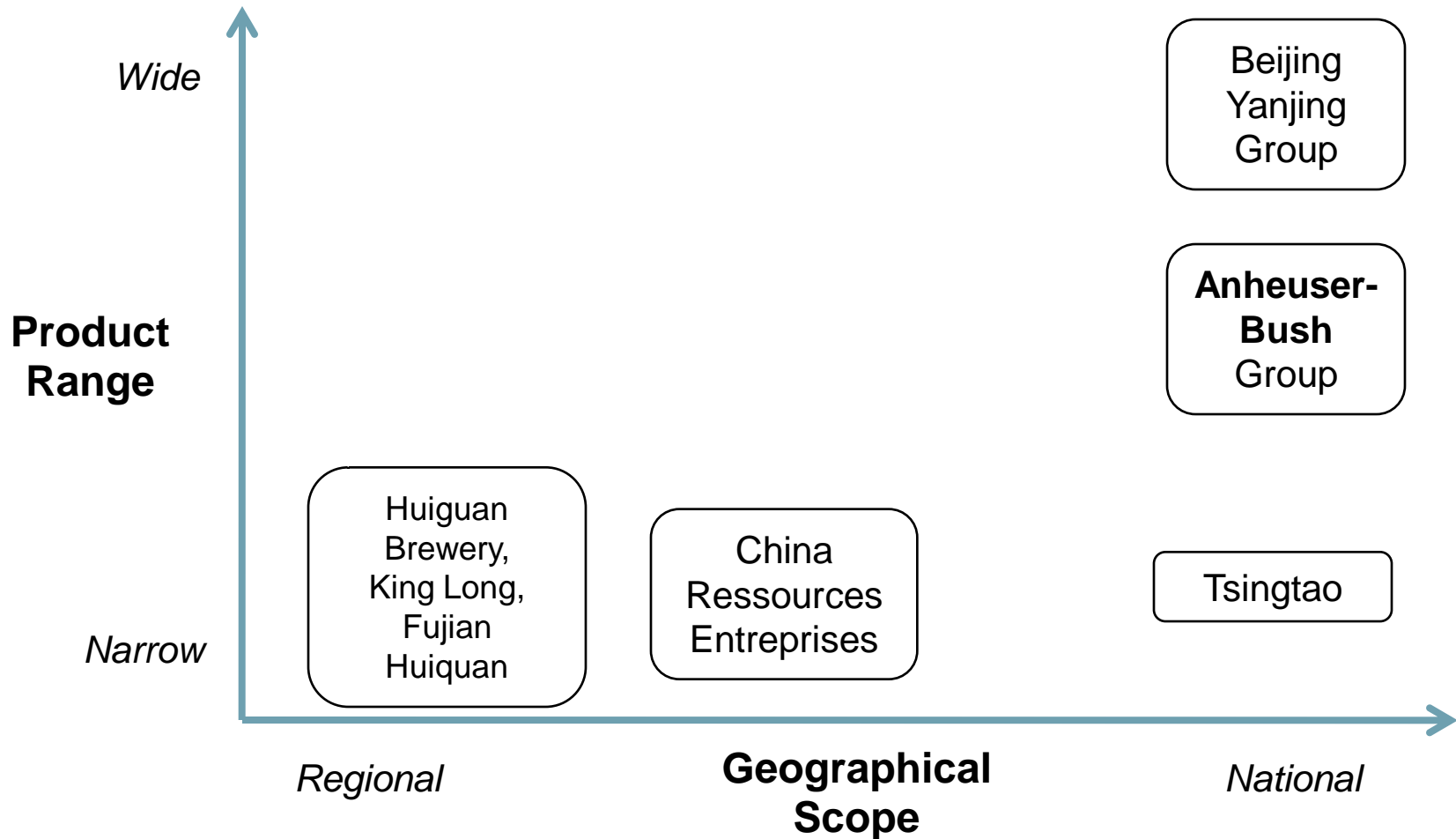
Anheuser-Busch and Harbin Case Study

Part. 2 :Drawing the strategy

Content

1. Scope & strategic objectives
2. Unique resources and capabilities
3. Sources of competitive advantage
4. Functional strategies
5. Development mode
6. SWOT analysis
7. Risk factors

1. Scope & strategic objectives



Scope & strategic objectives (cont'd)

Reminder

Scenario 1

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

Looking for market leadership

Scope & strategic objectives (cont'd)

East VS West

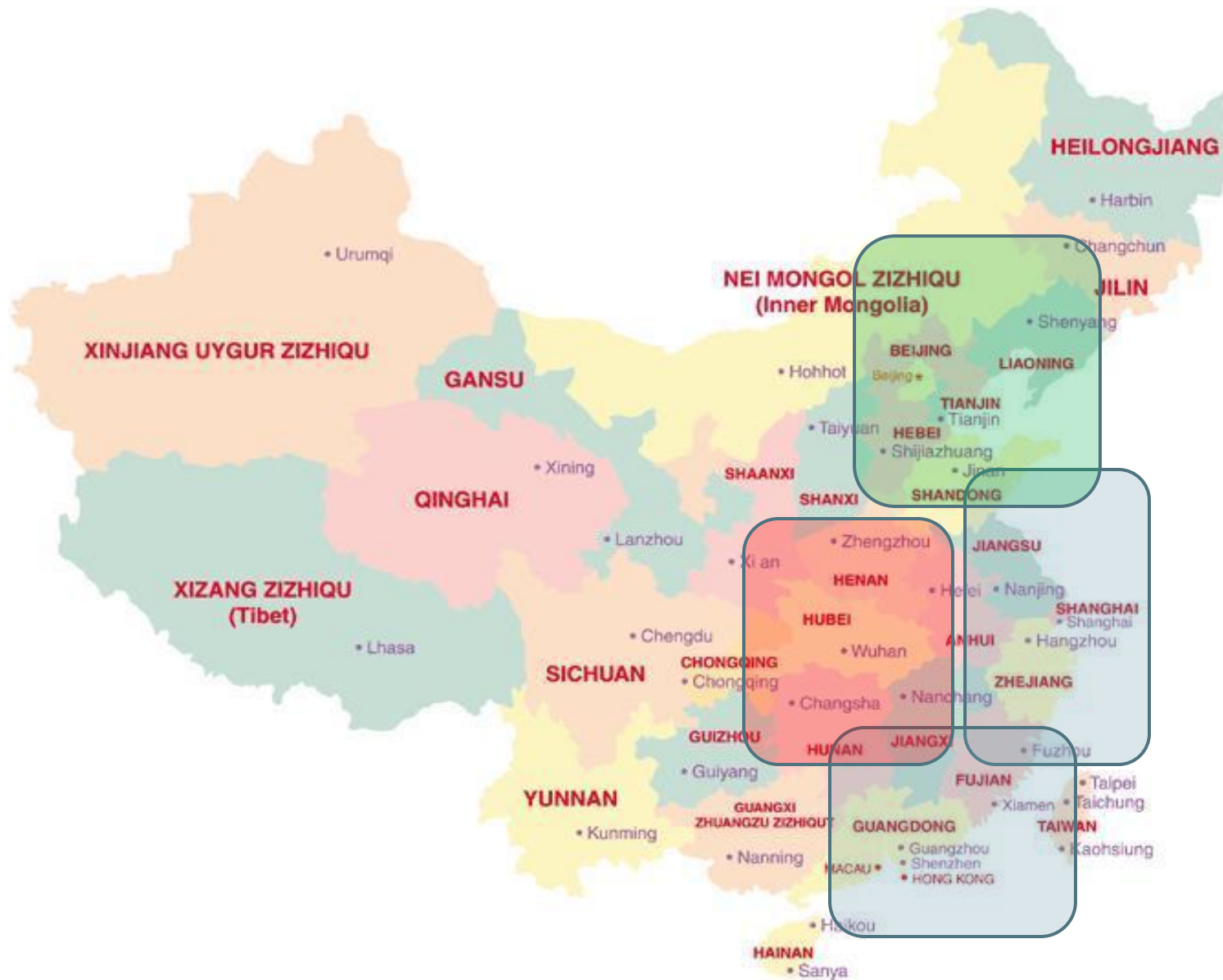
- ✓ A strategy based on locations and revenues

Competing in two opposite segments

- ✓ Impose a double brand image

Strategic use of communication media and distribution network

- ✓ Brands Top 3 within the next 5 years



2. Unique Resources

Tangible resources:

- ✓ Financial: international group financial capital
- ✓ Physical: Presence with acquisition of Harbin Brewery group

Intangible resources:

- ✓ Technology: producing cheaper than competitors
- ✓ Reputation: Harbin is the 4th beer drunk in China

Human resources:

- ✓ Mix of local people and international decision-makers

Unique Capabilities

Knowledge and Know-How for breweries as an well-known international company

- ✓ Managing several brands
- ✓ Developing different alcohol rate lager
- ✓ Ability to build sustainable alliances with other breweries or distributors (ability to work with local people)

3. Sources of competitive advantage

For economy lager:

- Cost advantage
 - ✓ substantial capital
 - ✓ low cost for production of packaging
 - ✓ know-how in beverage making

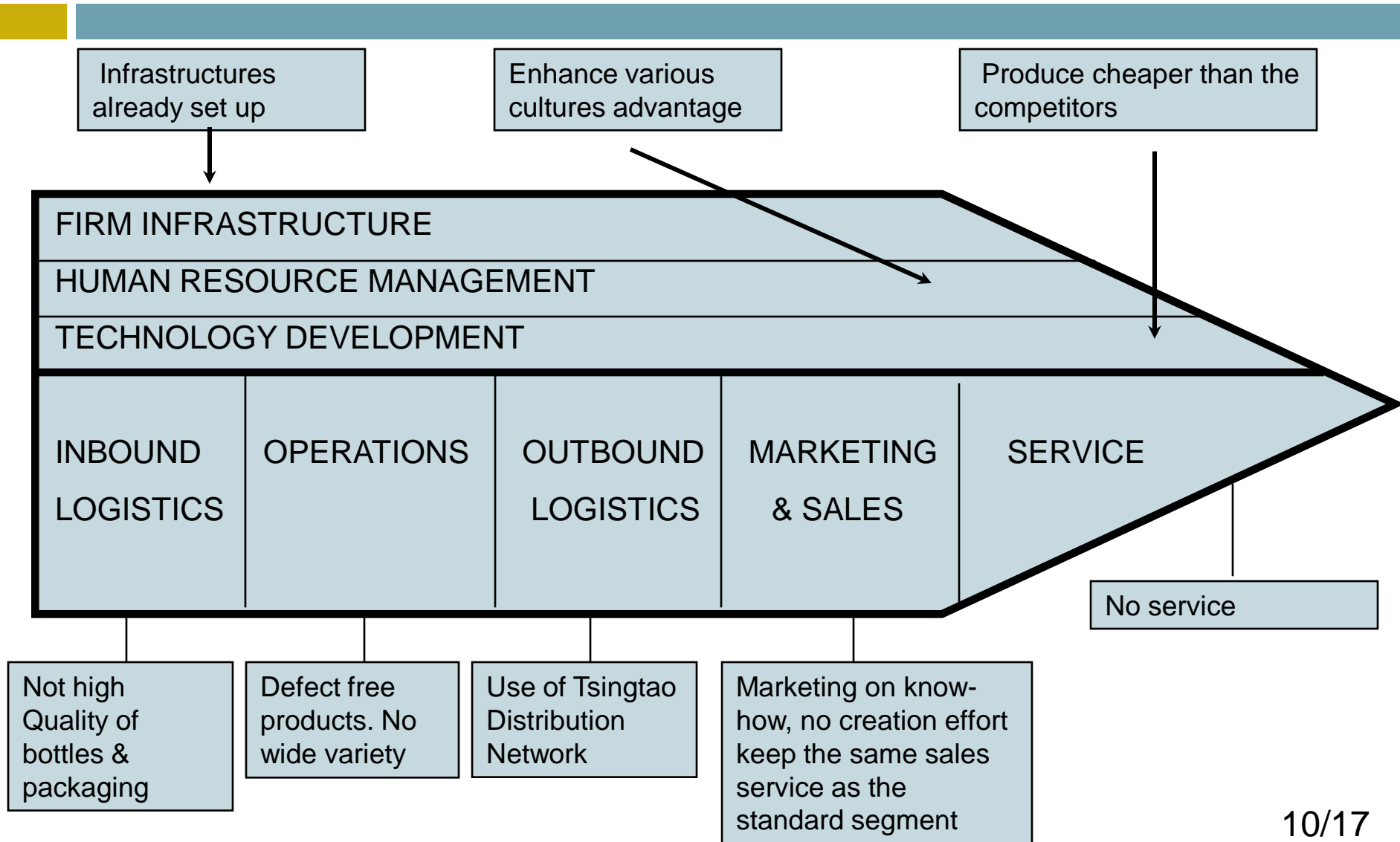
For premium lager:

- Differentiation advantage
 - ✓ know-how in branding beers
 - ✓ R&D department sustained by the international group

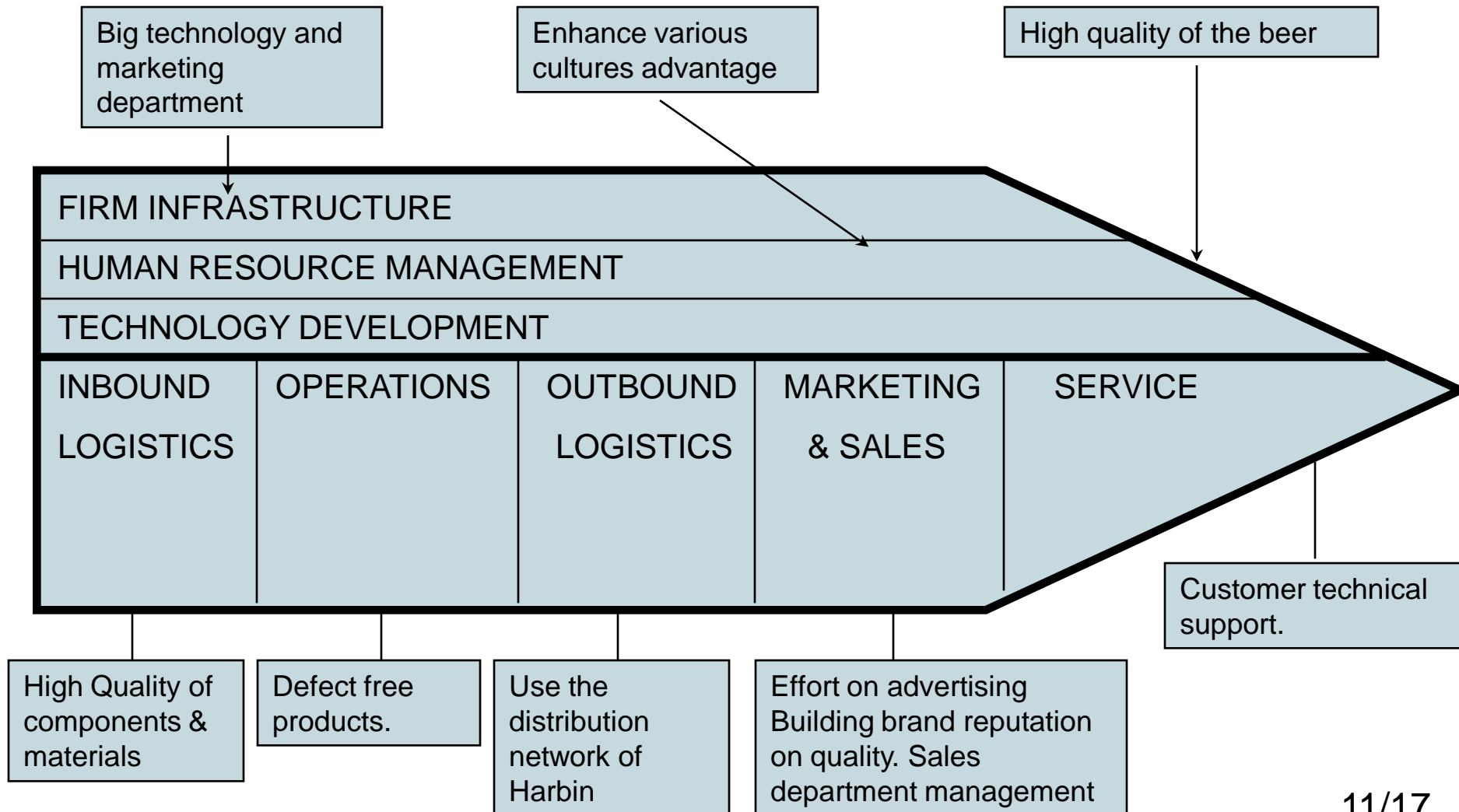
4. Functional Strategies

- Cost strategy for the economic segment
- Using the Value Chain to identify differentiation potential on the supply side

Cost Strategy for the economic segment



Using the Value Chain to Identify Differentiation Potential on the Supply Side



5.1 Development Mode for the economic segment

- **Internal development**
 - No particular internal development
- **Acquisitions**
 - Acquisition of small local brewers
- **Alliances**
 - Alliance with Tsingtao

5.2 Development Mode for the premium segment

- **Internal development**
 - Development of the paper and bottles production department
 - Development of the marketing department
- **Acquisitions**
 - Acquisition of Harbin
- **Alliances**
 - No alliance

6.1 Internal strategic factor analysis summary (IFAS)

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Internal Strategic Factors	Weight	Rating	Weighted Score
Strengths			
•Anheuser-Busch is the world's leading brewers	0.15	3	0.45
•A-B has plenty resources so it can take finance risks	0.25	4	1.00
•Packaging operations allow cost and quality mgt	0.15	4	0.60
• AB gets raw materials from internally sources	0.20	4	0.80
Weaknesses			
•Harbin Brewery Group passed through a multitude of ownership changes since 2001	0.15	3	0.45
•AB can be vulnerable to currency exchange rate and other international monetary risks	0.05	1	0.05
•AB is highly dependent upon regulatory and legislation changes	0.05	1	0.05
•Lack of social responsibilities	0.05	1	0.05
Total Weighted Score	1.00		3.45

6.2 External strategic factor analysis summary (EFAS)

External Strategic Factors	Weight	Rating	Weighted Score
Opportunities •Premium market growing	0.20	3	0.60
•Gain of market share by foreign brands	0.15	3	0.45
•No loyalty to any brand	0.05	1	0.05
•Quickly growing population	0.15	2	0.30
Threats •Lots of competitors	0.25	4	1.00
•No loyalty to any brand	0.10	2	0.30
•Foreign investors have to follow some restrictions (interest charges) or establish presences through licensing agreements	0.075	1	0.075
•Shortage of malt	0.025	1	0.025
Total Weighted Score	1.00		2.80

6.3 The SWOT Matrix

IFAS EFAS	Strengths	Weaknesses
Opportunities	<p style="text-align: center;">SO Strategies</p> <ul style="list-style-type: none"> •To develop our product on 2 segments : premium + economy •To increase equity investment on the China market 	<p style="text-align: center;">WO Strategies</p> <ul style="list-style-type: none"> •To reinvest in core business to improve the performance of AB •To adjust prices to offset taxes
Threats	<p style="text-align: center;">ST Strategies</p> <ul style="list-style-type: none"> •To continue dominating market share thanks to competitive advantages and extensive advertising 	<p style="text-align: center;">WT Strategies</p> <ul style="list-style-type: none"> •To adjust policies and procedures regarding derivatives and hedging in the event of potentially negative foreign currency exchange

7. Risk factors

Risks Factors	H	M	L	Strategic objectives
Market risks <ul style="list-style-type: none"> ▪ Lots of competitors ▪ Increased competitive pressures may reduce revenues or increase costs 	x	x		The company staff have to do more efforts to maintain sustainability of the activity
Development risks <ul style="list-style-type: none"> ▪ Obligation to make alliances/ to work with local people: it could create conflicts or misunderstanding 	x			The company have to sensitive the local people and the outsiders on their differences and learn how to work together
Taxes risks <ul style="list-style-type: none"> ▪ Influences of authorities ▪ Anheuser-Busch is subject to risks associated with international operations. ▪ An increase in beer exercise taxes or other taxes could adversely affect financial results 		x x	x	The company top managers have to care about the authorities to avoid high taxes and restrictions
Customers relationship risks <ul style="list-style-type: none"> ▪ No brand-attachment for the customers 		x		The company have to do more efforts to understand Chinese customers and encourage them to find a habit in Harbin beers
Total Risks	2	4	1	



Thank you for your attention

Any questions ?